



CITY OF SACRAMENTO

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DEPARTMENT OF FINANCE

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January 23, 1985
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Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

RE: Price Waterhouse Recommendation for Strengthening
Internal Accounting Controls

SUMMARY

The attached report from the City's external auditors, Price Waterhouse, was transmitted to the City Council on December 11 for information. The City Council referred it to the Budget and Finance Committee for Committee review and discussion.

This is an information item. Staff generally concurs with the recommendations and is taking appropriate action to implement them.

BACKGROUND

In accordance with the City's agreement for audit services, Price Waterhouse examines the City's system(s) of internal accounting controls and issues a report on "Recommendations for Strengthening Accounting Controls." The auditor's recommendations and management's responses are attached. Various City departments are affected and the sections entitled "Management response" have been prepared by these individual departments. Generally, management concurs with the auditor's recommendations and is moving to implement them. Some can be easily facilitated while others are in progress but will take several months to complete.

The report states "our study and evaluation disclosed no condition that we believed to be a material weakness." However, the auditors did feel strongly that the changes contained in "Recommendation 1" should be seriously considered. Management concurs and, as the response indicates, is moving to adopt the auditor's findings.

RECOMMENDATION

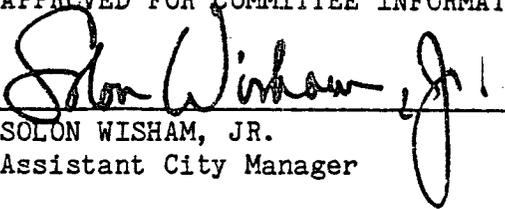
The Price Waterhouse report is an information item. Staff will be in attendance to answer questions.

Respectfully submitted,



JACK R. CRIST
Director of Finance

APPROVED FOR COMMITTEE INFORMATION:



SOLON WISHAM, JR.
Assistant City Manager

cc: Walter J. Slipe
City Department Heads

Attachment - Price Waterhouse Report

RECEIVED
Department of Finance

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CITY OF SACRAMENTO

RECOMMENDATIONS FOR STRENGTHENING
INTERNAL ACCOUNTING CONTROLS

* * * * *

AUGUST 29, 1984

August 29, 1984

To the Honorable Mayor and the
City Council of the City of Sacramento

We have examined the financial statements of the City of Sacramento for the 52 weeks ended July 1, 1983. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the City of Sacramento is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the City of Sacramento taken as a whole. However, our study and

To the Honorable Mayor
and the City Council

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August 29, 1984

evaluation disclosed no condition that we believed to be a material weakness. As a result of our study and evaluation, we have developed certain recommendations designed to improve accounting procedures and controls and operating efficiency as well as to safeguard the City's assets.

This report is intended solely for the use of management and should not be used for any other purpose.

* * * * *

We wish to express our appreciation for the cooperation and courtesy extended to us by employees of the City. We will be pleased to meet with you at your convenience to discuss further any of the recommendations.

Yours very truly,

Pricewaterhouse

CITY OF SACRAMENTO

RECOMMENDATIONS FOR STRENGTHENING
INTERNAL ACCOUNTING CONTROLS

During our examination of the financial statements of the City for fiscal years 1981 and 1982, we made certain recommendations related to the area of cash and investments which were included in our Memorandum of Recommendations dated October 22, 1982. During the fiscal 1983 examination, we determined that certain of those recommendations had not yet been implemented and we have repeated them for your further consideration.

RECOMMENDATION 1:

Internal controls over cash and investments should be formalized and strengthened.

- A. Cash and investments held by the City Treasurer should be reconciled to Department of Finance records on a more frequent basis to ensure that:
1. The City Treasurer is held accountable for cash and investments under his control; and
 2. The Department of Finance accounting records related to cash and investments are properly stated and are in agreement to the physical assets held by the Treasurer.

During the 1983 fiscal year, cash accountability procedures did not include city-wide total cash and investments reconciliation between the Treasurer's moneymax system and all funds recorded in the general ledger by the Department of Finance. This city-wide reconciliation was, however, accomplished several months after the end of the fiscal year. The departments attempted to perform more timely reconciliations in fiscal 1983 but the issues raised in points 1B.-D. prevented the completion of satisfactory reconciliations on a timely basis.

We recommend that the Department of Finance be responsible for the monthly accountability reconciliation between the Treasurer's moneymax system and the Department of Finance general ledger. We also believe that the Department of Finance should be responsible for the monthly bank reconciliations in order to achieve management information reports that are credible as well as timely.

