



CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

Report 2018/19-03

October 2, 2018

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

Honorable Members of the Budget and Audit Committee:

The Office of the City Auditor conducts performance audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City programs. In many cases, this involves verifying compliance with laws and regulations, identifying internal control weaknesses and failures, and assessing whether the City has acquired and used its resources efficiently. The office monitors the implementation of all audit recommendations, and reports on the status of all open audit recommendations every six months with a semiannual report. In accordance with the City Auditor's approved Fiscal Year (FY) 2017/18 Audit Plan, we prepared a report of the status of open recommendations for the six months ending June 30, 2018. To prepare this report, we met with department staff, reviewed documentation provided by departments, and performed testing to determine implementation progress.

We categorized recommendations by Auditee progress:

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

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

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

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 Office of the City Auditor's budget for FY 2017/18 was approximately \$835,000. Dividing the potential City benefit for FY 2017/18 by the adjusted Office's budget for FY 2017/18 (assumes audit resources split at 60 percent for performance audits and 40 percent for whistleblower investigations) results in \$2.17 in identified potential benefit for every \$1 of audit cost.

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

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

Respectfully submitted,

Jorge Oseguera

Exhibit 1: Potential City Benefit and Recommendation Status

Report Title	Date Issued	Potential City Benefit	Estimated Realized Benefit	# of Rec's Made	Not Started	Started	Partly Implemented	Implemented	Dropped	Percent Remaining
2017-18 Audits										
Utilities Workplace Safety	May 2018	Reduce Liability		22	19	3	0	0	0	100%
YPCE Strategic Planning and Employee Benefits Management	Nov 2017	\$186,000		20	3	10	4	3	0	85%
Medical Marijuana Dispensaries	Oct 2017	\$417,700	\$ 33,223.39	20	0	2	14	4	0	80%
Procurement for Services \$25,000 or less	Sep 2017	\$6,034	\$ -	32	3	25	4	0	0	100%
Utilities Inventory	Jul 2017	\$663,500	\$24,024	23	0	9	2	12	0	48%
2016-17 Audits										
Diversity Assessment of Boards, Committees, and Commissions	Apr 2017			1	0	1	0	0	0	100%
Fire Department Overtime Use	Feb 2017	\$9,258,396		18	7	5	2	4	0	78%
Risk Management Division	Nov 2016	\$1,250,000	\$535,031	17	0	3	1	12	1	24%
Utilities Labor Reporting	Oct 2016	\$998,100	\$230,041	26	1	9	3	10	3	50%
2015-16 Audits										
ESC Local Hiring	Feb 2016			8	0	0	0	8	0	0%
City Master Vendor List	Dec 2015	\$160,000	\$57,600	19	0	5	4	10	0	47%
SHRA	Sep 2015	Improve Service		14	0	0	3	9	2	21%
Sexual Harassment Policy	Sep 2015	Reduce Liability		10	0	0	0	10	0	0%
2014-15 Audits										
311 Call Center	May 2015	Improve Service		18	0	0	7	11	0	39%
Sidewalk Repair Process	Nov 2014	\$300,000		12	0	0	1	11	0	8%
Wireless Communications	Aug 2014	\$291,600	\$20,000	18	0	2	11	5	0	72%
Fire Inventory and Narcotics	Aug 2014	Reduce Liability		19	0	5	7	6	1	63%
2013-14 Audits										
City Inventory Systems	Apr 2014	\$288,000		12	0	0	7	5	0	58%
Employee Supplemental Pay	Dec 2013	\$336,000		17	0	2	2	13	0	24%
2012-13 Audits										
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	0	0	8	6	0	57%
Sacramento Regional Sports Education Foundation	Sep 2012	\$400,000	\$240,000	8	0	0	0	0	8	0%
Audit of the Fire Prevention Program	Aug 2012		\$1,150,000	22	0	0	0	22	0	0%
2011-12 Audits										
Utility Billing Review	Jun 2012	\$1,300,000	\$12,307,097	11	0	0	0	11	0	0%
AB 1825 Compliance	Jun 2012	Reduce Liability		9	0	0	0	9	0	0%
Whistleblower Hotline Assessment	Feb 2012	Reduce Fraud		2	0	0	0	2	0	0%
Fleet Management	Dec 2011	\$6,100,000	\$2,800,000	18	0	5	2	10	1	39%
Municipal Golf Revenue and Expenditure Analysis	Sep 2011	\$500,000	\$500,000	0	0	0	0	0	0	
Revenue Collections	Jul 2011	\$3,600,000	\$40,000	12	0	0	0	12	0	0%
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	0	0	14	7	1	64%
2010-11 Audits										
DOU Operational Efficiency and Cost Savings Audit	Jun 2011	\$8,641,000	\$2,846,000	27	0	0	1	18	8	4%
Audit of Employee Health and Pension Benefits	Apr 2011	\$16,000,000	\$7,470,000	28	0	0	5	22	1	18%
Performance Audit of CDD	Oct 2010	\$2,300,000		40	0	0	0	39	1	0%
Total		\$52,996,330	\$28,253,016	539	33	86	102	291	27	41%

Auditor Note: Yellow highlights indicate outstanding recommendations that warrant additional attention. Green highlights indicate an audit that has implemented all recommendations.

