

Meeting Date: 08/13/2013

Report Type: Staff Report

**Audit Committee
Report**

915 I Street, 1st Floor

www.CityofSacramento.org

Title: City Auditor's Recommendation Follow-up Report For The Six Month Period Ending June 30, 2013

Location: Citywide

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

Recommendation: Accept the Auditor's Recommendation Follow-up Report for the January 2013 to June 2013 period and forward to the City Council for final approval.

Contact: Jorge Oseguera, City Auditor 808-7270

Presenter: Jorge Oseguera

Department: Mayor and City Council

Division: Office of the City Auditor

Dept ID: 01001201

Attachments:

01 Description/Analysis

02 City Auditor's Recommendation Follow-up Report For The Six Month Period Ending June 30, 2013

Submitted By: Jorge Oseguera

Adobe Signature:

Approved By: Jorge Oseguera

Adobe Signature:

Attachment 01 – Description/Analysis

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

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

Economic Impacts: None.

Environmental Considerations: None.

Sustainability: None.

Commission/Committee Action: None.

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

Financial Considerations: The costs of the audits listed in the Quarterly Activities Report were funded out of the 2012/13 Office of the City Auditor Budget.

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



CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

August 8, 2013

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

Honorable Members of the Audit Committee:

The Office of the City Auditor conducts performance audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City programs. In many cases, this involves verifying compliance with laws and regulations, identifying internal control weaknesses and failures, and assessing whether the City has acquired and used its resources efficiently. The office monitors the implementation of all audit recommendations, and reports on the status of all open audit recommendations every six months with a semi-annual report. In accordance with the City Auditor's approved 2012-13 Audit Plan, we prepared a report of the status of open recommendations for the six months ending June 30, 2013. 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.
- **Drop** – The auditor recommends eliminating the recommendation since a change in circumstances rendered it unnecessary.
- – A checked box¹ indicates notable new progress since the last semi-annual report towards implementing the recommendation.

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

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

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

One of the measures by which we evaluate the effectiveness of our function is by identifying more in benefit for the City than the City incurs in audit cost. The City Auditor's Office's budget for Fiscal Year 2012-13 was about \$513,000. Dividing the Potential City Benefit for 2012-13 by the Office's budget results in \$0.78 in identified potential benefit for every \$1 of audit cost.

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

Exhibit 1: Potential City Benefit and Recommendation Status

Report Title	Date Issued	Potential City Benefit	Estimated Realized Benefit	# of Rec's Made	Not Started	Started	Partly Implemented	Implemented	Dropped
2012-13 Audits									
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	0	6	5	3	0
Sacramento Regional Sports Education Foundation	Sep 2012	\$400,000	\$60,000	8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012			22	2	20	0	0	0
2011-12 Audits									
Utility Billing Review	Jun 2012	\$1,300,000		11	0	5	5	1	0
AB 1825 Compliance	Jun 2012	Reduce Liability		9	0	1	5	3	0
Whistleblower Hotline Assessment	Feb 2012	Reduce Fraud		2	0	1	0	1	0
Fleet Management	Dec 2011	\$6,100,000	\$2,800,000	18	0	7	2	9	0
Municipal Golf Revenue and Expenditure Analysis	Sep 2011	\$500,000	\$500,000	0	0	0	0	0	0
Revenue Collections	Jul 2011	\$3,600,000	\$40,000	12	0	1	2	9	0
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	0	6	15	1	0
2010-11 Audits									
Sacramento Utilities Department Operational Efficiency and Cost Savings Audit	Jun 2011	\$8,641,000	\$2,200,000	27	0	0	9	10	8
Audit of Employee Health and Pension Benefits	Apr 2011	\$16,000,000	\$7,470,000	28	1	4	11	12	0
Performance Audit of the Community Development Department	Oct 2010	\$2,300,000		40	0	1	7	31	1
Total		\$38,441,000	\$13,070,000	213	3	52	61	80	17

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

Respectfully submitted,

Jorge Oseguera

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Post Audit Summary of Citywide Purchase-Card Use

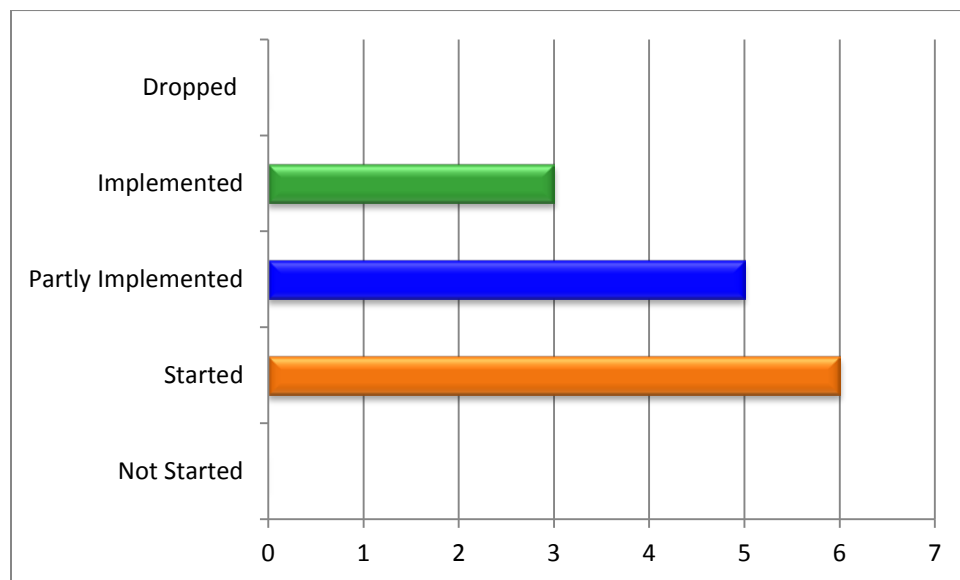
The *Audit of Citywide Purchase-Card Use* contained three findings and identified purchase card transactions that violated City policies. The audit, which was released in October 2012, included 14 recommendations to improve purchase program controls and administration.

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

Since the publication of the audit, Procurement Services has reduced the number of purchase cards from 292 to 178 (114 card reduction) in use and have drafted a comprehensive Purchasing Card document. Of the 14 recommendations, we determined the Department has implemented or partially implemented eight recommendations (57%) and has started work on six others (43%). Many of the recommendations involving development of a Purchasing Card document are pending deployment of the City's new Automated Policies and Procedures System (APPS.)

Beginning July 1, 2013 the Procurement Services Division will report to the Finance Department. Prior to this, the Procurement Services Division reported to the Department of General Services (DGS.)

Exhibit 2: Status of Audit Recommendations



Finding 1: While transactions reviewed did not reveal extensive personal purchases, some charges violated policy and lacked complete support

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

Partly Implemented The draft Purchasing Card document includes language prohibiting the purchase of supplies, equipment or services that have been established by contract or agreement. The policy is expected to be distributed in late 2013. In addition, a list of Citywide contacts is distributed quarterly to the department directors by the Procurement Services Manager.

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

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

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

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

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

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

Partly Implemented The Purchasing Card document, which is expected to be distributed in late 2013, will serve as the authoritative document.

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

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

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

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

their responsibilities. Training will be developed and delivered via the City's recently acquired computer based testing system (CBTS) by December 2013.

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

Started The draft Purchasing Card document, which is expected to be finalized in July 2013, sets annual training requirements and includes a form that approving officials sign to acknowledge their responsibilities. Will develop and deliver via City's recently acquired CBTS by December 2013.

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

Partly Implemented The department performed three transaction reviews from January 2013 through May 2013. Questionable items were identified and forwarded to the Director of General Services for review. The Director of General Services met with the City Manager, but has not yet presented the information to the respective departments. As the Procurement Department is transitioning over to the Finance Department, this will be performed by the Finance Manager.

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

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

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

Started The draft Purchasing Card document specifies strengthened controls. Also, staff will consider including "best practices" that were described in the audit. Staff has begun conducting regular reviews of purchase transactions and forwarding questionable transactions to the City Manager. Draft policy expected to be distributed in July 2013.

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

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

Implemented Procurement Services has worked with the City Manager's Office and other departments to remove 114 purchase cards from use. As of June 2013, there were 178 purchase cards in use, down from 292.

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

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

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

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

Due to developments since the audit's publication in September 2012, it is no longer appropriate to follow up on our audit recommendations. Specifically, City Council approved a plan to transfer the marketing and management of sporting events away from SRSEF to the Sacramento Convention and Visitors Bureau (SCVB). Under the plan, which was approved in November 2012, the SCVB will pay the City \$400,000 by 2017 for the right to perform sports marketing on the City's behalf. The money, which is the same as the amount loaned to SRSEF, will be deposited into the City's Parking Fund to replenish the \$400,000 it originally loaned to the non-profit. The Parking Fund received its first deposit from SCVB in the amount of \$60,000 on May 1, 2013.