This monthly reconciliation should then be reviewed and approved by both the City Treasurer and the City Finance Director.

1A MANAGEMENT RESPONSE:

Based upon the Price Waterhouse comments of fiscal 1981 and 1982, Special Reports to Council were prepared. The result of these staff reports was the passage of City Council Resolution 82-816 dated November 23, 1982 which created an internal fiscal accountability task force for purpose of developing and implementing changes to the City's cash and investment accountability procedures.

Since its creation, the working task force committed significant man hours to reviewing and analyzing data from fiscal years 1981 through 1983. The time spent in reconstructing prior fiscal year accountabilities and developing procedures to implement the recommended actions contributed to and further aggravated the ability to process current work on a timely basis thereby causing further delay. At least 3 of Treasury's 8 full-time positions during this time were committed to working on this task force and the Assistant Treasurer was assigned exclusively to this project from January through April, 1984. Further, the Finance Department's Accounting Officer and several other accounting staff were working on this project almost daily while Data Processing staff reviewed and flowcharted the existing operation.

The main task force is comprised of representatives from the finance, treasury and data processing departments. The task force met at least monthly for over a year since it was formed to review findings and recommendations and to develop procedures to implement such recommendations. Also, Price Waterhouse has participated in task force discussions on occasion. The City task force is generally in agreement with Price Waterhouses' recommendation and is now implementing procedures whereby a city-wide total cash and investment accountability can be performed on a monthly basis. Responsibility for implementation of cash accountability procedures has been assigned jointly to the finance department's Accounting Officer and the Assistant City Treasurer.

Satisfactory June 1983 and December 1983 cash accountability reports have been completed. These two departments are now nearing completion on a March 30, 1984 reconciliation with plans to perform monthly reconciliations for March 1984 through June 1984 which are scheduled to be completed by October 31, at which time they will be given to Price Waterhouse for use in the fiscal year 1983-84 audit.

With respect to responsibility for monthly bank reconciliations, treasury department staff has retained responsibility for their preparation. However, they are forwarding a copy to the finance department for review. These bank reconciliations are also used as an integral part of the city-wide accountability reconciliation.

Once the new procedures are functioning smoothly and the Accounting Division has established a system to record individual City investments, both the City Treasurer and the City Finance Director will review and approve the monthly reports. These can then be forwarded to the City Council for their review. In the meantime, both department heads are heavily involved in the details of the work being done by the task force.

- B. During the year under examination, it became apparent that not all investments made by the Treasurer were documented in accordance with established policy. Many instances were noted whereby Form S-3's (cash receipts form) were not being received by the Department of Finance for periods ranging from days to months. As a result, reconciliations of cash and investment activity were not performed on a timely basis and City employees had to spend numerous hours in order to reconcile the accounts properly. However, it should be noted that the situation will re-occur unless established procedures are followed.

We consider it important that the City make efforts to perform reconciliation of cash and investment activity on a monthly basis.

Until such time that all necessary information is presented in a timely fashion, monthly reconciliations will continue to be extremely time consuming and frustrating for all concerned. Once the recommended corrective action has been implemented, we believe that monthly reconciliations will take considerably less time and effort than is now being expended and will result in more credible information being prepared for the use of management.

1B MANAGEMENT RESPONSE:

As more fully explained in response 1A above, the City formalized a multi-department task force to better facilitate information exchange. This approach seems to be working quite well at the present time. The task force has identified several areas where problems previously existed and changes have been implemented. For example, some unidentified deposits were previously going weeks and months without being researched and credited to the proper fund. Staff in both the treasury

and finance departments have been assigned responsibility for researching and clearing unidentified deposits on a daily basis. Note: An unidentified deposit is an amount appearing on the daily bank statement which can not easily be identified as relating to a specific fund.

City treasury staff management disagrees that investment activity initiated by the Treasurer was not documented in accordance with established policy. Investment activity per se, purchases, sales and maturities of securities were input to Moneymax records and investment reports including investment income earned and/or received were reported to the Finance Department and the City Council. However, the duplication required by Treasury staff to input to Moneymax plus the task force work and preparing data for Finance records as described in response 1A resulted in a situation where not all formal posting documents relating to investment income or deposits were prepared and forwarded timely to Finance. However, the monies representing these deposits were immediately cleared and invested, emphasizing utilization of cash and maximizing rate of return while it was not possible to simultaneously report such activities to Finance.