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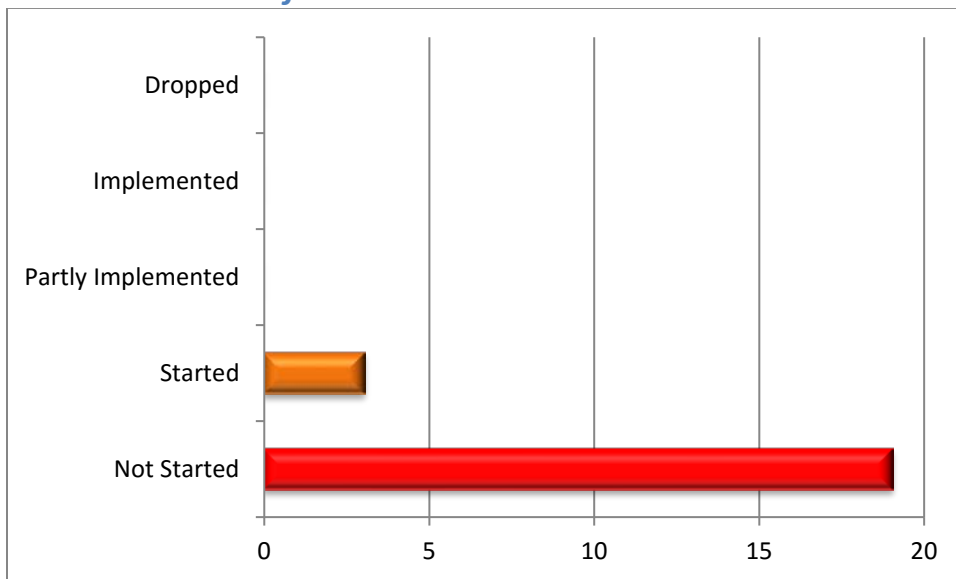
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Post Audit Summary of the Audit of the Department of Utilities Workplace Safety

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

Due to the short time period between the audit's release and the end of the recommendation follow-up period, during this round of recommendation follow-up we have followed-up only on those recommendations of which City Council requested status updates; these include three recommendations in Finding 2 related to the accountability of the department's gas monitoring program. The progress for these recommendations is shown in the exhibit below.

Exhibit 2: Status of Audit Recommendations



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

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

Started The Logistics group is responsible for device inventory and assignments in IntelliTrack and iNET. Currently, the Superintendents have been given responsibility for the use of devices and providing correct assignments to the Logistics group. Superintendents manage the Supervisors, who receive reports from iNET. This will be formally established in the gas monitoring policies and procedures.

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

Started The department is currently circulating a draft policy that includes baseline procedures for the administration, use, and maintenance of the department's gas monitoring equipment.

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

Started The Logistics group has scheduled quarterly inventory audits for devices and docking stations. iNET training was completed for key stakeholders on July 11, 2018. Training included a demonstration of how to navigate and understand the iNET dashboard, as well as a review of the subscription reports that can assist Superintendents and Supervisors in tracking device use (or misuse), which can be used to hold staff accountable. Logistics, with iNET support, is configuring e-mail subscription reports so that staff is notified based on their area of responsibility only. According to the department, this will allow Superintendents and Supervisors to complete a more thorough review of their devices. The department is working towards establishing a formal process for clearing alerts in iNET; clearing alerts will ensure the department is only monitoring clear misuse of the device with reports. Standardized language for iNET notations and designated staff persons needs to be determined; this will be included in the department’s gas monitoring policies and procedures.

To determine progress made in the use and administration of gas monitoring equipment, we performed the same testing that was performing during the audit. Based on this testing, it appears that while gas detectors still do not reconcile between iNET and IntelliTrack, docking stations have been fully reconciled. While the department indicated to City Council that their plan was to bump test gas detectors daily, regardless of use, iNET data shows that gas detectors were used without first being bump tested 75 times and used without calibration 10 times during the one-month period following the acceptance of the audit by City Council. Additionally, while uploading data to iNET appears more consistent, we found 20 gas detectors that haven’t been uploaded to iNET in more than a year.

Discrepancies in Location and Count of Gas Monitoring Equipment as of July 16, 2018

Location	Gas Detectors		Docking Stations	
	iNET	IntelliTrack	iNET	IntelliTrack
Combined Wastewater Treatment Plant	22	26	4	4
Fairbairn Water Treatment Plant	21	16	2	2
North Area Corporation Yard	10	7	1	1
Sacramento River Water Treatment Plant	38	27	4	4
South Area Corporation Yard	78	83	6	6
Total	169	159	17	17