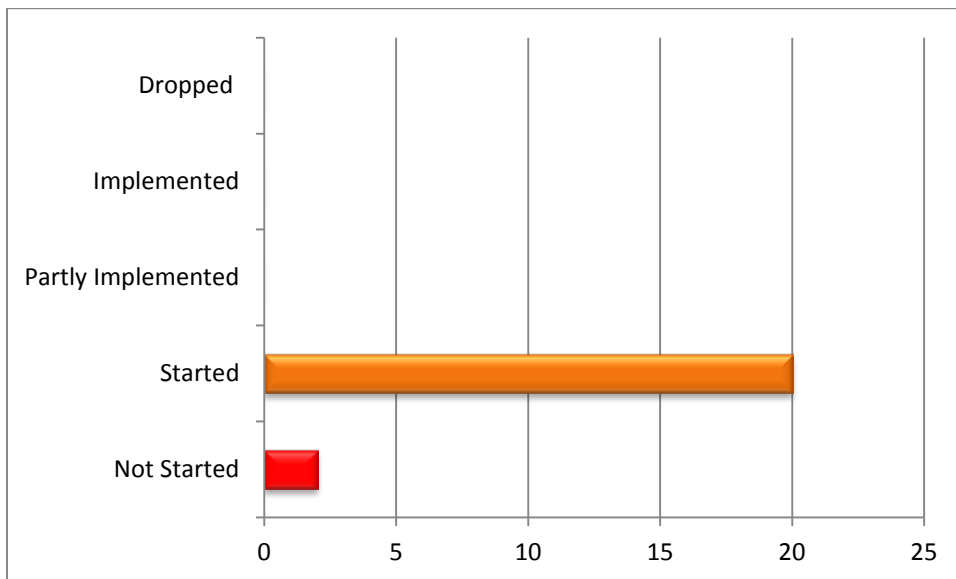
Since recommendations were directed to SRSEF, they have all been dropped.

Post Audit Summary of the Audit of the Fire Prevention Program

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

Since the audit's release in August 2012, we have been working with the Assistant Fire Chief to assess adequate implementation of the adopted recommendations. During the reporting period of January 2013 to June 2013, the Fire Department noted some ground has been lost due to staffing reductions earlier in the year but staffing levels are expected to increase in late 2013. Steps taken toward implementation of the recommendations since the release of the audit include working with City IT and the software vendor to improve the database, contracting with Citygate Associates in May for assistance in developing policies and procedures, and the assignment of responsibility for the implementation of the audit's recommendations to key staff. As shown in Exhibit 3, we designated 20 recommendations as started (91%) and 2 recommendations as not started (9%).

Exhibit 3: Status of Fire Prevention Audit Recommendations



Finding 1: The Fire Department Needs to Formalize its Processes in order to Improve its Fire Prevention Program

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

☑ **Started** Fire Prevention Division has contracted with Citygate Associates to develop Prevention Division Memoranda of Agreements (MOA) and Standard Operating Guidelines (SOG) which will address audit specified business practices. Fire Prevention is working on the development of SOGs to ensure required inspections are tracked and conducted as required by California and City Codes.

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

☑ **Started** The Fire Prevention Division will have the Citygate consultants develop the SOG regarding ordering/handling/inventory control/use of enhanced security measures.

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

☑ **Started** The Citygate consultants are to develop Prevention Division Memoranda of Agreements and SOGs which will address audit specified business practices. Citygate Associates completed interviews with fire prevention staff and is developing a logic model for best business practices. The Fire Prevention Division is developing Flexible Data Management (FDM) process charts to analyze current business practices, review processes with FDM software developers, and streamline current practices to meet fire prevention's needs.

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

☑ **Started** The Fire Department and City Clerk began implementation of a coordinated storage plan for inspection documents, including electronic filing of blue print and construction documents. Signature Reprographics has completed approximately 50 percent of the 1,000 blueprints stores in the headquarter basement. Fire Prevention performed an inventory and found there are an additional 1,000 county blueprints presently stored at 300 Richards Blvd. Small format documents are yet to be scanned and stored in Citywide Content Management (CCM)

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

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

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

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

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

Started Citygate Associates completed interviews with fire prevention staff and is developing a logic model for best practices which will result in the development of SOGs.

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

Started Fire Prevention Division is developing information for a web-page-based fire code requirements listing. Fire Prevention has developed an interim customer guide for the use of Knox boxes.

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

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

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

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

Started Citygate Associates completed interviews with fire prevention staff and is developing a logic model for best practices which will result in the development of SOGs.

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

☑ **Started** The Revenue Division provided the Fire Department a work plan on December 7. The Fire Department and City's Department of Finance developed a three-phase move of the approximately 18,000 permits. The first phase will be invoicing and collection for code enforcement, then for self-certification, and finally for mandated inspections. The latter requires changes to the Fire Department's internal processes prior to moving invoicing to Revenue. The invoicing for Phase 1 of the approximately 1,000 annual accounts is completed and approximately 9,000 remain. The Fire Prevention Division is preparing to transfer approximately 2,000 annual self-certification apartments to the Revenue Division. The City Council approved additional staffing for the Fire Department during the June 11, 2013 council meeting to help with implementation.

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

☑ **Started** The Fire Department will establish operating guidelines to ensure City Code, Title 2, Chapter 2.24.090 requiring fees to be collected in advance is enforced. The Fire Department has started collaborating with the City Clerk and Revenue Division of the Department of Finance to establish a memorandum of understanding. Citygate Associates completed interviews with fire prevention staff and is developing a logic model for best business practices which will result in the development of SOGs.

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

☑ **Started** On September 28, the Fire Chief issued a policy direction memorandum that, among other items, directed that fees established in the City's Resolution be applied in totality, and prohibiting fee waivers. This direction was emailed to Fire Prevention staff, and stored in a central drive dedicated to Fire Prevention policies and procedures. All invoices transferred to City Revenue to date are collecting late fees with established fee revenue business practices.

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

☑ **Started** Citygate Associates completed interviews with fire prevention staff and is developing a logic model for best business practices which will result in the development of SOGs.

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

☑ **Started** The Fire Prevention Division has shifted work load to current clerical staff which enables staff to accurately track all accounts in FDM. The City Council approved additional staffing for the Fire Department during the June 11, 2013 council meeting which will help the division implement this recommendation.

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

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

☑ **Started** Currently working with PSIT and FDM Software to verify accuracy and validity of data, along with measures to deter future importation of invalid data. The FDM Software has been contracted to complete on-site/off-site database project to streamline current practices and implement security groups. Project work is scheduled to begin July 2013.

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

☑ **Started** The Department is working with City GIS specialists to improve management of the database, and specifically met with City GIS on September 17, 2012 to lay out business requirements, resources, data sources, plan to evaluate data, and develop a timeline. The Fire Prevention Division has acquired \$25,000 to contract with FDM to make all the needed changes in the database software. The Project work is scheduled to begin July 2013.

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

☑ **Started** Currently working with Public Safety Information Technology (PSIT) and FDM Software to verify accuracy and validity of data, along with measures to deter future importation of invalid data. The FDM Software has been contracted to complete on-site/off-site database project to streamline current practices and implement security groups. Project work is scheduled to begin July 2013.

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

☑ **Started** The Fire Prevention Division is working with Geographic Information systems (GIS) to determine the database layers needed for comparison to help eliminate missing data in the future. PSIT has made adjustments to the FDM user interfaces that allow for database comparisons of City and County Business Tax, Assessor's Parcel, and Sacramento County Environmental information. The Fire Prevention Division will begin beta testing the reconfigured version of FDM in August 2013.

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

☑ **Started** Fire Chief is convening a meeting with Fire Senior Staff, and City IT, to make a policy determination. The Fire Prevention Division is still waiting for a policy determination from the Fire Chief.

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

☑ **Started** On November 30th the Fire Chief issued a policy memo stating that businesses previously inspected by Fire companies convert to self-certification four out of five years. In addition, the Fire Department said it will inspect apartment buildings with 16 units or less every five years. This will be incorporated into the database so that these entities come up for inspection as required. No work has been conducted for business occupancies since the elimination of the CIS Coordinator. Since then, there have been no monitoring of company inspections or FDM data updates. Fire Prevention is tasking Citygate Associates to develop best practices and convert to a self-certification program. Anticipated annual permit fee revenue is over \$500,000.

