



CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

August 7, 2014

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 2013/14 Audit Plan, we prepared a report of the status of open recommendations for the six months ending June 30, 2014. 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 goals 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 2013/14 was approximately \$556,000. Dividing the Potential City Benefit for 2013/14 by the Office's budget (assumes audit resources split at 60 percent for performance audits and 40 percent for whistleblower investigations) results in \$1.90 in identified potential benefit for every \$1 of audit cost.

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

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

Respectfully submitted,

Jorge Oseguera

Exhibit 1: Potential City Benefit and Recommendation Status

Report Title	Date Issued	Potential City Benefit	Estimated Realized Benefit	# of Rec's Made	Not Started	Started	Partly Implemented	Implemented	Dropped
2013-14 Audits									
City Inventory Systems	Apr 2014	\$288,000		12	NA	NA	NA	NA	NA
Employee Supplemental Pay	Dec 2013	\$336,000		17	0	5	7	5	0
2012-13 Audits									
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	0	2	9	3	0
Sacramento Regional Sports Education Foundation	Sep 2012	\$400,000	\$120,000	8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012		\$28,000	22	0	2	19	1	0
2011-12 Audits									
Utility Billing Review	Jun 2012	\$1,300,000		11	0	0	6	5	0
AB 1825 Compliance	Jun 2012	Reduce Liability		9	0	0	0	9	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	6	2	10	0
Municipal Golf Revenue and Expenditure Analysis	Sep 2011	\$500,000	\$500,000	0	0	0	0	0	0
Revenue Collections	Jul 2011	\$3,600,000	\$40,000	12	0	1	1	10	0
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	0	5	16	1	0
2010-11 Audits									
Sacramento Utilities Department Operational Efficiency and Cost Savings Audit	Jun 2011	\$8,641,000	\$2,640,000	27	0	0	2	17	8
Audit of Employee Health and Pension Benefits	Apr 2011	\$16,000,000	\$7,470,000	28	1	3	11	13	0
Performance Audit of the Community Development Department	Oct 2010	\$2,300,000		40	0	0	3	36	1
Total		\$39,465,000	\$13,598,000	242	1	25	76	111	17

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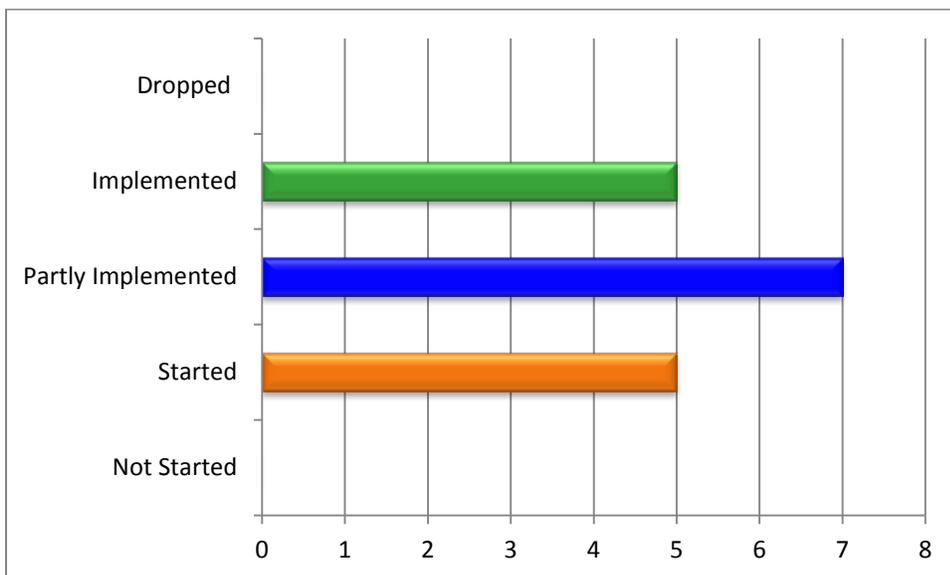
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Post Audit Summary of the Audit of City Employee Supplemental Pay

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

Since the publication of the audit, the Fire, Finance, Human Resources, and Police Departments made progress towards implementing all 17 of the recommendations. We determined that the departments have implemented or partly implemented all 12 recommendations and has started work on 5 others. The progress is shown in the exhibit below.

Exhibit 2: Status of Audit Recommendations



Finding 1: The City's Transportation-Related Incentives and Allowances are Ill Defined and Inconsistent

We recommend that the Human Resources Department:

#1 Ensure labor contracts clearly define the intent of each incentive and allowance.

Started The Human Resources Departments' Labor Relations Division will continue to work diligently to meet this goal with all labor agreements.

#2 Use consistent terminology across all labor contracts when referring to the same benefit.

Started The Human Resources Departments' Labor Relations Division is diligently working on consistent terminology for all labor agreements.

We recommend that the Human Resources and Finance Departments:

#3 Improve tracking of participants in the Mass Transit Subsidy program.

Implemented To improve the tracking of eligible employees for the mass transit subsidy, the Human Resources Department (Human Resources) has developed a monitoring tool utilizing the City's personnel system. To accomplish this, Human Resources worked with the Department of Public Works' Parking Division. The Parking Division provides a monthly report of employees that are receiving City provided parking. With this information Human Resources updates the employee's personnel record.

#4 Ensure only eligible employees are receiving the Mass Transit Subsidy and consider pursuing reimbursement from those inappropriately receiving City funds.

Implemented The improved tracking described in response to recommendation #3 has allowed the Human Resources Department to develop a report that will exclude employees that are receiving City provided parking from the list of eligible employee's for the mass transit subsidy. Monthly, Human Resources provides an updated mass transit subsidy eligibility report to the Finance Department's Revenue Division. The Revenue Division uses the report to ensure that the appropriate employee is receiving the mass transit subsidy. Human Resources is not pursuing reimbursement however, the updated process will ensure only eligible employees will receive the Mass Transit Subsidy.

We recommend that the Human Resources Department:

#5 Develop a monitoring mechanism to identify individuals who are inappropriately receiving multiple transportation-related benefits.

Implemented The improved tracking described in response to recommendation #3 and the new reports used to exclude ineligible employees described in response to recommendation #4 create a monitoring mechanism to identify individuals receiving multiple transportation-related benefits.

#6 Negotiate changes to the labor contracts to limit employees from receiving multiple transportation-related benefits.

Started During labor contract negotiations Human Resources uses a list of priorities, reviewed with the City Manager and/or City Council, for each open contract. This will be added to any upcoming list of priorities for contracts over the next 3+ years. Human Resources can only make these types of changes when a contract is open and when the union agrees to it. Some contracts do not expire again until 2017.

Finding 2: The City Could Reduce its Costs by an Estimated \$336 Thousand Annually if it Discontinued Compounding the Paramedic Incentive

We recommend that the Human Resources Department:

#7 Evaluate the current process of finalizing labor contract language to identify opportunities to improve communication with affected City departments.

Implemented At the conclusion of each negotiation session, the Human Resources Department's Labor Relations Division provides an implementation schedule on newly negotiated items to applicable City parties. To ensure applicable parties understand the implementation schedule, Human Resources schedules meetings to review the schedule and answer any questions not covered.

#8 Negotiate a change in the Paramedic Incentive to discontinue compounding with other incentives.

Started During labor contract negotiations Human Resources uses a list of priorities, reviewed with the City Manager and/or City Council, for each open contract. This will be added to any upcoming list of priorities for contracts over the next 3+ years. Human Resources can only make these types of changes when a contract is open and when the union agrees to it. Some contracts do not expire again until 2017. If unsuccessful during this round of negotiations, we will maintain it on our list of priorities to discuss with the City Manager and City Council in future successor negotiations.

Finding 3: Controls Over Employee Time Reporting Must be Improved

We recommend that the Fire Department:

#9 Create a policy and procedure for recording supervisor approval of individual employee time.