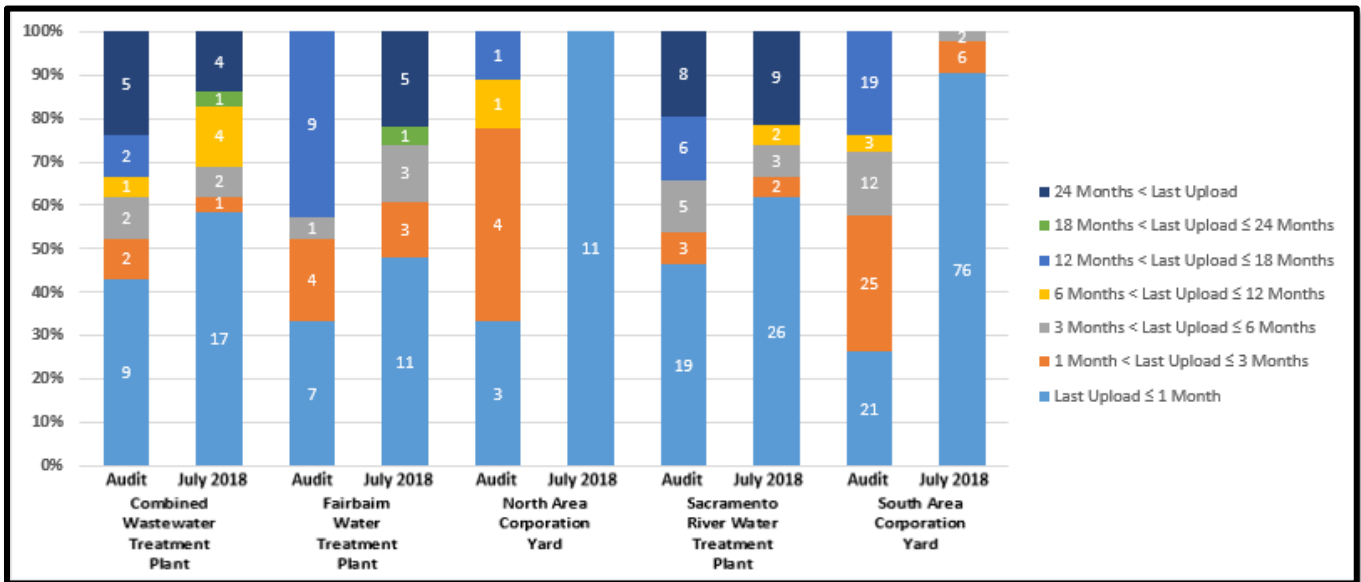
Source: Auditor generated based on iNET and IntelliTrack reports.

Minimum Use Outside Manufacturer Recommendations June 8, 2018 through July 8, 2018

Location	Use Without Bump Test	Use Without Calibration
Combined Wastewater Treatment Plant	11	1
Fairbairn Water Treatment Plant	5	0
North Area Corporation Yard	7	1
Sacramento River Water Treatment Plant	7	0
South Area Corporation Yard	45	8
Total	75	10

Source: Auditor generated based on iNET reports.

Last Upload Data as of July 3, 2018



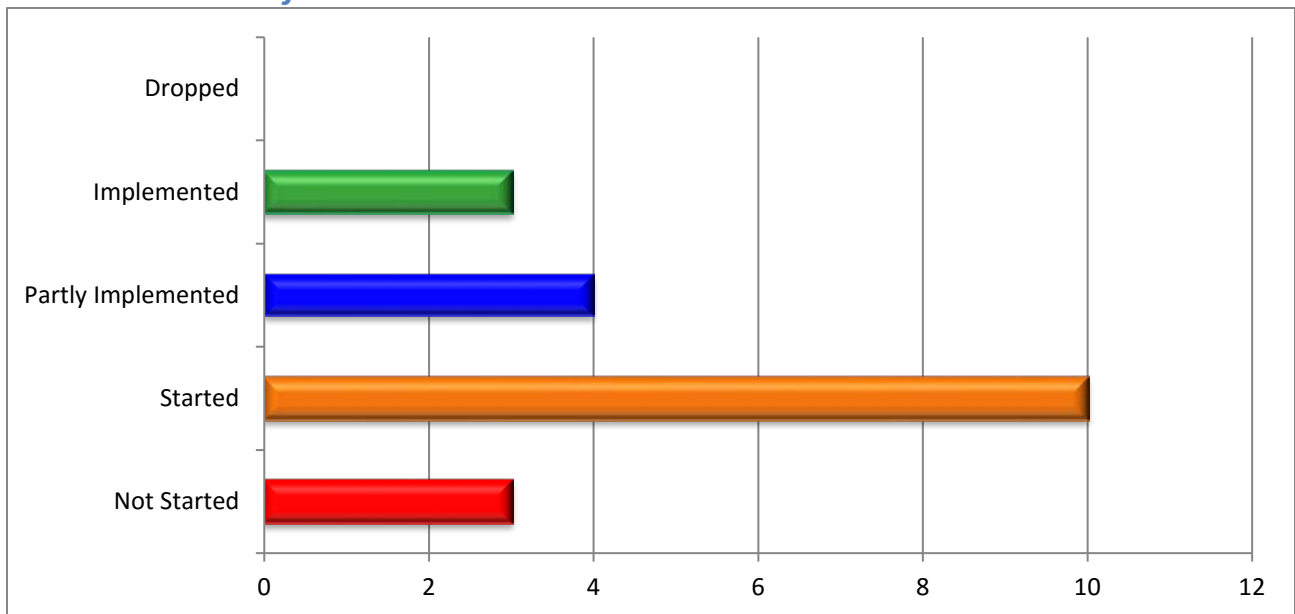
Source: Auditor generated based on iNET reports.