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

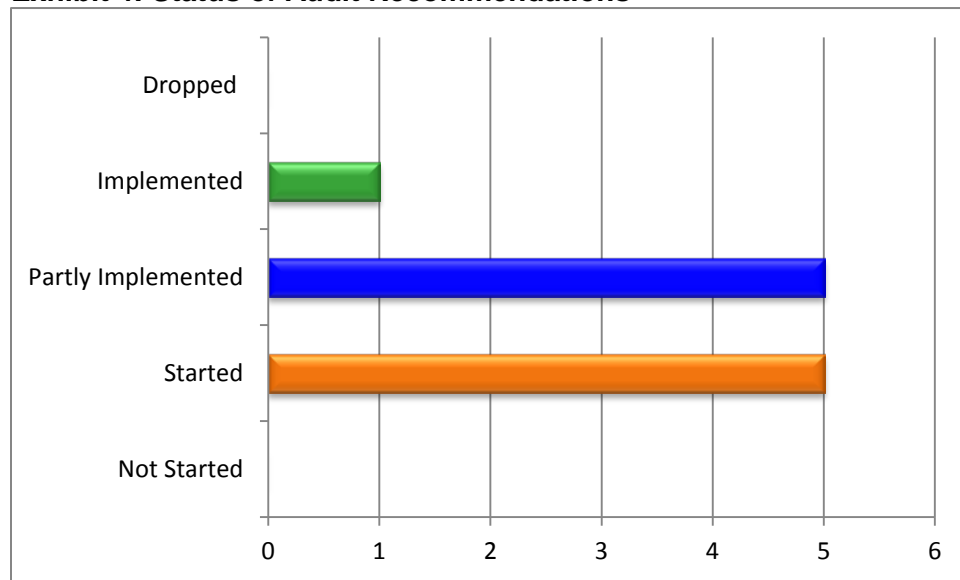
☑ **Started** The Fire Department met with City GIS on September 17, 2012 to lay out data sources, and plan to evaluate data. Fire Prevention has changed current work practices that enable clerical staff to accurately track all accounts in FDM. City Council has approved additional staffing to allow for the increased workload in data management and assist the Division with making critical changes to the capabilities of FDM.

Post Audit Summary of the Audit of Utility Billing

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

Since the publication of the audit, the Department of Utilities (Utilities) has made progress towards implementing all recommendations. Of those, we determined that the department has implemented or partly implemented six recommendations (55%) and has started work on five others (45%). The division's progress is shown in the exhibit below.

Exhibit 4: Status of Audit Recommendations



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

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

Partly Implemented Utilities has been actively updating accounts since August 2012, resulting in 804 accounts being updated with the correct square footage. Approximately 2,700 variances in storm drainage billing were identified via a comparison of County parcel data and the City's billing system, of which 1,400 were over billing and 1,300 were under billing. Approximately 50% of the variances are \$1 or less and all of the 667 accounts related to this variance that were under billing have been corrected to date.

A total of 53 accounts were identified as overbilling with a variance greater than \$100, of which all have been assigned and worked. The remaining accounts identified as overbilling have a variance of \$100 or less and are the priority accounts being assigned. About 30% of the total variances have been corrected to date. Utilities estimates that all account variances identified will be corrected by or before June 2014.

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

Started Approximately 14,000 parcels have been identified as being in the County's parcel database, without a unique account reflected in the City's billing system. Of those parcels identified, 1,300 have been physically inspected since August 2012, and billing has been initiated on approximately 780, or 60%, of the inspected parcels. A thorough analysis is required for each of these parcels and currently exceeds our staffing capacity to resolve this issue in a timely manner. The Utility Department is actively investigating avenues to expedite this process and will report back to the Auditor's office in the next few months with an updated timeline for completion of this task.

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

#3 Consider initiating discontinuance process for delinquent accounts.

Partly Implemented Utilities conducted a survey of other municipality's discontinuance programs and estimated the potential revenue recovery that would be achieved by Utilities if a discontinuance policy were initiated. Based upon a number of assumptions about customer behavior and data supplied from other agencies, the Utilities estimates an increase in the ability to recover net revenue by \$500,000 to \$750,000 annually. In addition, there would be one-time costs to establish a service discontinuance program of approximately \$25,000. Recurring costs associated with the program could be covered by the discontinuance shut-off and restoration fees established by City Council and reflected in the 2013 City of Sacramento's Fees and Charges report.

Utilities presented the above findings to City Council on June 25, 2013 with a recommendation that the City practice a discontinuance process. The City Council asked for staff to bring the item back in the near future with some additional clarification based on Council's comments. The recommended program proposes discontinuance of water and wastewater services for nonpayment, but not storm drainage or solid waste services, although a customer would be required to pay their entire utility bill to prevent the water service from being shut-off. Storm drainage cannot be discontinued. Discontinuance of solid waste service is not consistent with the regulatory State mandate for weekly garbage collection, would not support the City's landfill diversion requirements, and may increase illegal dumping. The proposed program supports budget sustainability and fiscal responsibility by being more aggressive in account collections, in an attempt to ensure that each customer pays for services rendered.

If Council approves a service discontinuance program, the Utilities proposes to implement the program in January 2014. Implementation of this proposed program would be preceded by an extensive public outreach and information campaign beginning in the Fall of 2013 to allow

customers time to become aware of the program and bring their accounts current. In addition, Utilities' CIS billing system would require modification and an administrative discontinuance process would be developed.

Finding 3: The Department does not Monitor Collections' Performance

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

Partly Implemented Utilities is currently exploring opportunities for active account collections and plans to develop a process to closely monitor monthly collection reporting with actual write-offs by Fall 2013. However, the City recently entered into a 5-year contract (3-year contract with 2 option years) with the existing collections vendor, which does limit the policy changes that can increase collection effectiveness in the near future. Utilities plans to coordinate with the Revenue Services Division prior to the end of the existing contract's expiration date to assist in developing language for a new contract that would require stronger reporting and collection recovery performance goals.

Utilities partnered with Financial Credit Network (FCN), our current Collection agency. They provided training on October 19th and 26th of 2012 in the area of handling bill disputes, negotiating payments and liability, and confirming customer information. This training will help to ensure FCN receives the most current information on the customer. FCN also provided the 2011 Top Collection Market Survey, produced by the Association of Credit and Collection Professionals, which reflected industry liquidation collection averages of 16.6% for non-government utility accounts and 21.7% for government accounts.

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

Started Utilities will be recommending initiating a discontinuance process for non-payment of water to City Council on June 25, 2013, as part of recommendation 3 of the audit findings. A discontinuance process would also increase assertiveness of billing and collection efforts immediately following a lien, which would address recommendation 5. In addition, Utilities has drafted stronger language on delinquent notices for active accounts, as well as introducing a new collection notice for closed accounts, in which two pre-collection notices with stronger language will be sent within 15 days of one another. Utilities has also revised the timeline for the referral of closed accounts to a collection agency, reducing the time from 85 days to 36 days after the final bill due date to increase assertiveness. Utilities continues to explore opportunities to increase collection assertiveness and efficiency.

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

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

Partly Implemented A number of existing reports are also currently generated either on a monthly, quarterly or semi-annual basis, including bad debt, account aging, revenue, lien releases. Utilities is currently conducting an organizational assessment which will identify a resource(s) to measure key performance indicators in a balanced scorecard system. In addition, Utilities has developed a new active account delinquency report and plans to schedule monthly generation of the delinquency report and late fee assessments, beginning in fiscal year 2014. Monthly analysis will be performed on revenue, fees and account delinquency following the end of each month by the Billing Program Manager. Bad debt reporting is currently occurring on a monthly basis. Account aging, active service counts and lien assessments will be reviewed on a quarterly basis. DOU is currently conducting an organizational assessment which will identify a resource(s) to measure key performance indicators in a balanced scorecard system.

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

Partly Implemented As part of the Bad debt analysis, data on foreclosures are reviewed to compare with annual bad debt trends. In addition, as part of the discontinuance analysis, a review of lien and foreclosure trends for current and prior years have been conducted, which will assist in developing a process for monitoring revenue changes related to these activities. Lien assessments will begin being monitored on a quarterly basis by the Billing Program Manager.

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

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

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

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

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

Started Utilities conducted a review of the security and access rights in the CIS system and surveyed other agencies practices relating security rights of similar billing systems. Some best practices were identified, which Utilities has used in drafting a Privileged Users Access Monitoring Policy for implementation. This document is currently under final review.