Partly Implemented The final solution to creating a procedure and corresponding policy for supervisor approval of all timesheets required an update of the current Telestaff program software. The new software version has been purchased and the Fire Department is in the process of installation. Approximately 2-3 weeks will be needed for testing the client and installation in all computers. This installation will include a Supervisor Approval for each work group in Telestaff. After the installation is complete, the policy and procedures will be formalized and training will occur for implementation. The target date of full implementation is September 1, 2014.

#10 Discontinue allowing any employee to have administrative access to both Telestaff software and server, and create a policy to prevent it in the future.

Partly Implemented Currently, the Fire Department's Systems Administrator has administrative rights to the server that houses the Database, but no rights or training to the software. The Fire Department's TeleStaff Administrator has administrative rights to the software but no rights to the server or access to the TeleStaff "Service manager", a required tool to manage the roster.

However, implementation of this policy has resulted in some unintended consequences. If these consequences are not resolved in the near future, the Telestaff Software will have to be configured into a Manual mode. This will not be to the best advantage of the department. The Fire Department's administration will be working with Public Safety IT, Telestaff and the City Auditor to reach an acceptable solution to this issue.

#11 Develop controls to monitor the activity of those provided with administrative rights to Telestaff.

Started The Fire Department is developing an internal auditing procedure and policy that will establish monthly monitoring of the Administrative rights within Telestaff. The Assistant Chief of Logistics will review the Audit Rights by the 10th of each month. The Deputy Chief of Operations will review the Audit Rights each Quarter of the year.

#12 Evaluate the access of all Telestaff users and consider reducing the number of employees with administrative access.

Partly Implemented The Fire Department has evaluated all employees with administrative rights. Prior to June 1, 2014, there were 11 personnel with Full Access rights on the Telestaff software, and one with Administrative rights on the Telestaff Hardware server. As of July 1, 2014 there will be 3 personnel with System Administrator rights on the Telestaff Software. In addition, the rights are being reconfigured to have less Access rights categories. The rights will be assigned by function according to the cascading level of responsibility of the individual users. This will be fully implemented by September 1, 2014, once the new version of Telestaff is fully functional and tested.

We recommend that the Police Department:

#13 Evaluate whether the hardcopy form currently required is still the best method for approving overtime or if another method would be more efficient.

Partly Implemented The Police Department's hardcopy overtime approval form is no longer used or required. Further, the policies and procedures were updated as recommended. The draft form of these policies with the changes will be submitted to the Professional Standards Unit as part of the Police Department's policy revision and updating process.

#14 Update its policies and procedures for any changes in the overtime approval method.

Partly Implemented The Police Department has updated the policies and procedures as recommended. The draft form of these policies with the changes will be submitted to the Professional Standards Unit as part of the Police Department's policy revision and updating process.

Finding 4: Changes to How Incentives are Negotiated are Warranted

We recommend that the Human Resources Department:

#15 Consider renegotiating labor contracts to include:

- a. Sunsetting incentives;**
- b. Bifurcating incentives for new employees;**
- c. Creating a maximum allowable percentage increase for incentives; and**
- d. Creating a maximum number of incentives that can be received by one employee.**

Implemented The Human Resources Department's Labor Relations Division will maintain these on our list of priorities to discuss with the City Manager and/or City Council for each open contract.

#16 Continue working towards adopting FLSA overtime rules in all labor contracts.

Partly Implemented The Human Resources Department's Labor Relations Division continues to work on this item through negotiations. As contracts open for negotiations, we will maintain this on our list of priorities to discuss with the City Manager and/or City Council.

#17 Continue working towards adopting workers' compensation pay rules in all labor contracts.

Partly Implemented The Human Resources Department's Labor Relations Division continues to work on this item through negotiations. As contracts open for negotiations, we will maintain this on our list of priorities to discuss with the City Manager and/or City Council.

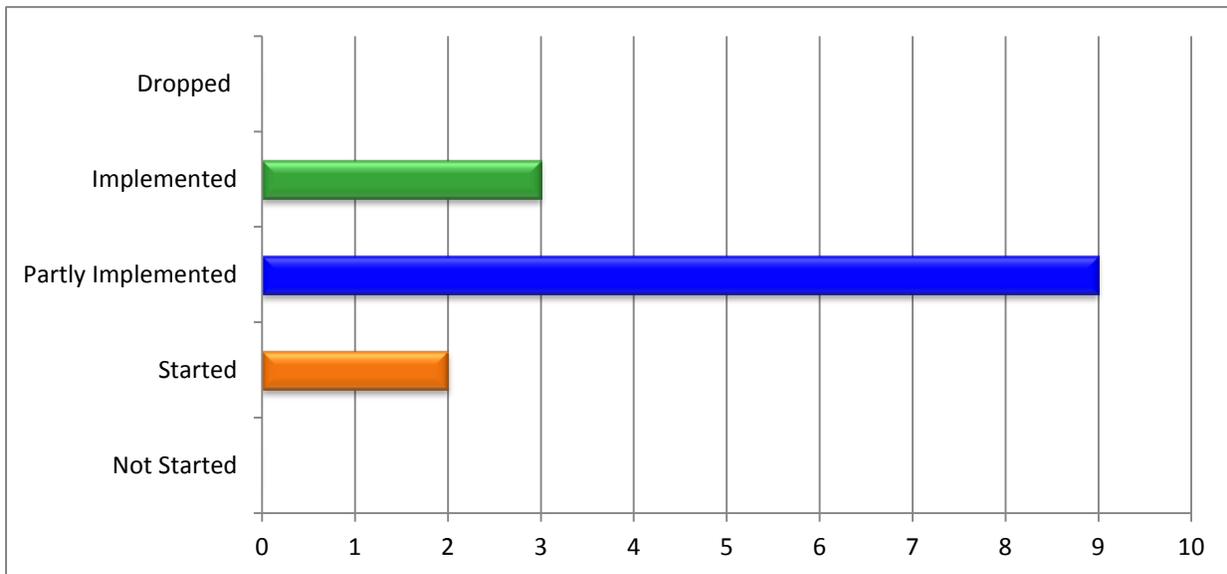
Post Audit Summary of Citywide Purchase-Card Use

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.

Since the publication of the audit, Procurement Services has reduced the number of purchase cards in use and drafted a comprehensive Purchasing Card document. As of July 1, 2013, the Procurement Services Division began reporting to the Finance Department. Prior to this, the Procurement Services Division reported to the Department of General Services (DGS.)

Of the 14 recommendations, we determined Procurement Services has implemented or partially implemented 12 recommendations (86%) and has started work on 2 others (14%). 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.)

Exhibit 3: Status of Purchase-Card Use Recommendations



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

#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 mid-2014. 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 mid-2014.

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 mid-2014.

#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 mid-2014, 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.

[Partly Implemented](#) The draft Purchasing Card document, which is expected to be finalized in mid 2014, sets annual training requirements and includes a form that cardholders sign to acknowledge their responsibilities. Training will be offered in person via the City's CityYou

internal training program and then reaffirmed annually using a computer based training system (CBTS.)

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

[Partly Implemented](#) The draft Purchasing Card document, which is expected to be finalized in mid 2014, sets annual training requirements and includes a form that approving officials sign to acknowledge their responsibilities. Procurement will begin offering and delivering in person training via CityYou in mid-2014.

#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 five transaction reviews from January 2013 through June 2014. Questionable items were identified and forwarded to the Director of General Services or Finance for review. The Directors met with the City Manager, but have not yet presented the information to the respective departments.

#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.

[Partly Implemented](#) Procurement Services is using Works reports and creating others in an effort to more efficiently manage purchase cards. This information has not yet been forwarded to the respective departments. However, some Departments have begun proactively requesting monthly reports of employee transactions for review purposes.

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

[Partly Implemented](#) 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 mid-2014.

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

#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.