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

The *Audit of the Department of Youth, Parks, and Community Enrichment's Strategic Planning and Part-Time Employee Benefits Management* contained three findings and made twenty recommendations aimed at improving the department's strategic planning efforts and employee benefits management. During this audit engagement, the department was renamed from the Department of Parks and Recreation (DPR) to the Department of Youth, Parks, and Community Enrichment (YPCE). This audit included recommendations to update the master plan, strategic plan, define cost recovery goals and performance measures, and to more closely track employee training for those that perform Human Resources functions within the department.

Of the 20 recommendations, 7 (35%) have been implemented or partly implemented.

Exhibit 3: Status of Audit Recommendations



Finding 1: The Department of Parks and Recreation Has Not Updated Key Strategic Planning Guidance

#1 Update the Parks and Recreation Master Plan.

Not Started The Department last updated the Master Plan in April of 2009, however, the staff position and resources for this effort were eliminated during the economic downturn. The Department plans to make a future budget request to restore the staff and resources necessary to update the Master Plan.

#2 Complete the process of updating the Strategic Plan.

[Started](#) YPCE has contracted the services of consultant group MIG to refine the Department’s mission, vision, values, initiatives, and goals, as well as strategy and organizational structure recommendations for optimal efficiency and effectiveness

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

[Started](#) This recommendation will be implemented upon completion of the Strategic Plan.

#4 Conduct a needs assessment survey.

[Not Started](#) The Department plans to work with the City Manager’s Office to incorporate a needs requests into the City-wide survey assessment that is being formulated.

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

[Started](#) The Department is currently implementing a more robust registration, payment, and data management system that will allow for increased tracking for both fee-based and non-fee-based programs. The Department is also piloting attendance tracking methods such as participant sign-in sheets, manual participant counts by staff, and meal counts for programs offering food to program participants.

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

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

#7 Evaluate the call categories and develop a list that better captures the types of calls received about YPCE programs and services.

[Implemented](#) The Department coordinated with 311 to provide an expanded list and an explanation of the categories and how they are to be used.

#8 Develop programming performance measures.

[Partly Implemented](#) At the City Manager’s request, the department has recently developed performance measures for all department divisions to assess and improve service delivery.

#9 Develop department-specific policies and procedures.

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

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

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

Started Once the Strategic Plan has been completed, the Department will be able to better define cost recovery goals and objectives and then align service delivery accordingly.

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

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

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

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

#13 Consider implementing an advertising and sponsorship program.

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

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

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

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

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

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

#16 Identify all employees responsible for performing human resources functions, including managing and scheduling employees.

Implemented The Department has created a contact list which identifies all employees performing human resources functions. Bi-weekly hours reports are sent to Hiring Managers to ensure staff is being properly scheduled and managed.

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

Partly Implemented The Department is working on creating a training schedule for all employees performing human resources functions. Training courses will include Timesheet Approval, Employee Separations, How to create a Hiring Requisition, Understanding Hours Reports, etc. The timesheet approval course is scheduled for September 2018 and all employees performing human resource duties will be required to attend.

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

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

We recommend the Department of Human Resources:

#19 Review the process for determining prior CalPERS membership status to ensure it adequately captures all eligible members.

Implemented Human Resources has reviewed the process and updated procedures to ensure all eligible members are captured going forward.

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

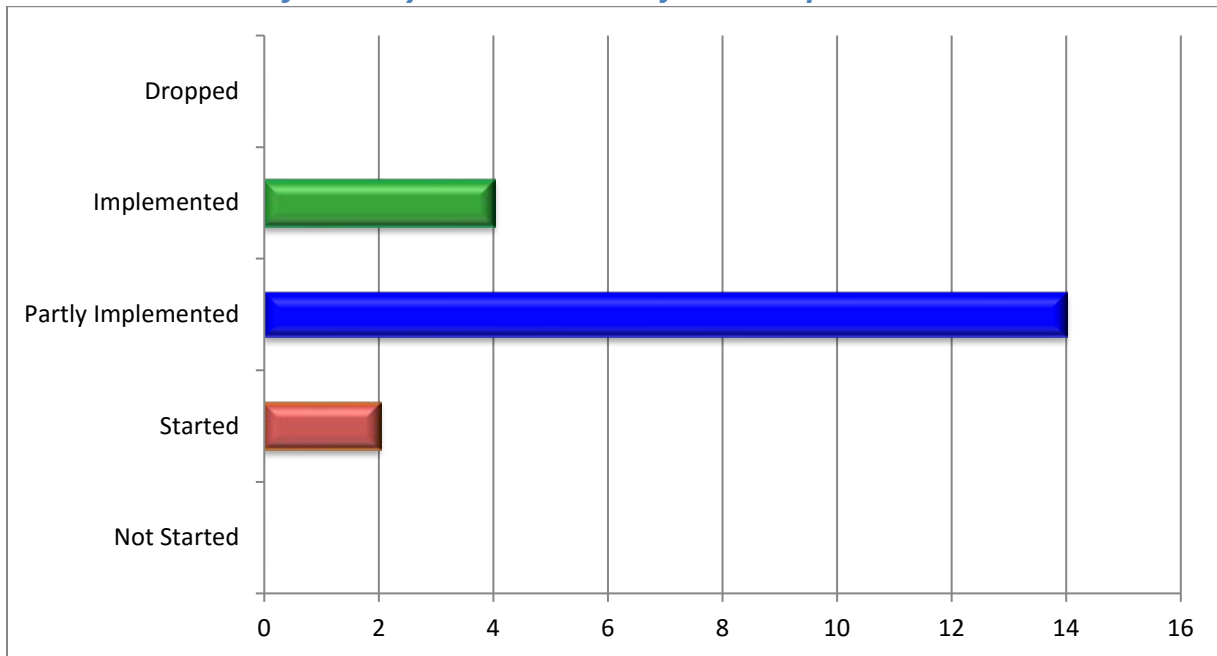
Partly Implemented Human Resources staff is working on a reconciliation of CalPERS appointments. Every other week, Human Resources staff runs a monitoring report and processes CalPERS enrollments as necessary.