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

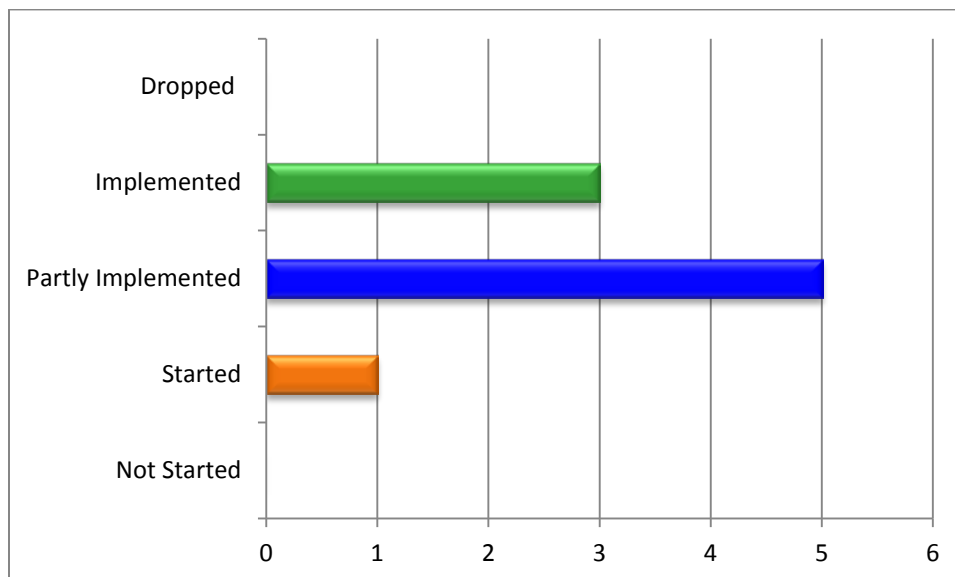
Started Utilities contacted the external vendor who currently hosts the database that stores meter reads used for billing requesting implementation of stronger passwords. The external vendor has not responded on this item.

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

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

Since the publication of the audit, the Department of Human Resources (HR) has made progress towards implementing 8 of the 9 recommendations. Of those, we determined that the department has implemented or partly implemented 8 recommendations (89 %) and has started work on 1 (11 %).

Exhibit 5: Status of AB 1825 Audit Recommendations



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

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

Partly Implemented Employee training requirements will be established in the Target Solutions learning management system by the end of July 2013. Target Solutions contains reporting features that will facilitate reconciliation of employee training assignments against completions. The Department of Human Resources, Risk Management Division will monitor regulatory training compliance and provide periodic reports to department managers.

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

[Partly Implemented](#) The Department has not modified the City's PAR form. The PAR form is not the most effective way to identify newly hired or transferred supervisors. Information Technology staff are working with a consultant to establish an electronic interface between Target Solutions and the e-CAPS personnel administration system. September 1, 2013 is the target date for implementation of the eCAPS / Target Solutions integration. From July to September, employee enrollments will be updated weekly via electronic file transfer from e-CAPS to Target Solutions.

Newly hired or promoted supervisors will automatically be assigned AB 1825 training in Target Solutions based on training requirements for their job code. Risk Management staff will monitor completion of assignments.

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

[Partly Implemented](#) The Department of Human Resources has incorporated a read and acknowledge receipt of the City's anti-harassment policy into the City's new employee orientation process. However, the department has not identified additional policies that employees should also read and acknowledge receipt.

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

[Partly Implemented](#) Human Resources staff identified classifications required to complete AB 1825 training and provided this information to department heads and appointed officials on May 8, 2013. Eleven department heads have signed and returned the verification. Risk Management staff are working with department staff to finalize requirements for the remaining five departments. All of the training requirements and signed verifications are expected to be complete by end of July.

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

[Implemented](#) A Request for Proposal was issued in November 2012. A group representing stakeholders citywide reviewed the proposals and selected Target Solutions as the City's web-based learning management system. Contract C2013-0479 was awarded effective May 21, 2013 for a five-year term. Citywide launch of the learning management system is planned for the week of July 22, 2013.

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

Partly Implemented Target Solutions contains a one-hour harassment prevention-training module. The Department of Human Resources will consult with the citywide Training and Wellness Steering Committee to determine if there is interest in requiring all non-supervisory employees to complete this class.

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

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

Post Audit Summary of the Assessment for Establishing a Whistleblower Hotline

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

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

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

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

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

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

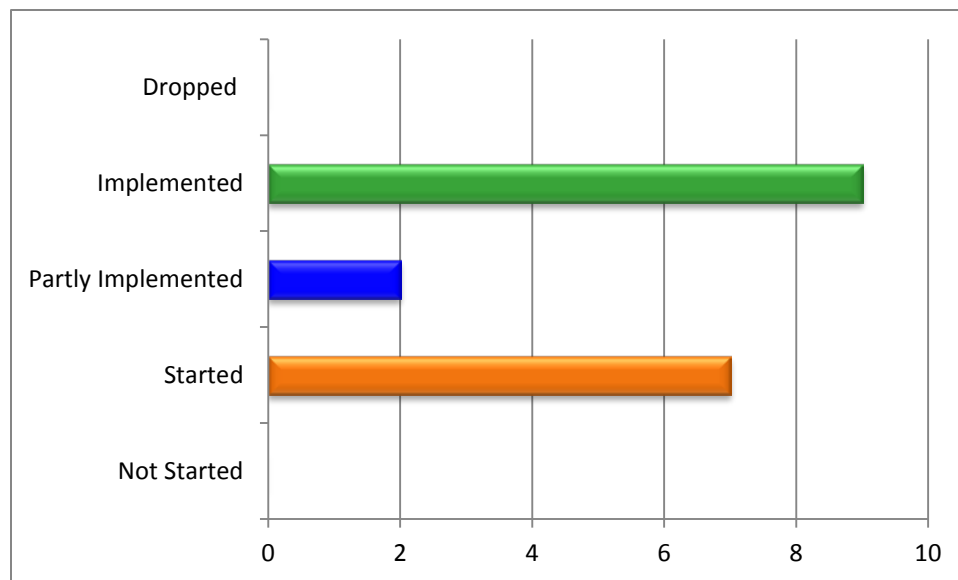
Post Audit Summary of the Audit of City Light Duty Vehicle Use

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

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

In addition to making recommendations to DGS, this report also included some recommendations to the City Manager's Office, City Attorney's Office, and Department of Finance. Of the 18 recommendations, we considered nine recommendations to be implemented (50%) and two to be partly implemented (11%) and seven as started.

Exhibit 6: Status of Audit Recommendations



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

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

Implemented Fleet Management implemented an enhanced Fleet Business Intelligence (FBI) reporting system so departments can better monitor their vehicle usage and identify opportunities for rotating vehicles within their assigned fleet.

#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 analyze and recommend optimal replacement criteria based on fleet management best practices and the City's operating costs. Fleet management is evaluating these recommendations and will incorporate them in the next equipment replacement budget forecast.

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

Partly Implemented The City Manager's Accident Review Committee was expanded to include review of vehicle use. The Committee has been tasked with reviewing and updating the current fleet utilization and employee transportation policies by January 1, 2014.

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

We recommend that the City Manager's Office:

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

Started The City Manager's Accident Review Committee was expanded to include review of vehicle use. The Committee has been tasked with reviewing and updating the current fleet utilization and employee transportation policies by January 1, 2014.

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

Started The City Manager's Accident Review Committee was expanded to include review of vehicle use. The Committee has been tasked with reviewing and updating the current fleet utilization and employee transportation policies by January 1, 2014.

We recommend that the City Attorney's Office:

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

Started This is pending ongoing labor discussions.

We recommend that the City Manager's Office:

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

Started The City Manager's Accident Review Committee was expanded to include review of vehicle use. The Committee has been tasked with reviewing and updating the current fleet utilization and employee transportation policies by January 1, 2014.

We recommend the City Manager:

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

Started The City Manager's Accident Review Committee was expanded to include review of vehicle use. The Committee has been tasked with reviewing and updating the current fleet utilization and employee transportation policies by January 1, 2014.

#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 Accident Review Committee was expanded to include review of vehicle use. The Committee has been tasked with reviewing and updating the current fleet utilization and employee transportation policies by January 1, 2014.

We Recommend that Finance:

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

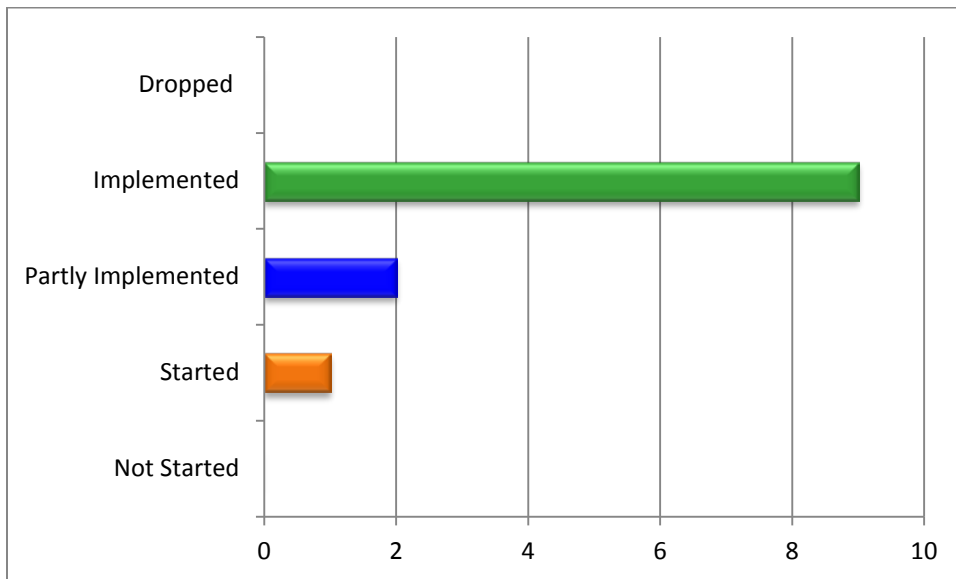
Started The City Attorney's Office performed its legal review and recommended to the Finance Department an update of the City Employees Transportation policy. The Finance Department will work with other departments to update the policy.