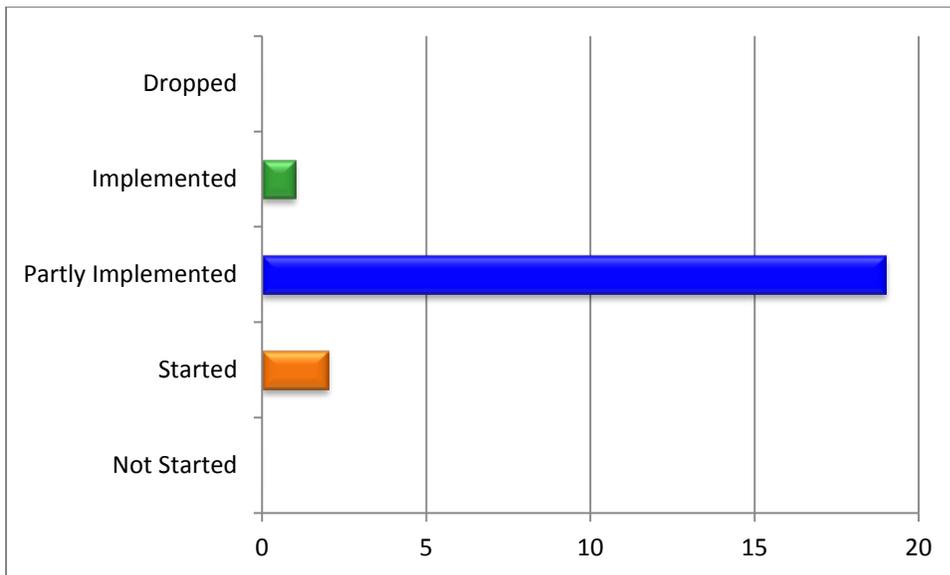
Started The department has discussed blocking purchases by merchant categories and will work with cardholders' departments to ensure that cardholders can only make purchases from approved merchant categories. Procurement Services plans to set restrictions in late 2014.

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 2014 to June 2014, the Fire Department noted staffing levels are expected to increase in the coming months. 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, working with Citygate Associates for assistance in developing policies and procedures, and creating a Memorandum of Agreement (MOA) with other City Departments. As shown in Exhibit 4, we designated 1 recommendation as implemented (4%), 19 recommendations as partly implemented (87%) and 2 recommendations as started (9%).

Exhibit 4: 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.

☑ **Partly implemented** Fire Prevention has established processes for all businesses that require a permit by California Code, City Code or City Resolution. Fire Prevention has identified key elements of inspection processes of scheduling, inspecting, invoicing, revenue/accounting and permitting, and created work queues in FDM that support the business activities needed to meet the required inspections. Fire inspection scheduling process guidelines have been developed that aid in the thorough and efficient scheduling of fire inspection. Inspections are being conducted for operational permits, daycare, schools, high rise, institutions, false alarms and new construction. Fire Prevention now assigns fire prevention officers (FPOs) to fire inspections geographically by zip code to maximize productivity. Fire Prevention has created a daily management summary that identifies outstanding inspections, ensuring all assigned inspections are completed in a timely manner. To date, Citygate Associates (Citygate) have developed documents to support this area of the Fire Prevention Bureau's activities. Training of personnel on the above procedures needs to be accomplished.

#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.

☑ **Partly implemented** Fire Prevention has implemented a process that ensures operational permits are issued securely, which negates the need for each permit to be signed by the fire code official. The process includes using unique high quality security paper from a specialized vendor that prevents unauthorized duplication of the operational permits. Fire Prevention has instituted processes for purchasing, inventory, and secure storage of the security paper. Fire Prevention has implemented internal security procedures that prohibit unauthorized issuance. A Standard Operating Guideline (SOG) is yet to be developed to guide these procedures.

The fire code official is authorized to approve an alternative material or method of construction (AMMR). Fire Prevention presently practices a procedure requiring all AMMRs to have signatures from both the fire code official and the chief building official. Fire Prevention worked with Citygate and the Community Development Department (CDD) to memorialize this process with an MOA and an SOG. An SOG is yet to be developed to guide these procedures. An MOA is yet to be developed with the Convention, Culture, and leisure Department.

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

☑ **Partly implemented** Fire Prevention is presently developing inspection practices and SOGs for FPOs. Fire Prevention has already shifted clerical and accounting responsibilities away from FPOs. FPOs are now able to concentrate their efforts on the complete and thorough documentation of inspections. FPOs are now required to document each and every inspection occurrence in FDM, and the activities and findings of each inspection. Once the inspection is complete, the FPOs submit completed inspection documents to clerical staff. Clerical staff update the business records and forward the inspection documents to accounting staff for

invoicing and quality assurance. Policies and Procedures have been developed to document practices. Training of personnel needs to be accomplished. Additional FPO field checklists will be developed to cover several other inspection procedures. Fire Prevention is working on a checklist and Frequently Asked Questions (FAQ) for Developmental Services.

#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.

[Partly implemented](#) To date, Signature Reprographics has completed scanning 38 boxes of small and large documents, for a total of 18,627 documents scanned. The City Clerk's Office conducted a quality assurance (QA) review of the electronic documents and authorized the destruction of the original documents. Signature Reprographics will then focus of the next phase of the project which will include 1000 blue print documents from 300 Richards Blvd. that are slated for electronic archiving and subsequent disposal of the paper documents. Fire Prevention has secured the additional funding necessary to scan 18 file cabinets of small format documents stored in the basement of Fire Headquarters. This is a relatively large project in that each file will need to be reviewed by hand and will require the assistance of the City Clerk's Office. Fire Prevention anticipates this portion of the scanning project will begin in 2014. Fire Prevention is working with Citygate to develop SOGs that will comply with the City Clerk's Records Management AX #1901-02 manual. The Auditor's Office confirmed the progress with the City Clerk's office.

No significant progress on this recommendation has been made during this reporting period. However, the Fire Prevention Bureau will continue working on its remaining three MOAs during the second half of the calendar year. These MOAs include the following departments and agencies: The City Clerk's Office; Convention, Culture, and Leisure Department; and the partner departments in the County of Sacramento.

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

[Partly implemented](#) The Audit Team conducted a meeting on October 30, 2013, with Citygate and CDD staff members and gathered information on the feasibility and use of Accela software in place of the current FDM software. The Fire Prevention Audit Team received positive input from CDD staff to support moving forward with the project. Citygate has encouraged additional meetings to further evaluate Accela and its capabilities. Citygate and Fire Prevention staff also met with the Roseville Fire Marshal to review the City's use of Accela. During this reporting period, the inclusion of Accela as a Management Information System (MIS) within SOGs has begun. The Fire Prevention Bureau and the FPOs are currently using Accela for all plan review and field inspection and permitting with CDD for tenant improvements and all new construction projects. Migration to Accela by the Fire Prevention Bureau for other comprehensive MIS functions will be a longer-term project.

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

[Partly implemented](#) The Fire Prevention Audit Team met with Citygate and CDD on August 14, 2013, to review and analyze Fire Prevention and CDD workflow processes. Citygate will

develop policies and procedures to ensure that all construction activities requiring a fire construction permit are issued a permit. The Auditor's Office confirmed Fire Prevention's progress with the Chief Building Official. During this reporting period Citygate worked with the Fire and Community Development Departments to develop a finalized MOA. The signed document is forthcoming.

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

☑ [Partly implemented](#) Citygate has developed program logic models for the different types of inspections conducted by the fire prevention division. Citygate has also gathered data on SOGs from several comparable fire prevention bureaus and met with the Audit Team on October 30, 2013. During this reporting period many policy and procedure documents were developed to support this recommendation. Training of personnel on the procedures needs to be accomplished. Additional FPO field checklists will be developed to cover several other inspection procedures.

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

☑ [Partly implemented](#) Fire Prevention has collaborated with the Fire Department's website manager to incorporate self-certification fire inspection guidelines and forms onto the website for public access. Business owners are currently able to access the Fire Department website to view information regarding fire safety and self-certification for apartment complexes with 3 to 16 units. Fire Prevention is also working to include fire permit inspection requirements and procedures into the website capability. During this reporting period, documents were developed to improve client information and outreach efforts. Additional FAQs for the annual fire inspection program and the new construction tenant improvement inspection program are being developed.

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.