Post Audit of the Audit of the City’s Medical Marijuana Dispensaries

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

Since the last reporting period, the Office of Cannabis Policy & Enforcement (OCPE) and the Revenue Administration made great progress in addressing the recommendations. The OCPE is implementing a review process of the dispensaries’ financial documents to identify instances of underreporting of gross receipts. Staff finalized their review of the 2016 renewal applications and collected \$33,150 in additional Business Operations Tax. As shown in below, we designated four recommendations as implemented (20%), fourteen recommendations as partly implemented (70%), and two recommendations as started (10%).

Exhibit 4: Status of the City’s Medical Marijuana Dispensaries Recommendations



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

#1 Determine why dispensaries failed to produce the requested financial and membership documentation and inspect the documentation for compliance with City Code.

Partly Implemented City Code requires dispensaries to produce membership records within 24-hours of the City’s request. The Office of the City Auditor has requested membership records from the dispensaries and has not yet received the documents. To address the recommendation, the Office of Cannabis Policy and Enforcement (OCPE) has been in communication with the dispensaries identified in the audit and is working with dispensaries to verify that all sales occurred to members of the collective with a valid physician’s recommendation. OCPE will be developing methodologies to review membership records at the dispensaries.

#2 Consider imposing penalties to encourage compliance with document requests.

[Partly Implemented](#) The OCPE is developing a policy to impose penalties to encourage compliance with document requests. As of June 12, 2018, dispensaries are subject to a 10-percent penalty fee for late submissions of renewal applications.

#3 Develop a robust review process of the dispensaries' financial statements during the permit renewal process to identify red flags that may indicate potential underreporting of gross receipts.

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

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

[Started](#) According to OCPE, observation testing will be included in future audits by MuniServices.

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

[Partly Implemented](#) According to the OCPE, the department has added additional staff and established controls to evaluate dispensary financial documents to identify potential underreporting of BOT. For the 2016 reporting period, the department identified instances of underreporting of gross receipts and collected \$33,150 in additional BOT. The department is currently reviewing dispensaries' financial documents for the 2017 reporting period.

#6 Develop controls to ensure dispensaries' gross receipts are recorded monthly.

[Implemented](#) Revenue Administration developed procedure to ensure gross receipts records are complete and accurate. The procedure includes a new tracking workbook in Excel that contains a monthly signoff tab to verify the figures have been recorded. Monthly reports are downloaded and saved in an electronic folder for each dispensary along with the Monthly Tax Renewal Notice.

#7 Establish a process to reconcile payments owed to payments received.

[Partly Implemented](#) According to Revenue Administration, a process has been established to ensure that tax payments will be reconciled. The Revenue Manager provided a memorandum to the City Auditor indicating that reconciling prior years' payments due and payments received is unable to be completed due to limited staffing. Staff will work with the Office of the City Auditor during the next follow-up period to evaluate the reconciliation process.

#8 Implement controls to ensure complete reviews of MuniServices audit reports.

[Partly Implemented](#) According to the OCPE, controls have been developed to ensure a complete review and follow-up on MuniServices findings. Revenue Administration and OCPE have created a review sign-off/acknowledgement form that will be utilized going forward, including staff review. A copy of the form has been provided to the auditor.

#9 Review and address MuniServices' audit findings regarding *River City Phoenix*.

[Partly Implemented](#) According to the OCPE, MuniServices concluded an audit at River City Phoenix in June 2018. Staff will review the audit report and address audit findings.

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

[Partly Implemented](#) According to the OCPE, the department is seeking a more comprehensive cannabis audit program. The department will likely issue a Request for Proposal to find a vendor that performs tax and compliance audits in Fall 2018.

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

#11 Assess the hours spent on dispensary inspections to determine whether CDD has adequate or excess resources.

[Implemented](#) The OCPE performed an assessment of the cannabis regulation and enforcement resources. A staffing plan was approved by Council on November 21, 2017.

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

[Started](#) The OCPE anticipates issuing a Request For Proposal for audit and risk-based compliance services in Fall 2018.

#13 Consider imposing penalties to encourage timely compliance with City Code.