Post Audit Summary of the Audit of City Revenue Collection

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

Since the publication of the audit, the Department of Finance's Revenue Division (Revenue) has made progress towards implementing all of the 12 recommendations. Of those, we determined that the department has implemented or partly implemented eleven recommendations (92%) and has started work on one (8%). The division's progress is shown in the exhibit below.

Exhibit 7: Status of Audit Recommendations



Finding 1: The City, Including The Revenue Division, Could Improve Its Cash Handling Policies and Procedures

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

Implemented The Revenue Division completed its citywide cash handling policy in May 2012 and is designated AP-2300. This policy establishes cash handling guidelines and provides other City departments with additional information on potentially creating cash handling procedures specific to their department.

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

Partly Implemented Revenue has located, categorized, and sorted its policies and procedures. Also, it has begun writing new policies and procedures. In addition to creating the citywide cash handling policy, AP-2300, the Finance Director requested cash handling procedures from each of the City's Departments by 12/31/2013.

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

#4 Develop and continues to implement meaningful performance measures.

Implemented The Revenue Division is capturing time sheet data, collection performance data by collector position, and has implemented a cue-flow system that tracks why customers are visiting the Revenue Division. This data is being used by the Division to make decisions. The Revenue Department has also collected data on the number of phone calls received during its phone service hours. Reports on both the phone call volume and cue-flow volume have been created and used by management.

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

Implemented The Revenue Division is using data collected as described under recommendation number four, to assist in management decisions. For example, as a result of the management reviewing the phone service hours call volume, the Division is considering changing its phone service hours of operation. Further, after reviewing the cue-flow volume report management is considering changing the service counter hours of operation.

#6 Publicly reports the results of its performance measures.

Started The Revenue Division is in the process of redesigning its website and plans to include performance metrics on the new website. Currently Revenue is in the process of determining which measures would be most useful to the public.

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

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

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

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

Implemented The Revenue Division is now current on processing delinquency penalties. Once the new collections process with the County is in place, the Revenue Division will revisit potentially changing City code.

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

Implemented The Revenue Division pursued verifying the accuracy of transfer tax data and determined a detailed review would not add value to the process. Sacramento County (County) records and provides data to the City of Sacramento related to changes of ownership within the City. Once the County records the value of consideration (generally the purchase price) listed on change of ownership documents submitted by property sellers and buyers the City must accept the recorded value and therefore a detailed review would not add value to the process. The Revenue Division will continue to perform a reasonableness check of the recorded values. Additionally, the City's Enforcement and Collections staff do verify that the transfer tax calculation is correct as part of its overall transfer tax process.

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

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

Implemented At the May 21, 2013 City Council meeting, elimination of the uniform transient occupancy tax registration requirement was approved.

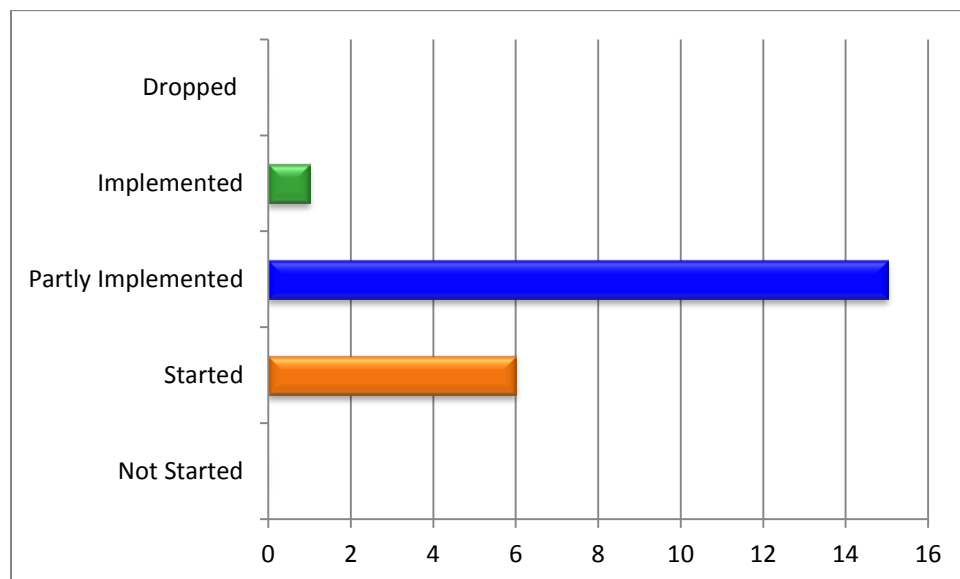
Post Audit Summary of the Audit of Citywide Policies and Procedures

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

Since the audit's release in July 2011, the City established an implementation team representing the City Manager, City Clerk and City Attorney. The Department of Finance, Revenue Division issued AP-2300 Cash Handling Policy in May 2012. The City Manager issued AP-1002 Whistleblower Protection in October 2012. In addition, City management issued an RFP for a revamped website to include citywide policies. In late 2012, the City Manager's Office convened a working group of Charter Officers and select department staff to develop a comprehensive digital solution to the findings of the Audit Report. The resulting Automated Policy and Procedures System (APPS) will utilize an electronic document workflow system to facilitate development and review of citywide policies and procedures, and improve the updating and accountability for these documents.

A demonstration of the APPS backend system and a published policy document was provided to the City Auditor's Office on June 18, 2013. As shown in Exhibit 8, we designated one recommendation implemented (5%), fifteen recommendations partly implemented (68%), and six recommendations as started (27%).

Exhibit 8: Status of Audit Recommendations



Finding 1: While the City has a System for Establishing Policies & Procedures, It is Generally Circumvented

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

Partly implemented The APPS working group has rewritten AP-1001 (renamed Automated Policy and Procedure System policy) to reflect the APPS system design. The language of the new policy document includes a statement that all e-mailed memorandums that establish or change citywide processes will be incorporated into the body of administrative policies and procedures via the APPS system.

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

Started The City Manager's Office informed us the APPS policy is updated to ensure all attachments referred to in a policy document are available, and that the Administrative Policy Coordinator will not approve a policy document unless all referenced documents are included at the time the policy is submitted. This will be implemented when APPS goes live.

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

Partly Implemented Because policy and procedure documents published via the APPS will only link to sections within the policy or procedure document (no external links), previous challenges with maintaining linked documents will be eliminated. The structure of APPS easily identifies missing supporting reference documents before publishing.

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

Partly Implemented The new Automated Policy and Procedure System (APPS) requires a review frequency be provided for each policy and procedure. As noted in the revised procedure, APPS will automatically send an email 60 days prior to the review date to the document's contact person to inform them of the pending review deadline. Because APPS will track the approval date for each document, queries may be made to determine performance and establish future performance benchmarks.

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

Started Consistent with the Automated Document Review System (ADRS), the City Clerk's Office will develop a video tutorial, which will include illustrations, to assist staff with the creation and updating of administrative policy and procedure documents. With the advent of APPS, the review process has been refined to include a two-week review and comment period for all departments and review/approval by all Charter Officers to ensure all employees understand the rules and expectations that govern their work.

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

Implemented The City modified its ADRS to include an attribute to the staff report development “form” to identify ordinances and resolutions that have the potential to impact City policies and procedures. As required by the new APPS procedures, the APPS Manager will review monthly ADRS reports to identify flagged reports and ensure appropriate policies and procedures are reviewed and, if necessary, updated.

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

Started The City will ensure area experts’ roles and responsibilities are incorporated into policies and procedures. Additionally, the City will update AP-1001 to state, “If a policy or procedure document does not provide sufficient information, questions should be directed to the contact listed as responsible for the subject matter.”

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

Started The City is in the process of incorporating the roles and responsibilities of area experts into existing policy and procedure documents via the APPS transition while taking care to evaluate incompatibility, ensure segregation of duties, and prevent conflicts of interest. The APPS Policy will be rewritten to require the APPS Manager to ensure no subsequent policy or procedure is published without a review for these same issues.