☑ [Partly implemented](#) The Fire Chief has tasked the Fire Department's Finance Section Chief to develop a department-wide cash handling policy. A separation between the Fire Department Finance Section and the Fire Prevention Bureau was instituted because all Fire Prevention cash goes directly to the City Revenue Department and excludes any involvement from Fire Department Finance. Therefore, a Fire Prevention Bureau cash handling policy and work flow chart were developed and signed by the Interim Fire Chief. Implementation of this recommendation is pending testing of procedures by the Office of the City Auditor.

#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.

☑ [Partly implemented](#) The Fire Prevention Audit Team developed a fire prevention inspection fee and fee waiver policy which was reviewed, approved, and signed by the Interim Fire Chief. This policy identifies how permit fees are applied and how fee waivers must be documented for subsequent accounting audits. Implementation of this recommendation is pending testing of procedures by the Office of the City Auditor.

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

☑ [Partly implemented](#) Fire Prevention currently utilizes the Revenue Division for all invoicing and collections. An agreed upon MOU between the City Revenue Department and the Fire Department's Fire Prevention Bureau has been developed and is awaiting principal signatures. Additionally, the Interim Fire Chief authorized the temporary transfer of a Typist Clerk III position from the Emergency Medical Services Division to the Fire Prevention Bureau to assist with various clerical duties. This position was filled in the first quarter of 2014. In Addition, policies and procedures were developed to support invoice and collection processes. Training of personnel on the procedures needs to be accomplished. Desktop checklists will be developed to cover these procedures.

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

☑ [Partly implemented](#) Fire Prevention has implemented self-certification inspections which require the fees to be paid prior to issuing the fire permit. All other permits are issued after the inspection is completed, but Fire Prevention does not issue the fire permit until all fees are paid. The fire permitting process clearly defines that no fire permit is issued until full payment is received by City Revenue, the payment transaction is reconciled in the FDM, and the inspection is completed in the satisfactory status. Once all components are complete, Fire Prevention prints and mails the fire permit to the property owner. A fee study will be undertaken with the City Finance Department, using an outside consultant, to recommend to the City Manager and Council establishment of a revised fee schedule.

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

☑ [Partly implemented](#) Fire Prevention has transferred all invoicing and collection to the Revenue Division who enforces the City's standard invoicing and collections procedures. An agreed upon MOU between the City Revenue Department and the Fire Department's Fire Prevention Bureau has been developed and is awaiting principal signatures. This policy identifies a collections procedure and delineates invoicing and accounting procedures and responsibilities. Training of personnel on the procedures needs to be accomplished. Desktop checklists will be developed to cover these procedures where appropriate.

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

☑ [Partly implemented](#) Fire Prevention has transferred all invoicing and collection to the Revenue Division who enforces the City's standard invoicing and collections procedures. Fire Prevention already has the ability to issue administrative penalties for non-compliance. Citygate will develop SOGs that will direct staff on the progression from compliant to non-compliant. An

agreed upon MOU between the City Revenue Department and the Fire Department's Fire Prevention Bureau has been developed and is awaiting principal signatures.

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

[Partly implemented](#) Fire Prevention has established a workflow process that tracks fire permitting in the FDM database from the creation of a new property/business to the final payment reconciliation and issuance of the fire permit. During this reporting period, the Interim Fire Chief authorized the hiring and temporary assignment of a Clerical Level II position to aid in this and other work, as directed by the Fire Marshall. This hiring was accomplished in March 2014. During this reporting period, policies and procedures and process charts were developed. Oversight and monitoring of final payment and coordination between the FPOs and the Revenue Division before permit issuance needs to be accomplished.

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](#) Fire Prevention commissioned a software application developer from FDM to work with Public Safety Information Technology (PSIT) during the week of August 12, 2013. During that week, the developer worked on verifying the accuracy and validity of the data as well as establishing needed user security groups to deter any future contamination of the database. Utilizing comparison and test databases is valued, but it is still too early to work on implementation of this feature. During the fall of 2013 a Principal Systems Engineer was hired to the Fire Department and was directed to spend a portion of his time in assessing the MIS needs of the Fire Department, including those items identified in the *Audit of Fire Prevention*. Regular monitoring and auditing of the FDM database needs to be an ongoing procedure. An analysis of the comprehensive MIS needs of the Fire Prevention Bureau and Fire Department needs to be accomplished.

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

[Partly implemented](#) Fire Prevention has been working continuously with PSIT to purge the FDM database of all erroneous data and to verify the validity of the remaining data. PSIT was successful in eliminating approximately 174,000 properties in the database that contained no useful data. Of the remaining 48,000 plus properties currently in the database, nearly 35,000 require additional data analysis. Given current Fire Prevention staffing levels, analysis of the questionable data will be a challenge to complete in a timely manner. Fire Prevention is currently working with Citygate to memorialize this process with an SOG. No further progress in developing an SOG for this area of concern was accomplished during this reporting period. An analysis of the comprehensive MIS needs of the Fire Prevention Bureau and Fire Department needs to be accomplished.

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

Partly implemented Fire Prevention has been working continuously with PSIT to purge the FDM database of all erroneous data and to verify the validity of the remaining data. Fire Prevention has also implemented workflow processes that removed FPOs from the data entry responsibilities which led to the data irregularities. Fire Prevention is working on standardized practices of how data is entered or updated in FDM. Fire Prevention is currently working with Citygate to memorialize this process with an SOG. No further progress in developing an SOG for this area of concern was accomplished during this reporting period. An analysis of the comprehensive MIS needs of the Fire Prevention Bureau and Fire Department needs to be accomplished.

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

Started Utilizing the GISA software to import inspection and permit related data is valued, but Fire Prevention has not spent any additional time on this due to staffing deficiencies. During this reporting period, the Fire Department, Information technology Department, and Public Service Information Technology (PSIT) have been attempting to hire qualified GIS personnel. Finding qualified candidates has been challenging and has directly affected the expediency desired. An analysis of the comprehensive MIS needs of the Fire Prevention Bureau and Fire Department needs to be accomplished.

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

Implemented The Fire Prevention Division and Principal Systems Engineer determined that there are four active GIS licenses. The annual cost for each of these license agreements is \$3,100 per year (\$12,400 annual cost). Of these four, one is used by an Assistant Chief and three will be used by the Fire-PSIT GIS Technician. Efforts to hire the GIS Technician have been under way since January 2014. The Department is partnering with the Information Technology Department on a hiring process for this position. Finding qualified candidates has been challenging and has directly affected the expediency desired. The Principal Systems Engineer has also negotiated with FDM to lower annual licensing costs by \$28,000 this fiscal year. This reduction will be reflected in fiscal year 2014/2014 as well.

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

Partly implemented Fire Prevention is prepared to reinstitute the former fire company inspections (CIS) program as a self-certification program. The CIS fire safety program is for approximately 8,000 business and mercantile occupancies throughout the City of Sacramento and, is being vetted through the Interim Fire Chief. The Auditor's Office confirmed the Fire Prevention's progress with the interim Fire Chief. During this reporting period, the Self-Cert Apartments Step-by-Step procedures were developed and are currently being implemented. A formal program evaluation of this initiative needs to be accomplished to determine self-certification success at periodic intervals.