[Partly Implemented](#) According to the OCPE, the department has been provided adequate resources to evaluate the overall compliance with City Code. The OCPE is conducting inspections and is developing a process to administer penalties for non-compliance. Penalties will be based on the severity of the violation.

#14 Engage the Office of the City Auditor to perform inspections at *All About Wellness* to assess whether the dispensary is complying with City Code and State laws.

[Partly Implemented](#) The Office of the City Auditor performed three on-site observations at All About Wellness between December 11, 2017 and December 20, 2017. Similar concerns as those exhibited by other dispensaries were found. OCPE will incorporate the findings for All About Wellness into the applicable recommendations for follow-up.

#15 Reevaluate the language in the City Code, and if necessary, strengthen the Code to make it clear that the City has the legal right to enter and inspect dispensaries' property and financial records.

[Implemented](#) The Office of the City Attorney reviewed the language in the City Code and confirmed to the Office of the City Auditor and OCPE that the City has the legal right to enter and inspect dispensaries' property and financial records.

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

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

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

☑ [Partly Implemented](#) The California Code of Regulations Title 16 states that “Every licensee who surrenders, abandons, or quits the licensed premises, or who closes the licensed premises for a period of 30 consecutive calendar days, shall, within 10 business days after closing, surrendering, quitting, or abandoning the licensed premises, surrender the license certificate to the Bureau.” To ensure compliance with State regulation, staff inspects dispensaries on a monthly basis. In addition, staff is evaluating City Code to determine if the City’s 90-day discontinuance of use rule should be revised.

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

☑ [Partly Implemented](#) Monthly inspections can help assess if dispensaries are operating in accordance with City Code and State regulations. Community Health Solutions asserts that they do not maintain regular hours and instead operate on an appointment-only basis. The Office of Cannabis Policy and Enforcement has not provided evidence of inspections for the months of April, May, or June and therefore cannot demonstrate that the dispensary was in operation during those months.

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

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

☑ [Partly Implemented](#) OCPE has hired additional staff and strengthened controls to ensure application documents are obtained and retained during the renewal process. Staff is finalizing the review of 2018 applications and will work with the Office of the City Auditor to assess the controls during the next follow-up period.

#20 Define and communicate to the dispensaries the documents needed to substantiate changes to dispensary management members, location, and entity name changes.

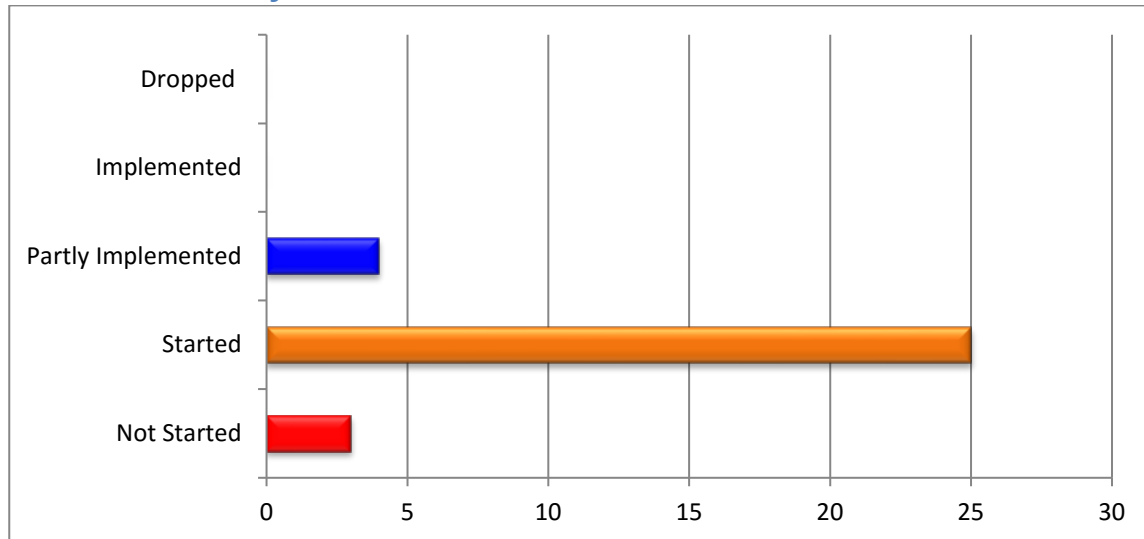
☑ [Implemented](#) The OCPE met with dispensary owners and/or manager to clarify the process and documents needed to make changes to dispensary management members, location, and/or entity name. This information can also be found in the Frequently-Asked-Questions on the Office of Cannabis Policy & Enforcement website. To make changes, the dispensaries are instructed to fill out the Business Entity/Ownership/Management Change Form.

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

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

Since the audit's release in September 2017, the City has already started to make progress on many of the recommendations. The City is in the process of implementing a consolidated procurement management system known as Automated Bids, Contracts, and Digital Signatures (ABCDs). Many of the recommendations below will be implemented through or impacted by ABCDs, which the Procurement Division expects to fully launch in Fall 2018.

Exhibit 5: Status of Audit Recommendations



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

We recommend the Finance Department:

#1 Establish a code of conduct or other codified ethics, guidelines, and standards.