- C. Currently, all bank accounts and investments are accounted for in one general ledger account. To enhance accountability over cash transfers and to simplify cash account reconciliation procedures, each bank account should be accounted for in a separate general ledger account. This procedure will require that more detailed information regarding cash receipts and transfers be transmitted from the Treasurer's Office to the Finance Department; however, we believe that the segregation of bank accounts and investments will permit more timely and accurate reconciliation of all accounts by the Treasurer.

1C MANAGEMENT RESPONSE:

Management concurs. The cash accountability task force will be working on implementing this recommendation during the coming months.

- D. Investment tickets should be compared to the Moneymax daily transaction log in order to gain additional assurance that all investment activity has been processed correctly. This comparison of input to output is a basic control to assist in early identification of erroneous information within the system.

1D MANAGEMENT RESPONSE:

Management concurs. Procedures have been implemented which includes additional staff.

* * * * *

The following recommendations are the result of general observations made during the course of our examination, observations resulting from our EDP control review, a department visit to the Revenue Division, our discussions with City personnel and testing performed as a part of our examination of the City's financial statements.

RECOMMENDATION 2:

All cash receipts should be received by Revenue Division.

During the course of our examination, we noted that the Treasurer's Department received checks directly from outside third parties and either transmitted these receipts to the Revenue Division or deposited them directly into the City bank account. Concurrently, the Treasurer's Department prepared the S-3 form to enter the transaction into the accounting records.

An important element of internal accounting control is adequate segregation of duties. This implies that the person receiving cash receipts should not also be the same person recording the transaction. In order to achieve this objective, it is recommended that all cash receipts be remitted by outside third parties either to the Revenue Division or directly to the bank for deposit to the City's account. By isolating the collection function from the recording function, additional assurance is gained that all receipts are deposited intact and recorded in the proper amount.

MANAGEMENT RESPONSE:

Management concurs. The City's cash accountability task force is in the process of developing a City policy to this effect. The task force agrees that in the future, the Treasury department staff will be responsible for recording investment activity related transactions while Finance or other departments will be responsible for recording all other cash receipt transactions.

The Treasurer does not receive cash for deposit for the City's account. However, prior to establishing the Master Fund Trustee Account, from time to time checks representing investment income or deposits were received in Treasury. These checks were immediately deposited in the checking account and the proceeds invested immediately. There is a time lag, however, in inter-office mail to provide documentation of these transactions to Finance. Since establishing the Master Fund Trustee Account, all investment deposits (other than those for CD investments) are made directly to the City checking account with documentation forwarded to the Treasurer by the bank, on occasion lagging several days from deposit.

RECOMMENDATION 3:

Revisions or new enhancements to the existing EDP system should be tested more vigorously prior to final acceptance.

The current procedure with respect to changes to the EDP system calls for such changes to be tested by analysts/programmers prior to final acceptance. The tests are performed using actual data processed in parallel with the "old" program; if the same results are generated, the change is accepted. Although such parallel testing is necessary, it does not always provide a clear indication of whether the controls built into a system are working in a satisfactory manner.

The testing process should be strengthened, particularly when new or substantially revised features are incorporated into the system, to determine that all controls and edits are functioning as expected. This type of vigorous testing may require greater user involvement; users should specify the testing criteria, review the results of the test and suggest modifications. Implementation of this sort of testing provides additional assurance that the EDP system will continue to function as intended.

MANAGEMENT RESPONSE:

The Data Processing Department provides automated services to all City Departments. In that regard it is important that the Data Processing staff carefully coordinate the development of each new system with the users. It is likewise important that the user staff participate not only in the systems design, development and implementation but also the user staff must become responsible for the management of what ultimately becomes "their system."

During the past year, the Systems and Programming Manager has been working with the Chairman of the Management Information Executive Committee to develop and implement procedural change requiring that 1) users of automated systems throughout the City identify the control person responsible for each system; 2) users accept the responsibility for maintaining the user documentation; 3) user departments accept the responsibility for the control and management of their system; 4) users must answer all questions regarding inputs and outputs of their system; 5) users must become aware of processing schedules so that as they request a change to a given system, they will take these schedules into consideration; 6) users must adhere to the guidelines for developing systems proposal requests and adhere to the guidelines for user participation throughout the life cycle of any new system.