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

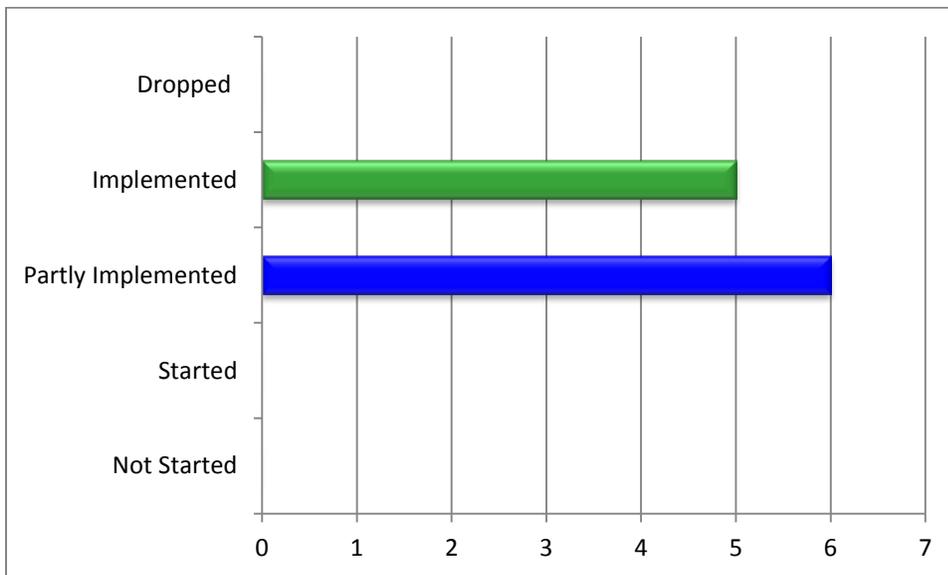
[Partly implemented](#) Fire Prevention has implemented a workflow process that tracks all self-certification fire permits in the FDM database. Fire Prevention has discontinued the practice of tracking entities with other software applications. The FDM database tracks all self-certification entities from the time the property/business is established through issuing of the fire permit. Invoicing for self-certification fire permits, like all fire permits, is now processed through City Revenue and tracked in FDM. No further action was taken on this recommendation during this reporting period. A formal program evaluation of this initiative needs to be accomplished to determine self-certification success at periodic intervals.

Post Audit Summary of the Audit of Utility Billing

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

Since the publication of the audit, the Department of Utilities (Utilities) has made progress towards implementing all 11 of the recommendations. We determined that the department has implemented or partly implemented 10 recommendations. The division's progress is shown in the exhibit below.

Exhibit 5: 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 with the current square footage since August 2012, resulting in 2,218 updated accounts. In a comparison of County parcel data and the City's billing system, approximately 2,700 variances in storm drainage billing were identified, of which 1,400 were over billed and 1,300 were under billed. Approximately 82% of the total variances have been corrected as of early June 2014. All variances that were under billed \$1 or less (667 accounts) and all variances (131 accounts) that were identified as over billed with a variance greater than \$100 have been corrected. Approximately 26% of the accounts identified as under billed require review and correction. All accounts identified as over

billed, with the exception of approximately 140 accounts, have been corrected. The remaining 140 accounts appear to be exceptions for sub-parcels that are already billing storm drainage under a Homeowner Association's account, and require further research and validation with Sacramento County records. Utilities estimates that all remaining account variances identified will be corrected before December 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.

Partly Implemented Approximately 14,000 parcels have been identified in the County's parcel database, without a unique account reflected in the City's billing system. Of those parcels identified, 3,030 have been physically inspected Utilities, and almost 92% (roughly 2,800) of those parcels have been reviewed and added to the billing system. In addition, approximately 1,500 of the parcels identified in the audit have been addressed via the completion of other day-to-day billing activities, resulting in a total of about 4,300, or about 29%, of the total parcels being added to the billing system. Approximately half of the inspected parcels have been identified as vacant lots; not having any paving or structures. Based on existing staff resources, Utilities is estimating a two-year time line for review and update of all parcels identified in the audit, with completion by December 2016.

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.

Implemented On August 8, 2013, Utilities presented a recommendation before City Council to start practicing a discontinuance program for delinquent accounts, which City Council approved. In the fall of 2013, Utilities worked with a committee of stakeholders within the Department, to gather recommendations and present policy questions. A steering committee, consisting of Utilities management, reviewed the recommendations and policy questions for final approval of the program. Utilities implemented the water termination program in March 2014.

A controlled number of 30-day notices are generated weekly in order to effectively manage the program and mitigate workload impacts. Accounts with the oldest aged debt are being noticed first. Since implementation, 373 accounts have received a 30-day notice. Per the California Public Utilities Code (PUC), customers noticed with termination may be placed on a 12-month payment arrangement. Approximately 170 (46%) of the customers noticed have set-up a payment plan. Approximately 32 (9%) of customers have paid their accounts in full. As of June 20, 2014, 38 accounts have had water services terminated. Water and wastewater service charges stop billing upon termination of water service.

The PUC requires agencies terminating service to generate a notice to the occupant prior to termination as well as posting a notice on the premise at least 48 hours in advance. In the case of rental property, the Occupant Notice communicates the option for a tenant to become a water service customer with the City, as required under the PUC. Since implementation, 14 Tenant Water Accounts have been established. All other utility services continue to bill to the legal owner when a tenant establishes a water service account.

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 currently generated either on a monthly, quarterly or semi-annual basis, including bad debt, account aging, revenue, and lien releases. Utilities recently completed an organizational assessment which includes a plan to measure key performance indicators in a balanced scorecard system. In addition, Utilities has created and identified a number of valuable reports, including account delinquency, receivables and collection referrals. Beginning in fiscal year 2015, Department staff will run the reports in accordance with the report schedule created and monitor performance and trends. Monthly analysis will be performed on revenue, fees and account delinquency following the end of each month.

Account aging, active service counts and lien assessments will be reviewed on a quarterly basis. This data will be pulled into a balanced scorecard to monitor performance against strategic goals, improve internal and external processes and communications, and align business activities with the vision and strategy of the organization.

#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 is reviewed to compare with annual bad debt trends. This data is also used to estimate the expected bad debt during budget planning for new fiscal years. In addition, the delinquency and receivable reports, along with the review of lien assessments and foreclosure trends for current and prior years, will be used in fiscal year 2015 to anticipate revenue changes.

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.

Partly Implemented Utilities submitted a Position Description and Qualifications (PDQ) document for the Account Clerk II positions to the Human Resources Department (Human Resources) in March 2014. Human Resources notified Utilities on June 9, 2014 of approval for a reclassification study for both the Account Clerk II and Customer Service series positions within the Billing unit of the Business and Integrated Planning Division. Due to the extensive study, Human Resources will be utilizing a consultant to complete the study. The study is expected to begin in early fiscal year 2015.

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.

Partly Implemented Utilities implemented a Privileged Users Access Monitoring Policy to review the security and access of CIS super users. This policy will be fully implemented by winter of 2014.

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

Implemented Utilities is currently phasing out the use of the previous meter database, Mosaic, due to the external vendor filing for bankruptcy and the City having selected a new vendor to collect meter reads. Utilities continues to receive limited support for the Mosaic database and no enhancements for security will be done. Utilities anticipates replacing all of the prior vendor's meters with the new vendor's (Badger) meters and infrastructure over the next 18-months. Utilities has begun using the new vendor's database called ReadCenter Pro, which captures Badger meter reads. Therefore, Utilities will be using both vendors in parallel until Mosaic is phased out. The password requirements for ReadCenter Pro meet strong password configuration requirements as recommended in the audit, including the following: minimum of seven characters with at least one uppercase letter, one lowercase letter and one number; special characters can be used, and; password cannot be the user name or email.