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

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

Started The Department of Finance, Revenue Division, issued AP-2300 Cash Handling in May 2012. The policy outlines internal control of cash, credit card acceptance, accounting practices, balancing and reconciling and other key practices. It also requires departments which receive payments to establish department specific cash handling policies. The Human Resources Department retracted its statement from June 2012 that 24 documents were completed. However, according to the City Manager’s office, HR has reduced the number of documents from 85 to 39 in preparation for approval. Other policies established include AP-1002 Whistleblower Protection (October 2012), and AP 4701 Healthy Vending Nutrition (September 2011). In addition the City Manager scheduled time with the Department of General Services in early 2013 to review final drafts of an updated policy for purchase cards, and a new Ethics Purchasing Policy.

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

☑ [Partly Implemented](#) The new APPS platform was built to facilitate, create and manage citywide, department and division policies. The Draft APPS policy language requires department directors to establish policies and procedures over key operational areas.

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

☑ [Started](#) The City's web team will be launching a new City website in the coming weeks that will remove all outside policies and procedures. Existing policies will be housed in the Citywide Content Management (CCM) system and published to the website. Archived policies may be accessed by contacting the City Clerk's Office. The APPS team is focused on transitioning existing citywide policies and, after the core (e.g. pre-existing APIs) policies are published, will conduct a thorough review of the remaining 250 documents identified by the audit to determine if they can be incorporated into existing policies, discarded, or developed into individual policy or procedure documents.

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

☑ [Partly Implemented](#) The City Manager's Office evaluated the examples provided in the Audit report. Many of the policies identified have been implemented since the City Auditor's Report was issued. Other policies have been drafted and will be incorporated into a review process for the Executive Team's forthcoming review/testing process of the APPS system. Additional policies will be considered per direction from the City Manager.

This recommendation will be implemented when these policies are published and are accessible by employees.

We recommend that the City Manager and City Clerk:

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

☑ [Partly implemented](#) The City's new APPS policy document notes that all current citywide policies and procedure documents shall be published to the CCM. CCM will provide the source documents for posting of City policies and procedures to the City's new website, which is currently anticipated to go live in August 2013.

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

☑ [Partly implemented](#) The City's new APPS policy document notes that all current citywide policies and procedure documents shall be published to CCM. CCM will provide the source documents for posting of City policies and procedures to the City's new website, which is currently anticipated to go live in August 2013.

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

☑ [Partly Implemented](#) Staff has designed and built the APPS system to serve as a central repository for Citywide, department and division policies and procedures. The APPS system will

house the “source” documents from which formal policy and procedure documents are “published” to the CCM (and website).

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

[Partly Implemented](#) There is awareness that the Human Resources Department policies present the most significant opportunity to achieve rapid success in transitioning existing policies into the APPS system and resolving a large portion of the 250 documents. The APPS project team will be partnering with HR to convert the recently updated HR policies into the APPS format. Four draft HR policy/procedure documents have been converted to the APPS format including: Reasonable Accommodation, Equal Employment Opportunity, Leave Administration, and Employee Separation as of today.

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

[Partly Implemented](#) The updated APPS procedure document requires the APPS Manager to archive policy and procedure documents when new documents are published to the CCM. The procedure also notes that archived policy and procedure documents are available by request via the City Clerk’s Office.

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

[Partly Implemented](#) APPS will provide a single point of accountability for each policy and procedure document including name, title, department, telephone number (new) and email address (new).

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

[Partly Implemented](#) The Clerk is updating the drop-down menu to reflect the current organization chart without losing former departments. Anticipate completion by July 31, 2013.

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

[Partly Implemented](#) The updated APPS procedure document requires the APPS Manager to archive policy and procedure documents when new documents are published to the CCM. The procedure also notes that archived policy and procedure documents are available by request via the City Clerk’s Office

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

[Partly Implemented](#) The APPS design provides a digital solution to the recommendation. Department directors and division managers and other key staff responsible for policy review will be notified by the APPS system when a policy or procedure document requires their review. A digital review and approval process will ensure policy and procedure documents remain current.

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

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

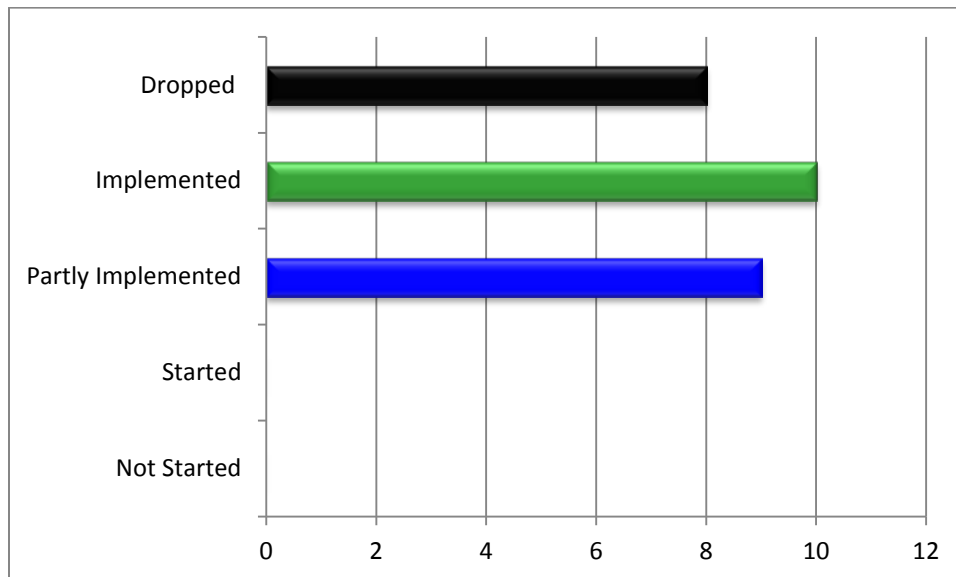
Partly Implemented APPS was built to accommodate and provide a central repository for and the accountability for ensuring citywide, department and division policy and procedure documents are put in place and kept up to date. A briefing was provided to department directors on April 26 as well as July 10th to update them on the developing APPS system, including the fact that APPS was built to house department and division policies.

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

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

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

Exhibit 9: Status of Audit Recommendations



Finding 3: An Operations Energy Management Program should be implemented

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

Partly Implemented In March 2012, DOU contracted with Black & Veatch (B&V) to identify the potential benefit of achieving operational energy reduction efficiencies for DOU's water, wastewater, and drainage systems. The study evaluates DOU's energy use in these systems

and identifies automation, control, and SCADA system improvements that support operations optimization.

DOU received the study in June 2013. Black & Veatch's findings show potential cost savings within all three systems with the most significant operational cost savings coming from the water system. As expected, the water system's energy cost makes up the majority of the annual expenses. DOU is evaluating the study and has some funding set aside to implement energy related programs. DOU will report back regarding implementation of specific projects as part of the next audit update in January 2014.

Additionally, the department included Key Performance Indicators (KPIs) for Levels of Service (LOS) related to energy efficiency as part of its recent business plan.

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

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

Partly Implemented In December 2012, the Recycling and Solid Waste Division (Division) completed the hiring of a new GIS III position to assist with the implementation of the 2012 Solid Waste Business Plan. The Plan included a number of programmatic changes for the Division.

Division staff utilized RouteSmart and other software programs to help design the new routes. Additionally, the expertise of our new GIS III position has greatly enhanced our ability to create routes that are more efficient for drivers. The re-route focused on variables such as route size, distance to the transfer stations, and projected participation rates based on historical information from certain areas within the city.

Even with all the changes, including new routes for drivers in new areas, the Division has already seen a significant reduction in daily overtime. Prior to the program changes on July 1, total overtime ranged from 15-30 hours per day. Since July 1, total overtime has averaged 3-5 hours per day. Solid Waste expects daily overtime to reduce further as the drivers become more familiar with their new routes.

The Division will continue to research new software programs that may enhance its ability to create more efficient garbage, recycling and yardwaste routes.

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

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

Partly Implemented In November 2012 the Division contracted with UpTown Studios, a public relations and branding firm, to assist with the development of numerous public outreach campaigns regarding waste collection and recycling programs. The campaign focused on the changes that were forthcoming for the Division, including bi-weekly recycling, the end of year

round loose-in-the-street yard waste service, containerized yard waste collection, and the return of the Appointment Neighborhood Clean-up program.

Additionally, as reported in the past, the Division has completed the annual recycling characterization study. In 2012 the residual rate dropped ten percentage points, from 32 percent to 22 percent. In 2013, the residual rate continued to drop to 21 percent. The Division's objective is to continue to aggressively educate residents about the curbside recycling program and continue to reduce the residual rate in the curbside recycling program.

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

Additional Operational Efficiencies and Cost Savings

#8 Create and implement a Large Meter Replacement Program.