These procedures will be fully implemented during fiscal year 1984/85. With the implementation of these procedures, both com-

plete systems testing and up-to-date user documentation will be items that will be enforced.

RECOMMENDATION 4:

The workers' compensation process and the related automated systems need to be documented, reviewed and revised.

As a result of the EDP control review performed with respect to the workers' compensation system, we noted a number of items that caused us some concern. For example, control reports do not reconcile, what appear to be important automated system controls are either ignored or are not used and management reports are too summarized to be useful. For the most part, these do not appear to be flaws in the system program but, instead, reflect the requirements specified by users at the time the system was programmed.

Based on discussions with both the systems group and the user group, it appears that there is a mutual apprehension of one group working with the other. This apprehension has developed over time and is probably attributable to the management practices of individuals who are no longer employed by the City. Nevertheless, an effort should be undertaken to develop a comprehensive policy and procedures manual that can be utilized by both user and systems personnel. This manual may merely be a formalized statement of existing informal practices, but it can then be compared with the computer system to see what changes should be made.

Because the workers' compensation program represents a significant expenditure of the City, it should be more tightly controlled from an accounting and systems viewpoint than is currently the case.

MANAGEMENT RESPONSE:

In regard to controlling the workers' compensation system, the following actions have taken place:

1. After the reconciliation process of 1980, the Data Processing Department implemented a monthly reconciliation process developed by the Accounting and Risk Management Divisions.
2. All users of the workers' compensation system were brought together to review all outputs from the system and were asked to identify additions, changes and/or modifications needed to satisfy their reporting requirements. These have all been completed.

At this point, we have not experienced any further system or control problems in the workers' compensation system.

RECOMMENDATION 5:

The business license renewal process should be simplified.

In order to renew a business license, the current procedure is for the City to mail each business a form requesting the business to report the previous year's gross sales. When the information is received, a bill is prepared based on a standard assessment chart. The information reported by the business is not audited or otherwise verified.

To streamline this process, it would appear to be appropriate to make the renewal of business licenses a self-assessment process by including a copy of the assessment chart with the initial mailing to the business. Then, as renewals are received by the City, they should be reviewed to assure that the proper amount has been remitted, and exceptions could be resolved at that time. Implementation of this procedure should result in a savings of both labor and postage expense.

MANAGEMENT RESPONSE:

Management concurs. A process similar to this proposal was implemented for fiscal year 1983/1984. A limited audit and review program was also implemented. The City's Special Task Force - Business Operations Tax, recommended expansion of the audit program for fiscal year 1984/85.

RECOMMENDATION 6:

Intergovernmental and pass-through revenues should be audited periodically.

In this age of dwindling resources, it becomes increasingly imperative that the City receive all revenues to which it is entitled. Under the current system, the City is told by the remitting government or agency what the remittance amount should be. To lend additional credibility to these amounts, the City should periodically review the remitters' supporting documentation and perform the related calculations.

MANAGEMENT RESPONSE:

Management concurs. The City initiated a revenue audit program during fiscal year 1983/84. The revenue auditor began reviewing intergovernmental payments from Sacramento County which has resulted in negotiations for improved remitting and reporting processes. The 1984/85 finance department budget proposes to expand this audit function with the addition of one additional auditor position.

RECOMMENDATION 7:

Property change information received from the County Recorder should be compared to daily changes to the parcel system.

The County Recorder supplies the City with information regarding changes in property ownership for all parcels within the County. The City extracts information pertaining to property within City limits and uses this data to update the parcel system (which is the data base for all utility service billings).

Periodically, the updates to the parcel system should be compared to the original information received from the County Recorder. Additionally, the information from the County Recorder should be reviewed to determine that all applicable property ownership changes have been processed. Performance of these two procedures would reduce the frequency of errors occurring during the update of the parcel system.

MANAGEMENT RESPONSE:

Management agrees that property ownership changes should be accurate but disagrees with the recommended procedure to assure accuracy. Erroneous ownership changes or ownership changes which are not noticed at the time of recording result in erroneous or missed city billings for utility services, weed abatement and real property transfer taxes. We do not believe that the error rate (estimated to be 1.6%) is chronic but improvement is desirable.