Post Audit Summary of the Assessment for Establishing a Whistleblower Hotline

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

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

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

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

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

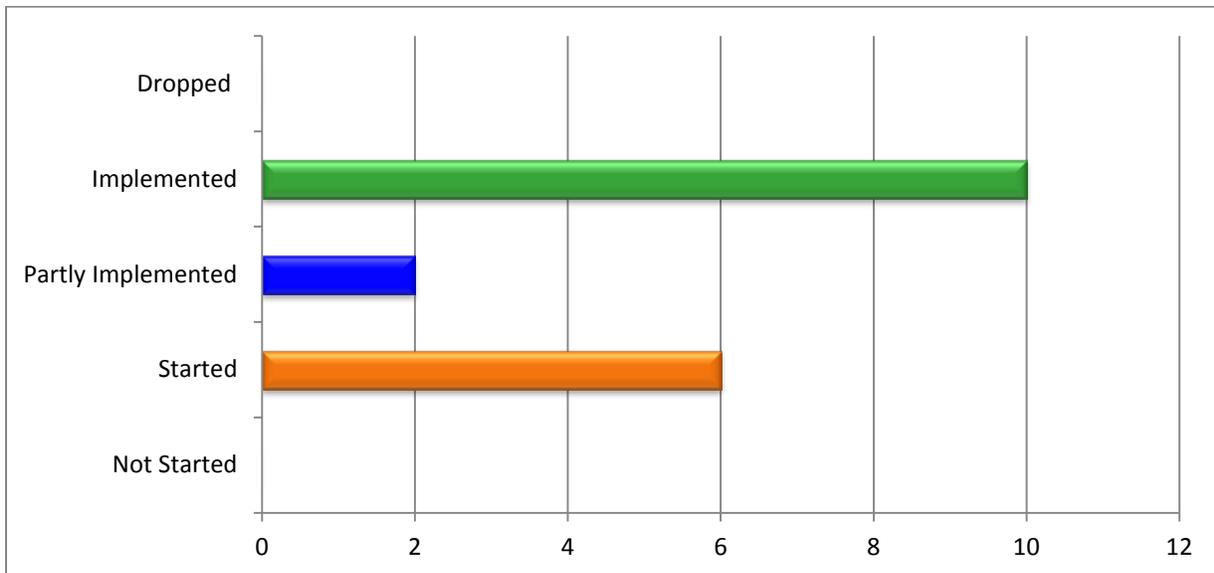
Started Staff from both offices have discussed parameters for moving forward and plan additional meetings.

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.

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 found work had already begun on all of them. We considered 10 recommendations to be implemented (55%) and two to be partly implemented (11%).

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 onetime and future benefits, with most of these benefits generated through avoided vehicle replacement

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

Partly Implemented Fleet hired a consultant to develop a Comprehensive Asset Management Replacement Solution to provide ongoing review and evaluation of equipment replacement criteria. Testing of the new system is scheduled to begin March 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 Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

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

Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

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 The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

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 Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

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 Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

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

[Started](#) The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

We Recommend that Finance:

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

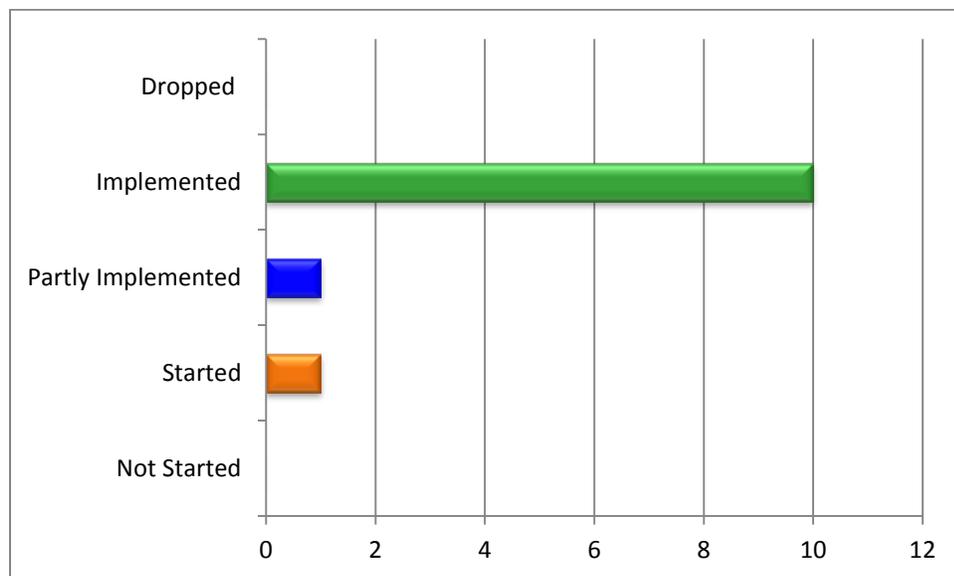
[Partly Implemented](#) The City Attorney's Office performed its legal review and recommended to the Finance Department an update of the City Employees Transportation policy. The Finance Department is working with Fleet to update the policy language.

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

#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 In addition to creating the citywide cash handling policy, AP-2300, the Finance Director requested procedures from each of the City's Departments by 12/31/2013. Since then, the Revenue Division reviewed and approved policies provided for all but three areas. The Revenue Division is currently in communication with the responsible departments. Moreover, at the June 16, 2014 fiscal year end kick-off meeting with department fiscal staff, the

Revenue Division announced a reminder that if changes to a process dealing with cash occurs, procedures must be updated and submitted to the Revenue Division to keep policies current.

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

#6 Publicly reports the results of its performance measures.

Started The Revenue Division is utilizing the Q-Flow system to manage resources at the public counter and has requested to publish statics on the public web site. This will include live wait times for the public to be served. In order to accomplish this, the Revenue Division needed a system upgrade, which occurred in May, 2014. The Revenue Division is hopeful that all the technical issues can be resolved shortly.

In addition, the Revenue Division has been advised by the City Manager's Office that a consultant was retained to help departments develop performance measurements. The Revenue Division looks forward to this assistance and will implement additional performance metrics at this time.

Post Audit Summary of the Audit of Citywide Policies and Procedures

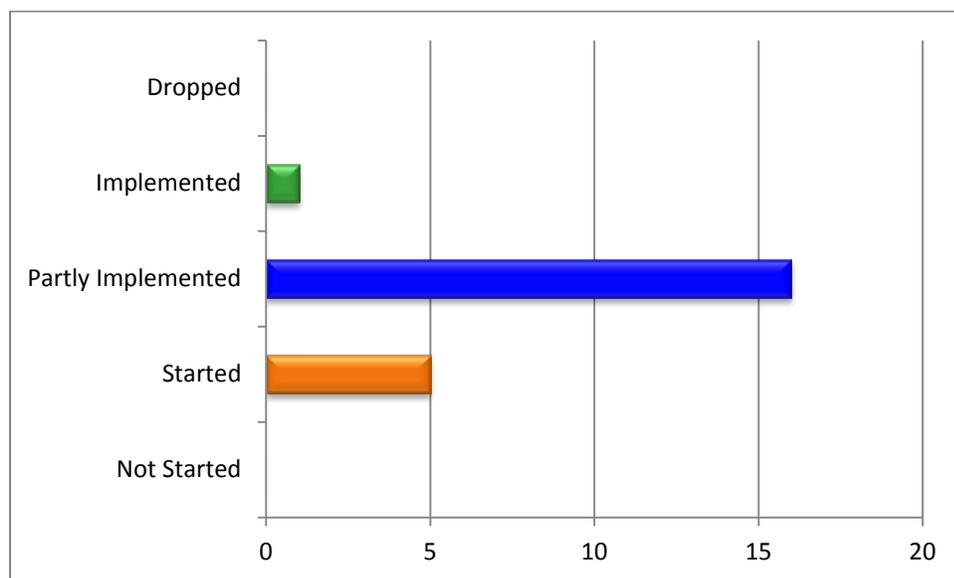
The *Audit of Citywide Policies and Procedures* contained three findings and made 22 recommendations for improving the City's administration of its citywide policies and procedures. By performing this assessment, we sought to identify ways to reduce time spent by employees looking for or explaining policies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

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

Full publication of updated policies has been delayed due to requests from City labor unions to meet and confer over policies potentially impacting working conditions. During the reporting period of January 2014 to June 2014, meet and confer meetings with the various City labor unions have occurred. However, additional meetings will be required to finalize proposed policies.

Due to meetings with City labor unions, progress has stalled since June 2013. As shown in Exhibit 8, we designated one recommendation implemented (5%), 16 recommendations partly implemented (73%), and five recommendations as started (22%).

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. 18 policies have been uploaded to CCM that will be pushed through the APPS phase one workflow during August 2014. Some policies may need to be removed from the phase one implementation and reworked due to feedback received from the City labor unions.

#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

Partly Implemented Consistent with the Automated Document Review System (ADRS), the City Manager's Office developed a video tutorial, which includes illustrations, to assist staff with the creation and updating of administrative policy and procedure documents. With the advent of APPS, the review process has been refined to include a two-week review and comment period

for all departments and review/approval by all Charter Officers to ensure all employees understand the rules and expectations that govern their work.