Partly Implemented DOU is in year two of a five year replacement program. Approximately 350 of 1250 meters have been replaced and the program is ahead of schedule for the current fiscal year. The department is in the process of analyzing data to quantify revenue being generated by the replacement program for 3" and larger meters. For those meters installed between 3/1/10 and 3/1/12, twelve months of pre- and post- installation revenue will be analyzed. For those meters installed between 3/2/12 and 9/1/12, six months of pre- and post-installation will be analyzed. DOU will report the results of this analysis no later than the January 2014 update.

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

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

The Department will compare the costs of the Curtis Park/Oak Park Water Meter Retrofit project (bid in November 2012 and includes a total of 2,871 water services to retrofit) to the Parkway & Valley Hi Water Meter Retrofit (to be bid in the fall and includes approximately 4000 meter retrofits). The Department will report back the bid results and estimated unit cost per meter retrofit to compare previously reported numbers and costs.

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

Partly Implemented Phase 1 of this project is for Operations & Maintenance (formerly Plant Services) to integrate Maintenance Connection with eCAPS to auto-populate eCAPS timesheets from the Maintenance Connection timesheets. DOU completed integration at the end of January 2013 and closely monitored the process for the next four pay periods. The system is functioning as intended and eliminates approximately 22 hours/month of duplicate

entry. Additionally, it eliminates the time associated with correcting inconsistencies between two different time sheets.

Phase 2 of this project is for Field Services to upgrade the existing client server CMMS application, Azteca Cityworks ANYWHERE, to a web-based platform. City Council approved the Professional Services Agreement in May, 2013. DOU held a project team/stakeholder meeting in June 2013. The pilot program originally scheduled to begin in late summer 2013 will now begin in December 2013 with the full system roll out by the end of March 2014.

DOU continues to populate the CMMS database with equipment assemblies and parts information as repairs are made or new projects completed.

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

[Partly Implemented](#) Westin was awarded the contract in October 2012. Work is scheduled to be completed by January 2014 at four locations, including the Sacramento Water Treatment Plant (SWTP), Combined Wastewater Treatment Plant (CWTP), Sump 2, and Pioneer Reservoir.

#16 Reduce the number of supervisors.

[Implemented](#) DOU began a complete internal organizational assessment in June 2012. DOU completed the assessment and Strategic Plan in spring 2013. The assessment resulted in a major reorganization of the department that included analyzing and realigning department divisions. Although the number of supervisors was not reduced, efficiencies will be realized by reallocating supervisors to priority needs as a result of the new organizational structure.

#17 Reduce the number of superintendents.

[Implemented](#) DOU began a complete internal organizational assessment in June 2012. DOU completed the assessment and Strategic Plan in spring 2013. The assessment resulted in a major reorganization of the department that included analyzing and realigning department divisions. As part of the organizational assessment, one superintendent position was eliminated. Additionally, the new departmental alignment eliminated a Division Manager position.

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

[Partly Implemented](#) DOU has been working with the engineering firm, Brown & Caldwell and the central City GIS staff to address this through the Enterprise Application Integration project. Phase I assessed Better Management Business Practices (BMBPs) and identified several business processes to address immediately: Asset Inventory, SSSMP, Plant Production, Drainage Pump Stations, Meter database, and Condition Assessment. Phase I was completed in March 2013. Phase II includes selecting the appropriate applications to address the six BMBPs and implementation of the solution. Estimated completion date for Phase II is November 2013.

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

Implemented The Recycling and Solid Waste Division continues to work with the City's Health and Safety office to train Division employees on best practices for a safe work environment. One complaint from drivers had been the condition of our older trucks. To date, the Division has replaced 50 of our oldest trucks, which has not only reduced operational costs, but has dramatically improved driver morale. Another change the Division has made is the addition of a Safety/Training Supervisor. The Division is also looking at how to further enhance our relationship with Workers Compensation and the Occupational Medicine Clinic that treats many of our injured workers.

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

Partly Implemented As reported previously, the Division purchased 53 new side-loader refuse trucks in FY11/12. A total of 33 were delivered in FY11/12, 16 were delivered in FY12/13, and the remaining four will be delivered in FY13/14. Four older truck remain in service but are scheduled to be replaced this year.

With the Division now on a set schedule to replace side-loaders every seven years, we will maintain our spare factor at the industry standard of 25 percent.

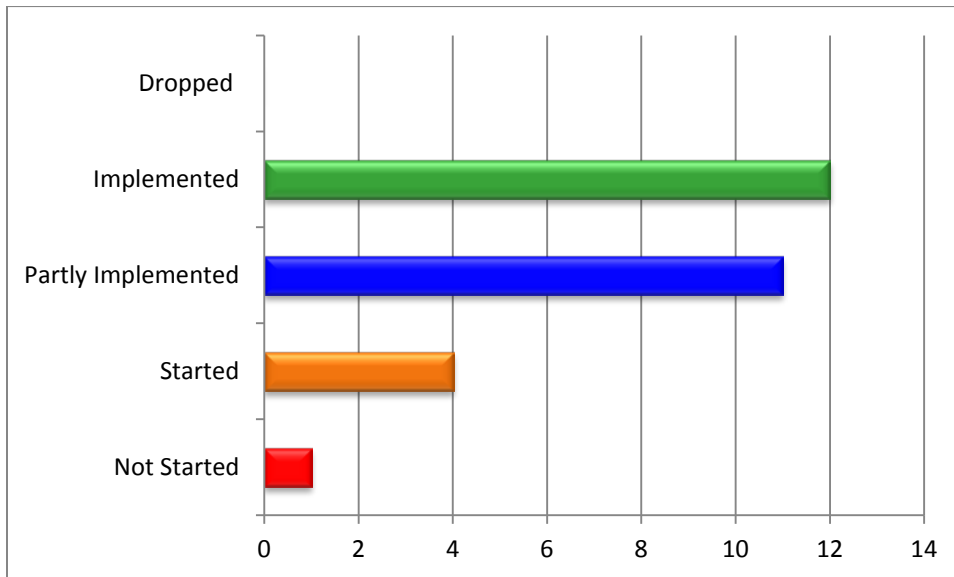
Post Audit Summary of Employee Health and Pension Benefits

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

To evaluate Human Resources' progress in implementing recommendations, we first requested a self-assessment from the Department and asked for evidence to support progress. Using this information, we worked with Human Resources staff and obtained additional evidence. Since the publication of the audit, Human Resources has made progress towards implementing 27 of 28 recommendations. Of those, we determined that the Department has implemented or partially implemented 23 recommendations (82%) and has started work on four other recommendations (14%). Work has not started on one recommendation (4%).

Exhibit 10 summarized the implementation progress to date.

Exhibit 10: Status of Audit Recommendations



Finding 1: The Administration Of Health Benefits Has Strengthened, But Areas of Concern Remain

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

Implemented The department has worked with the City Attorney's Office and health providers to pursue these amounts. Kaiser credited the City about \$401,000 for overpayments and Health Net credited the City approximately \$75,000.

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

Started According to Human Resources, the department has begun working with Human Resources' information technology staff to develop a reconciliation process.

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

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

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

Implemented The Human Resources department performed a review and posted all active LOU's online. Additionally, new LOUs are posted as created.

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

Implemented PeopleSoft 9.1 was implemented in February 2013. As a result, the electronic paycheck now clearly displays how much the City and employees contribute towards benefits

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

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

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

Started According to Human Resources, this is currently being proposed in negotiations of labor agreements.

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

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

Started According to Human Resources, the department has requested that the City's benefits broker provide this information every other year.

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

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

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

Partly Implemented According to Human Resources, the department has met with the City's benefits consultant to review trends and created a strategy for benefits to be negotiated in future labor agreements. When agreements are negotiated, the Department considers trends related to other agencies.

#16 Consider regional trends when negotiating benefit shares.

Partly Implemented As mentioned in Recommendation 15, Human Resources has reviewed trends and created a benefits strategy. A compensation study was recently completed.

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

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

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

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

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

Started According the Human Resources Department, this is being proposed in a current negotiation.

#21 Continue pursuing options to reduce retiree health costs.

Partly Implemented The department has researched Medicare Exchange plans and will present information to employee unions. Target date for completion is January 2014.

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

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

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

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

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

#26 Consider changes to the retiree health benefits program.