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review. The draft manual starts with a chapter on ethics and standards.

#2 Update EBO policies, templates, and other guidance for accuracy and consistency.

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review.

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

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review.

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

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review.

We recommend the Finance Department and the City Manager:

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

Partly Implemented Role-based access to ABCDs has been established. The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review.

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

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review. Control and review will be accomplished through automated workflow and multiple reviews at the solicitation, contracting, and requisition stages through ABCDs.

We recommend the Finance Department and the City Clerk:

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

Started The Procurement Division is currently pursuing a digital signature, routing, and quality review solution to replace the paper cover/routing sheet for procurement contracts.

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

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

We recommend the Finance Department:

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

Not started The Procurement Division is currently reviewing City Code and policy for revisions. Once new procurement guidance is finalized, they will review and revise the procurement training program to reflect updated procedures.

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

[Partly Implemented](#) Role-based access is established, and the Procurement Division plans to grant access to individual employees after they have completed applicable training. Currently, training is required for purchase order requisition access, and more robust training/access requirements will phase in once a new procurement training program is in place. Procurement is utilizing Sharepoint to document and monitor training, and to verify training for employees prior to granting access to procurement systems.

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

[Partly Implemented](#) ABCDs contract modules are in currently in use, and access can be restricted. However, this recommendation will remain in progress until the ABCDs program is more mature and validated, and a new procurement training program is in place. Procurement is utilizing Sharepoint to document and monitor training, and to verify training for employees prior to granting access to procurement systems.

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

[Started](#) The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review. Additionally, Procurement is working with Accounts Payable to ensure consistent use of Purchase Orders.

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

[Not started](#) Pending policy reviews.

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

We recommend the Finance Department:

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

[Started](#) The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review. New processes will require all non-competitive bid justifications to be approved by the Procurement Division Manager or designated representative prior to awarding a sole source contract.

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

[Started](#) The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review. New processes will require all non-competitive bid

justifications to be approved by the Procurement Division Manager or designated representative prior to awarding a sole source contract.

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

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review. New processes will require all non-competitive bid justifications to be approved by the Procurement Division Manager or designated representative prior to awarding a sole source contract.

We recommend the City Manager:

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

Partly Implemented The Office of the City Manager is in the process of identifying current active contracts signed by City Officers. While many contracts have been identified, a full review may not be possible due to the lack of a consolidated repository and a lack of a comprehensive contract listing.

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

Not started This will most likely be part incorporated into the digital signature process.

We recommend the Finance Department:

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

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

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

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

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

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

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

We recommend the Finance Department:

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

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review. Contract supplements will follow a workflow review through the Procurement Division to ensure supplements are executed correctly.

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

Started The Department of Finance is reviewing procurement thresholds.

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

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review, and will incorporate this into City staff training. Additionally, all contracts, purchase orders, and change requests will be reviewed by the Procurement Division.

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

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review, and will incorporate this into City staff training. Additionally, all contracts, purchase orders, and change requests will be reviewed by the Procurement Division.

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

Started Every contract will require an end date in ABCDs.

#27 Revise contract forms to include a signature date.

Started The digital signature solution will include an automatic date stamp. The Procurement Division is reviewing multiple digital signature software options.

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

Started New eCAPS routing/automated workflow is pending full ABCD implementation, and digital signature/dating is under review. The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review, and will incorporate this into City staff training.

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

We recommend the Finance Department:

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

Started The Procurement Division is drafting a consolidated and comprehensive procurement manual, which is currently under review, and will incorporate this into City staff training. Additionally, all contracts, purchase orders, and change requests will be reviewed by the Procurement Division.

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

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

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

Started Workflow review will help ensure all invoices and purchase refer to a valid contract, and that purchase orders and payments do not exceed contract limits. Requires continued coordination with Accounts Payable.

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

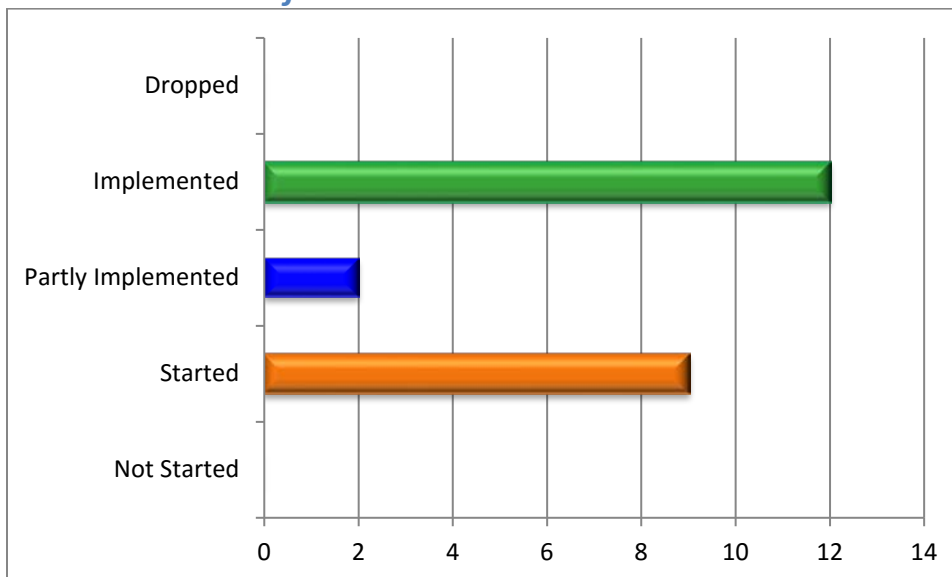
Started Workflow review will help ensure all invoices and purchase refer to a valid contract, and that purchase orders and payments do not exceed contract limits. Requires continued coordination with Accounts Payable.