#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 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 has partially launched a new City website. As department webpages are updated, outside policies and procedures will be removed in coordination with the web team and department. Existing policies are housed in the Citywide Content Management (CCM) system and published to the intranet or 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. All currently approved Policies (APIs) are available in CCM. The system is in place to update newly approved policy and procedure documents in CCM.

#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. The policy has been released for review to approvers. CCM will provide the source documents for posting of City policies and procedures to the City's new website.

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 intranet or 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. Several draft HR policy/procedure documents have been converted to the APPS format including: Reasonable Accommodation, Employee Handbook, Educational Assistance, Wireless Communications, Health and Welfare, Leave Administration, and Employee Separation.

#17 Design a control to ensure outdated policies and procedures are removed from CityNet and the City's 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. In August 2014, the APPS is expected to go-live with phase one of the workflow.

#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. The APPS phase one workflow is expected to begin in August 2014.

#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.

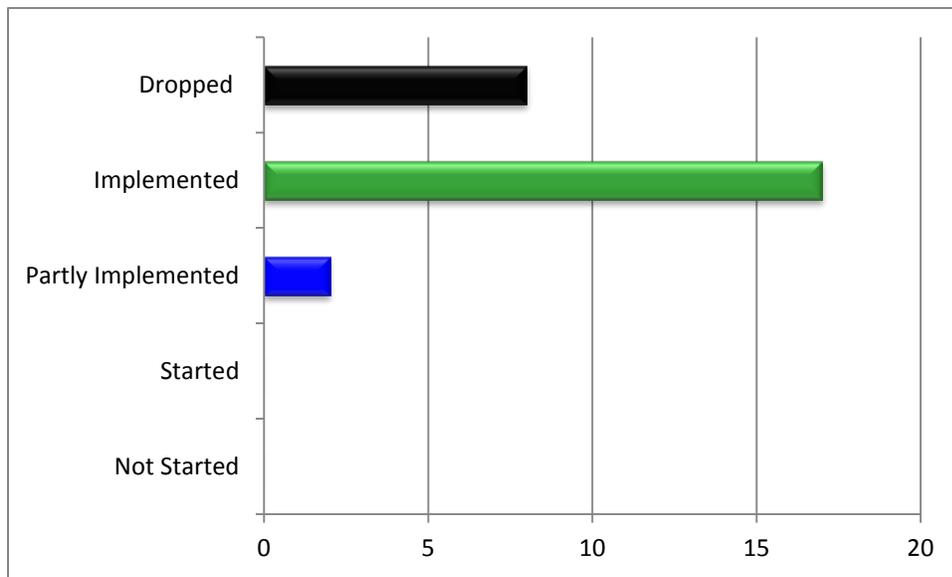
[Partly Implemented](#) APPS is intended to manage the creation, review, editing and publication of citywide, departmental, and division level policies and procedures. A briefing was provided to department directors on April 26 as well as July 10, 2013 to update them on the developing APPS system, including the fact that APPS was built to house department and division policies. CCM is the official repository for "active" policies and procedures.

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 Utilities to evaluate whether the department was managing and/or utilizing resources in a responsive, economical and efficient manner. In addition to recommendations directly related to the seven key findings, the audit included further opportunities for operational efficiencies and cost savings that the Utilities may want to explore.

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

Exhibit 9: Status of Audit Recommendations



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,

Implemented The Recycling and Solid Waste Division has continued to make significant improvements in our daily operations to increase operational efficiency and reduce overtime hours. As a result of more efficient routing and improved oversight, the Solid Waste Division has realized a 44.3% reduction in discretionary overtime hours from FY13 to FY14. The comparison primarily includes daily overtime on regular collection routes from Monday through Thursday, and Friday and Saturday overtime incurred during leaf season in November, December and January. The comparison does not include nondiscretionary overtime on Monday holidays as required by the labor agreement with Local 39.

On July 1, 2013, the Division implemented newly designed collection routes in conjunction with revised collection programs. Over the past year we have continued to revise the new routes to ensure an equitable distribution of work among employees and eliminate routing situations that result in frequent overtime. This process has also included analysis of vehicle load weights, especially in the green waste commodity, to fine tune the new collection routes.

Finally, the Division has continued to implement the fleet replacement program, which includes 53 new side-loaders, 11 new rear-loaders, 7 new “claws”, and 3 new street sweepers. The new equipment has increased productivity and reduced lost work time due to equipment failure and repairs.

Additional Operational Efficiencies and Cost Savings

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

Partly Implemented Utilities is currently working on completion of the CMMS. Phase 1 of this project is complete as reported in the July 2013 audit update. Phase 2 of this project is for those sections of Operations and Maintenance formerly known as Field Services to upgrade the existing client server CMMS application, Azteca Cityworks ANYWHERE, to a web-based platform, and is currently in the test phase.

The December 2013 pilot project was rescheduled to January 2014 to accommodate a parallel processing strategy. The new web platform is installed and currently used in production by Wastewater, Drainage and Water Conservation. The Final group, Water, will train in the new system in August with a production rollout date on August 21, 2014. The project will move into the next phase of planning for the eventual integration of the new system with the eCAPs system, evaluation and selecting a field mobile solution that is useable in a disconnected environment and integration of auxiliary software utilizing the new system’s web services. Project management reports the entire process as 90% complete at this time. Anticipated efficiencies will be reported in January 2015 and realized efficiencies will be reported in July of 2015

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

Partly Implemented During the last reporting period, software upgrades to the new VT SCADA (VTS system and training on VTS were completed at the following five locations: the Sacramento Water Treatment Plant (SWTP), Combined Wastewater Treatment Plant (CWTP), sump 2, Pioneer Sump, and EA Fairbairn Water Treatment Plant (EAFWTP). DOU also completed VTW upgrades at the City’s remaining reservoirs not upgraded during the previous reporting period, including: Gateway, Robla, Natomas, Riverside, El Centro, San Juan, and Elkhorn. Additionally, upgrades continued at sumps and wells citywide and these should all be completed by this fall. Testing at the sump and well locations is projected to be completed by January 2015. The entire system will then be cross-checked to ensure that all functions of the existing Fix32 system are operating correctly in the new VTS system. The cross-check is scheduled to last approximately four months and in April of 2015 the City will shift completely to VTS.

Once fully implemented, DOU anticipated realizing many quantifiable benefits from the upgrades, including improved security, data collection, HMI stability, and version control.

Additionally, new computer servers are configured within hours, rather than days it takes using the existing Fix32 SCADA system. During the next reporting period, DOU staff will determine Fix 32 metrics to be used to compare with the new VTS system, and dates by which DOU can provide information on the efficiencies achieved by the new operating system.

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

☑ **Implemented** DOU worked with the City's central Information Technology GIS team and Brown & Caldwell consultants to address additional GIS functionality through the Enterprise Application Integration (EAI) project. The team created and implemented a process to identify business practices that could benefit from integration, and then developed mapping tools. During this reporting period, the EAI process was completed for seven out of the ten business processes identified as the top priorities to address through the EAI project. The remaining three processes are currently in development. To date, EAI has provided the following benefits:

- EAI provides a consolidated mechanism to bring together updated information on a daily basis from multiple data sources. The time frame to complete these tasks has gone from days to nearly zero for providing information on Sewer Condition, Drainage Condition, Water Leak information, Sump Capacity and on line/offline status among others.
- Asset management staff is able to analyze data directly from EAI reports and save staff time. This is due to not having to filter specific data, deleting duplicates, and validating inspection records.
- GIS staff now has other data views to assist with map correction updates and on-going data maintenance updates. The time frame to complete these tasks has gone from days to near zero and in some cases eliminated data compilation reports done by other staff because the data is now consolidated and immediately accessible.
- Most of the EAI applications have an interactive web map that can be viewed and some data can be queried by the end-user for further review. The interactive web maps eliminate the need to create and design custom maps for many different kinds of requests as well as accompanying reports. The time frame to complete these tasks has gone from days to near zero.
- A conservative estimate on the staff time savings attributed to the EAI project is approximately \$40,000/year.