Annually, the City compares the ownership records of the parcel file to the County Auditor's ownership records. Unfortunately, the exception listing has not been adequately reviewed and thus, the errors remain undetected. The office supervisor of the property section will review the exception listing and initiate corrective action during fiscal year 1984/85. However, this is an interim action. The City is currently negotiating with the County Assessor for direct city to county computer linkage to process property ownership changes. The direct linkage will result in the capture of all property ownership changes as they occur.

RECOMMENDATION 8:

All checks should be restrictively endorsed at the time of receipt.

During the course of our review, we noted that checks received by the Waste Removal Department for special services are not restrictively endorsed until they are prepared for deposit with the Revenue Division (sometimes several days after they are received). It was further noted that the Revenue Division does not restrictively endorse checks until the end of the business day.

In order to protect these items from improper negotiation in the event of loss or misappropriation, all checks should be restrictively endorsed immediately upon receipt.

MANAGEMENT RESPONSE:

Management agrees but we do not believe the recommendation can be implemented practically at this time. Restrictive endorsement stamps will be provided to all non-City Hall collection sites for use at the time of receipt of checks by City staff. The implementation of the recommendation by the City Hall cashiers is not practical due to the large volume of checks received and processed by the cashiers. The checks are restrictively endorsed at the end of each day utilizing a "chopper machine."

RECOMMENDATION 9:

Checks outstanding for an excessive amount of time should be investigated.

Although it is City policy that all checks written are void if they are not cashed within ninety days, we noted a large number of checks on the outstanding check list that are older than ninety days. The outstanding check list should be reviewed periodically and all items of this type should be investigated and removed from the list, if appropriate.

MANAGEMENT RESPONSE:

Management concurs with this recommendation. The bank will be notified to cancel checks and remove them from outstanding check listings.

RECOMMENDATION 10:

Waste removal service change order forms should be prenumbered and should be used for all changes in service.

Service change order forms should be prenumbered and should be issued in sequence to those employees who write change order requests. The numerical sequence should be controlled and accounted for by someone independent of the cash collection function. This procedure would help assure that all forms are processed.

Service change order forms are also used when a customer requests a special, one-time only service. However, the current practice is to use them for cash customers only, but not for charge customers. All requests for special services should be processed on change order forms. When the special service is not performed because of lack of payment (for cash customers), this should be indicated on the form and returned to Waste Removal.

Use of service change order forms for all changes in service, coupled with retention of and accounting for the numerical sequence of these forms, provides assurance that waste removal services are being properly provided.

MANAGEMENT RESPONSE - WASTE REMOVAL:

The Waste Removal Division concurs. Prenumbered Special Request forms for special services are now used for both cash and charge specials. These forms are used only for special services, not for a change of service.

MANAGEMENT RESPONSE - FINANCE:

The City's service change order procedures have changed subsequent to the external auditor's review. Currently, customer change order requests received by the Revenue Division are entered to the City's billing system in a real time environment simultaneously with the completion of a service change order form which is forwarded to the Waste Removal Division. Assurance that all service change order forms are proposed by the Waste Removal Division is accomplished by verifying the service change order forms processed to the daily listing of all service change orders entered into the billing system. The daily listing of all service change orders is retained for one year by the Revenue Division.

Service change order forms utilized by the Waste Removal Division for special services are prenumbered. This practice will continue.

RECOMMENDATION 11:

All waste removal service change order forms should be retained.

It is the current practice to retain service change order forms for stops, starts and increases in service, plus any other change order forms that have been signed by the customer. All other forms are discarded once the information is entered in routebooks and service cards. If an error is made in recording the information, the correct information cannot be verified.

In order to provide a complete record of service address activity, it is recommended the service change orders be retained and filed systematically (e.g., by month or service address).

MANAGEMENT RESPONSE - WASTE REMOVAL:

The Waste Removal Division concurs with the retention and filing of service change orders for commercial accounts. Residential account change orders are received by the Revenue Division.

MANAGEMENT RESPONSE - FINANCE:

In lieu of the service change order forms, a computer generated report is retained that lists all waste removal service changes. This report is produced daily and contains the same information that is on the service change order form. The report is in the following sequence:

1. Route by pick-up date
2. Effective date
3. Service type
4. Account number

Approximately 20,000 - 26,000 changes in waste removal services are made annually. By retaining the reports instead of the service change forms, staff time is saved by having to maintain a service change form file.

RECOMMENDATION 12:

The authorized signature files maintained by Accounts Payable and Purchasing should be kept up-to-date.