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

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

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

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

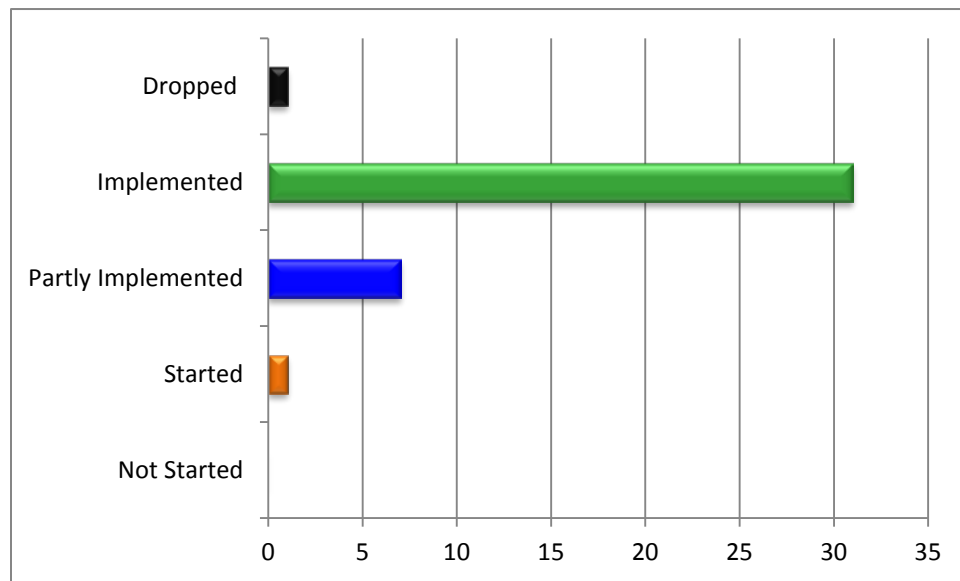
[Partly Implemented](#) The City's Chief Negotiator will present the strategic healthcare plan to City Council.

Post Audit Summary of the Audit of the Community Development Department

The Performance Audit of the Community Development Department (CDD) contained five sections, identified \$2.3 million² in required permitting fees that the City did not receive, and made 40 recommendations for improving CDD's operations, controls, and management. The audit specifically reviewed the City's processes for issuing building permits and collecting the requisite fees. Since the audit's release in October 2010, we have been working with CDD staff to assess adequate implementation of the adopted recommendations.

During the reporting period of July 2012 to December 2012, CDD made significant progress towards implementing recommendations especially in controlling access to its permitting system. As shown in Exhibit 11, we designated 31 recommendations as implemented (77.5%), 7 recommendations as partly implemented (17.5%), 1 recommendation as started (2.5%), and one dropped (2.5%).

Exhibit 11: Status of Audit Recommendations



Section 1: Organization and Policies

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

Started CDD will evaluate what types of reports can be developed to better monitor system activity.

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

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

Implemented CDD added an index of its policies for employees on its CityNet page. In addition the Chief Building Official issued a memo authorizing 11 individuals to approve building plans and revised a Certificate of Occupancy form to require his signature. This recommendation was partly implemented and awaiting the completion of the *Building Permit Fee Procedure Manual* during the December 2012 follow-up. The manual is now complete and readily available to all employees on the CDD's internal website.

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

Implemented The CDD provided the auditor with a list of employees who require various Building Counter Trainings for 2011, 2012, and 2013. The auditor sampled several employees and confirmed that they had received the expected training.

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

Implemented CDD responded that the current director schedules monthly meetings with exempt managers to discuss department goals, policies, procedures and system controls. In addition, CDD created an excellent conflict of interest form for all employees to sign. The department also recently completed the *Building Permit Fee Procedure Manual* and is readily available to all employees on the CDD's internal website.

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

Implemented The CDD provided the auditor with a comprehensive *Community Development Department Functional Organization Chart* that provides an overview of proper control, oversight, and authority.

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

Partly Implemented The City Attorney's Office confirmed that the Chief Building Official is ultimately responsible for enforcing Sacramento City Code Title 15, Buildings and Construction; relevant portions of Title 8 Health and Safety, and California law, and that the Code Enforcement Manager is principal assistant to the building official in enforcing relevant chapters of Title 8, and has powers of the building official for substandard housing and dangerous buildings. However, neither the Chief Building Official nor the Code Enforcement Manager

appear to have responsibility for substandard housing and dangerous buildings. CDD should either align operations to comply with City Code, or discuss updating City Code.

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

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

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

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

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

[Partly Implemented](#) The CDD provided the auditor with a comprehensive *Community Development Department Functional Organization Chart* that provides an overview of proper control, oversight, and authority. The CDD has responded that they will review job descriptions for any conflicts that might exist.

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

[Implemented](#) This recommendation was partly implemented and awaiting the completion of the *Building Permit Fee Procedure Manual* during the December 2012 follow-up. The manual is now complete and readily available to all employees on the CDD's internal website. The manual provides guidance on required documentation and the process for maintaining permit documentation.

Section 2: Proper Permitting

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

[Implemented](#) This recommendation was partly implemented and awaiting the completion of the *Building Permit Fee Procedure Manual* during the December 2012 follow-up. The manual is now complete and readily available to all employees on the CDD's internal website. The manual provides guidance on required documentation and the process for maintaining permit documentation.

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

[Partly Implemented](#) On July 9, 2013, CDD provided us with an updated list of all employees who have the ability to approve permits in the Accela system. We sampled 15 permits and identified four permits that were approved by an individual that was not on the approved list. We also found that those with access to approve and change the status of permits can change the status of all permit types, not only the ones they are authorized to approve. CDD will develop a plan or process to minimize the risk that this creates to the department.

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

[Partly Implemented](#) The Chief Building Official will issue a memo authorizing only qualified staff and their positions to use approval stamps. When this memo is issued, we will test to determine it is being enforced.

#20 Create permitting process business mappings to ensure all required processes, participants, and stakeholders are identified and all corresponding roles are included

and considered in the development of formal processes and procedures to ensure that key permitting process participants are not overlooked, such as CDD's environmental planning group. (p. 30)

Implemented CDD provided the auditor with comprehensive flow charts for the building permit processes.

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

Implemented The completion of the *Building Permit Fee Procedure Manual* and the updates made in Accela for recommendation #33 has implemented this recommendation.

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

Implemented Standard Operating Procedures for *Phase Building Permits* were finalized in March 2013. These procedures clarify when phased or partial permits can be utilized.

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

Partly Implemented CDD provided us with a sample quarterly "audit" of the Permit Counter dated February 12, 2013 in which the Deputy Chief Building Official is required to perform. While a quarterly "audit" of permits issued at the Permit Counter would implement this recommendation, the "audit" did not provide details on what the testing and sampling consisted of and the results of the testing.

Section 3: Collecting Fees

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

Implemented This recommendation was partly implemented and awaiting the completion of the *Building Permit Fee Procedure Manual* during the December 2012 follow-up. The manual is now complete and readily available to all employees on the CDD's internal website.

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

☑ Implemented This recommendation was partly implemented and awaiting the completion of the *Building Permit Fee Procedure Manual* during the December 2012 follow-up. The manual is now complete and readily available to all employees on the CDD's internal website.

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

☑ Implemented The auditor was able to confirm the Chief Building Official provided written guidance to the IT unit to gray-out fees fields for non-supervisors and make some fields mandatory input fields to ensure fees are accurately calculated by the Accela program. The Chief Building Official informed us that a *Building Permit Fee Procedure Manual* is nearly complete.

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

☑ Implemented This recommendation was partly implemented and awaiting the completion of the *Building Permit Fee Procedure Manual* during the December 2012 follow-up. The manual is now complete and readily available to all employees on the CDD's internal website.

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

☑ Implemented In July 2013, we met with the CDD IT personnel and reviewed controls in Accela that prevent critical project information from being edited in a way that permits can be transferred between lots or fees from being changed. CDD also provided us with a table detailing the types of authorizations each user group has in the Accela program.

#36 Develop processes to formally approve fee payment credits, transfers, and refunds and ensure sufficient support is obtained and all associated documentation is maintained prior to fee payment adjustments being entered in the systems. Ensure processes to credit, transfer, or refund fee payments comply with all aspects of the City code and such processes are only handled by accounting staff. Require accounting staff to review approvals for reasonableness and compliance with City rules. (p. 58)

☑ Implemented This recommendation was partly implemented and awaiting the completion of the *Building Permit Fee Procedure Manual* during the December 2012 follow-up. The manual is now complete and readily available to all employees on the CDD's internal website.

Section 4: Alignment of Operations and Finance

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

☑ Implemented The CDD hired Management Partners as a consultant to perform a Fee Study to address recommendations 37, 38, and 39. The report was issued on July 1, 2013 and is available on the CDD's website.

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

☑ Implemented The CDD hired Management Partners as a consultant to perform a Fee Study to address recommendations 37, 38, and 39. The report was issued on July 1, 2013 and is available on the CDD's website.

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

☑ Implemented The CDD hired Management Partners as a consultant to perform a Fee Study to address recommendations 37, 38, and 39. The report was issued on July 1, 2013 and is available on the CDD's website.

Section 5: Reporting and Control

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

☑ Implemented We will report periodically to Council on the status of recommendations until they are all complete. CDD's initiatives, listed in Appendix C of the performance audit, are important specific internal controls identified by CDD management which mostly fall under Recommendation #4 which has now been implemented.