DOU is continuing with the ongoing process of identifying additional business practices that will benefit from inclusion in the EAI project, and developing mapping tools to obtain benefits similar to those noted above. Future budget allocations and staff resources will determine how many business practices can be analyzed for potential inclusion in the EAI project in any given fiscal year. In addition to the EAI project, DOU has added an Information Technology Supervisor position and is currently recruiting for this position. It is envisioned that this individual will serve as an enterprise architect and help to identify additional efficiencies and synergies as it related to GIS, CMMS and other Asset Management applications and serve as a leader in this effort for the department.

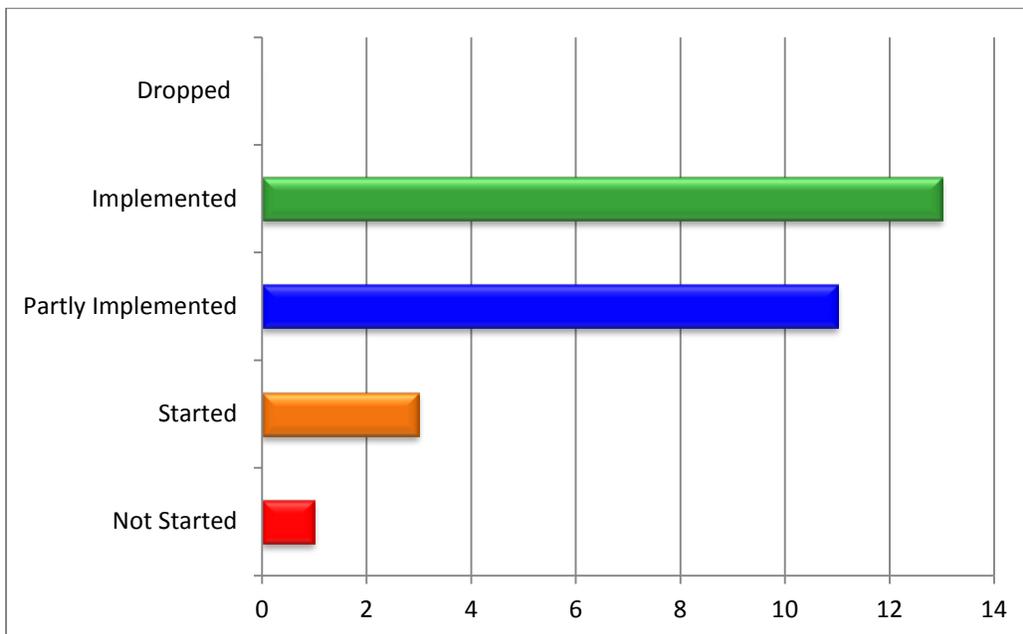
Post Audit Summary of Employee Health and Pension Benefits

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

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 24 recommendations (86%) and has started work on 3 other recommendations (10%). Work has not started on one recommendation (4%).

Exhibit 10 summarized the implementation progress to date. While Human Resources is making progress in implementing recommendations, we anticipate that some recommendations could take several more months to fully implement.

Exhibit 10: Status of Audit Recommendations



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

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

Started The Human Resources Department is collaborating with IT and Payroll to develop a process for addressing this recommendation.

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

Partly Implemented Human Resources has incorporated some LOU's into labor agreements and continues to work towards incorporating the remaining LOU's.

#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.

Partly Implemented According to Human Resources, the plan is being phased out and has already been eliminated from the WCE, Local 39, SCXEA, and SPOA 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.

#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. The expected completion date is July 2014.

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 that includes goals and measures. 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 several labor groups are no longer 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.

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

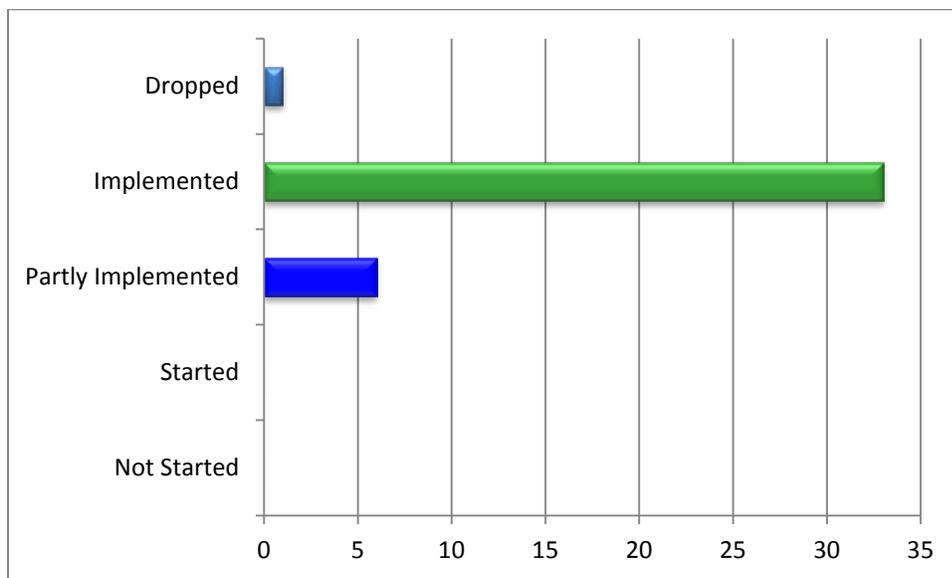
[Partly Implemented](#) The City has a strategic healthcare plan and the City's Chief Negotiator has outlined priorities for negotiations.

Post Audit Summary of the Audit of the Community Development Department

The Performance Audit of the Community Development Department (CDD) contained 5 chapters, 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 requisite fees. Since the audit's release in October 2010, my office has been working closely with CDD staff to assess and insure adequate implementation of the adopted recommendations.

During the reporting period of July 2013 to December 2013, CDD made progress towards implementing recommendations. As shown in Exhibit 11, we designated 36 recommendations as implemented (90%), 3 recommendations as partly implemented (7.5%), and one dropped (2.5%).

Exhibit 11: Status of Audit Recommendations



² According to the Attorney's Office, the City is still evaluating whether the City may successfully recoup some or all of the previously noted \$2.3 million uncollected fees.

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.

Implemented CDD has developed four exception reports to monitor system activity. The Finalized, Non-Invoiced Fees; Finalized, Unresolved Conditions; Greater Valuation Not Used; and New Sq Ft. Calculator Not Used Reports will be reviewed over a 6 month period to identify abnormal activities and enhance report activity where needed.

#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.

Partly Implemented The City Attorney's Office is drafting language to amend Sacramento City Code Title 15 and Title 8 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce City's building laws, codes and regulations. A City Council transmittal has been drafted and a scheduled hearing date to City Council is pending.

#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.

Partly Implemented The City Attorney's Office is drafting language to amend Sacramento City Code Title 15 and Title 8 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce City's building laws, codes and regulations. A City Council transmittal has been drafted and a scheduled hearing date to City Council is pending.

#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.

Partly Implemented The City Attorney's Office is drafting language to amend Sacramento City Code Title 15 and Title 8 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce City's building laws, codes and regulations. A City Council transmittal has been drafted and a scheduled hearing date to City Council is pending.

Section 2: Proper Permitting

#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.

Implemented Most individuals with access to approve and change the status of permits in the Accela system can change the status of all permit types, not only the ones they are authorized to approve. However, the Chief Building Official sent out a division-wide memo providing approval authority to various individuals by permit type. Those with access in Accela to issue County Fire Permits do not have system access to change the status of other permit types.

#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.

Implemented CDD provided us with a Counter Operations review for October 1, 2013 to December 31, 2013 and January 1, 2014 to March 31, 2014. A total of ten permits were reviewed for compliance with policies and procedures. Issues identified were discussed with the proper individuals and corrective actions were taken to improve processes.