Both Accounts Payable and Purchasing maintain card files of all department heads and other designated individuals who are authorized to approve requisitions and cash disbursements, along with their signatures. We noted that these files are not being updated for changes in authorized signers on a timely basis.

Signatures should be on file for all employees authorized to approve requisitions and disbursements in order to decrease the possibility of improper approvals not being detected. Additionally, when individuals are no longer authorized to approve requisitions and disbursements (either because of termination of employment or job reassignment), their signatures should be moved to an inactive file, rather than being destroyed, so that a complete record may be retained.

MANAGEMENT RESPONSE:

Management concurs with this recommendation. This oversight has occurred due to the various organizational changes implemented in recent years. The Accounting Division will request that all authorizations be brought current.

RECOMMENDATION 13:

Business license tax reporting should be reviewed and expanded.

It is the current practice of the Revenue Division to maintain business license tax batch log books for only two months. In addition, reports generated pertaining to business license tax do not include totals.

To facilitate the research and reconciliation process, business license tax reporting needs should be reviewed, reports should include pertinent totals and supporting detail information should be retained for at least one year.

MANAGEMENT RESPONSE:

Management agrees. The City's business operations, tax automated system is currently being redesigned and an adequate audit trail will be established. It is envisioned that the new system will fully interface with the City's general ledger.

RECOMMENDATION 14:

The Equipment Maintenance Division assigned vehicle sheets should be signed by users.

Currently, vehicle usage documents are prepared by City employees who use the vehicle, but these documents are not signed. Established policy states that these sheets must be signed by an authorized employee within the department to which the vehicle is assigned. To improve accountability by the division supervisor, the vehicle usage sheets should be approved by the appropriate users. Proper approval is an effective means of controlling the allocation of vehicle costs to the appropriate funds.

MANAGEMENT RESPONSE:

Pool vehicles are for the conduct of official City business. All use of vehicles is documented. For short-term or occasional usage, an employee must complete an Equipment Request Form (Form VM 6-20) to obtain equipment. For out-of-town travel or overnight retention, a Vehicle Assignment Request Form must be approved by the department head. A monthly equipment rental report (Z12R1600) is provided to all departments and divisions listing monthly equipment charges as well as identifying the individuals using the vehicles. We believe the current method provides adequate control and accountability.

RECOMMENDATION 15:

Maintenance of personnel files should be centralized and updated on a current basis.

Formal responsibility for maintenance of personnel files rests with the Employee Services Division of the Personnel Department. However, it has come to our attention that this responsibility as it relates to employees of the Police Department has been informally transferred to the Personnel and Training Section of the Police Department.

The Police Department is required by State Law to maintain training files for all department employees. There is also a legitimate concern on the part of the Police Department regarding the security surrounding personnel files and the confidentiality of information contained therein.

In order to eliminate potential duplication of efforts and to enhance the security over the personnel files, we recommend that responsibility for maintenance of all personnel files be returned to the Employee Services Division of the Personnel Department and that all personnel files be maintained in one location. Recognizing the importance of confidentiality of personnel information (i.e., telephone numbers, residence addresses, etc.) file security should be continually stressed, not only as it pertains to law enforcement employees, but with respect to all City employees. Only by insuring the security of all employee-related information will the Employee Services Division be able to perform its functions effectively.

MANAGEMENT RESPONSE:

The recommendation is noted. The Department of Personnel is aware of the need to protect the confidentiality and security of employee personnel records. A departmental policy instruction which addresses confidentiality, security and access procedures has been written and will be published soon. The need for staff of the Police Department Personnel and Training Division to access departmental personnel files on a frequent and daily basis precludes consolidation of these records in a facility which is nearly four blocks away. Among other functions, staff of this division routinely record in-service training, process intra-departmental transfers, prepare personnel action request forms to add/change data in the City's master file, and update records regarding individual qualifications for Peace Officer Standards and Training (POST) certifications and salary incentive programs. At the present time, the Employee Services Division, Department of

Budget & Finance Committee

4:00 P.M.

January 29, 1985

1. NEILSEN PARK CIP - BUDGET AMENDMENT AND AUTHORIZATION TO WAIVE COMPETITIVE BIDS
2. APPROVAL OF SNCIFAC RECOMMENDATIONS TO AMEND THE 1984-85 CIP
3. RECOMMENDATIONS FOR STRENGTHENING INTERNAL ACCOUNTING CONTROLS

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