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

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

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

Exhibit 6: Status of Audit Recommendations



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

#1 Review current inventory levels and determine the appropriate course of action to decrease the amount of old and stagnant inventory.

Implemented Logistics has taken action on 100 percent of the parts that were reviewed. The department received more than \$13,200 for stagnant scrap parts and saved approximately \$5,600 by modifying stagnant parts into other inventory items.

#2 Develop and implement strategies to optimize inventory levels in accordance with inventory policies.

Implemented Logistics has created and implemented a purchasing plan. The purchasing plan consists of common inventory-management strategies including but not limited to: just-in-time method, materials requirement planning, establishing inventory minimum and maximum levels, optimizing order size, reducing supplier lead time, and inventory segmentation. Warehouse staff received training on implementation of the purchasing plan.

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

[Partly Implemented](#) Inventory items have been removed from the mezzanine in Building 18. The mezzanine will now be disassembled and replaced with pallet racking. Once pallet racking has been installed, inventory items from Yard 22 will be relocated to Building 18. This project will begin in July 2018 after the year-end inventory count.

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

[Started](#) A tool and equipment inventory for both DOU water treatment plants is currently being conducted. Once this inventory is complete, the information will be uploaded into IntelliTrack.

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

[Started](#) This policy has been sent to Labor Relations for final approval.

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

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

[Started](#) The DOU Inventory policies and procedures are currently being reviewed by the DOU Executive Team.

#9 Formalize specific count methodologies in a written policy.

[Started](#) The DOU Inventory policies and procedures are currently being reviewed by the DOU Executive Team.

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

[Started](#) The DOU Inventory policies and procedures are currently being reviewed by the DOU Executive Team.

#12 Review staffing, workload, and distribution of work to optimize staffing resources.

[Implemented](#) The Essential Duties and Responsibilities for staff have been written and distributed to employees.

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

[Started](#) The DOU Inventory policies and procedures are currently being reviewed by the DOU Executive Team.

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

[Started](#) The DOU Inventory policies and procedures are currently being reviewed by the DOU Executive Team.

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

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

Partly Implemented Logistics continues to develop four performance measures: 1) Inventory Accuracy Goal of 95%, this is the actual quantity on hand versus the system reporting; 2) Storage Utilization Percentage, which is the average occupied square foot versus the total storage capacity; 3) Monitoring the number of days parts are on hand to minimize slow moving and stagnant parts; and 4) Inventory Turnover Ratio, by showing how many times the warehouse inventory is sold and replaced over a period of time. Performance measure 1 is currently in place and is published on the department's intranet site. It is estimated that performance measures 2 through 4 will be in place by the end of the calendar year.

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

Started Key data fields have been established for Cityworks and Maintenance Connection and minimum data requirements have been set for these fields. Logistics is working to determine the key data fields for IntelliTrack and setting minimum data requirements for inventory records in this system.

#18 Review the Cityworks FIFO issue with the Finance Department and Information Technology Department to develop a plan to ensure compliance with financial reporting guidelines.

Implemented The department has reviewed the FIFO issue with the appropriate parties and determined that no action need be taken. The errors created by the FIFO statement are immaterial in regards to the financial statements.

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

#21 Establish a formal process to document the review and approval of new user access to the inventory systems.

Implemented A new user access form was created and is currently being used.

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

Started The DOU Inventory policies and procedures are currently being reviewed by the DOU Executive Team.

#23 Develop a process to review user accounts on a regular basis to ensure the number of users and their level of permission are commensurate with their responsibilities.

Implemented Reports are now generated annually and provided to the Logistics group annually for review.

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

On May 10, 2016, the City Council directed the City Auditor, with assistance from the Independent Budget Analyst, to conduct an assessment of the diversity of City of Sacramento employees and compare the results to the demographics of the City of Sacramento residents. On January 24, 2017, the City Council directed the City Auditor to assess the diversity of City of Sacramento boards, committees, and commissions and compare the results to the demographics of the City of Sacramento residents. The assessment was to include the City's board, committee, and commission members' demographics related to age, ethnicity, gender, and sexual orientation.

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

[Partly Implemented](#) According to the City Clerk's Office, the board and commission application process was automated in 2014. Unfortunately, in the first release of the software, the diversity tracking mechanism was flawed resulting in unreliable data. Once this was resolved in 2015, a survey was sent to all existing commissioners asking them to provide diversity data. The survey largely went unanswered. The small amount of data that was provided was then populated into the system. Any unanswered surveys were marked "prefer not to say."

In April 2018 a new category for Sexual Orientation was added and all applicants are now are presented with the sexual orientation question.

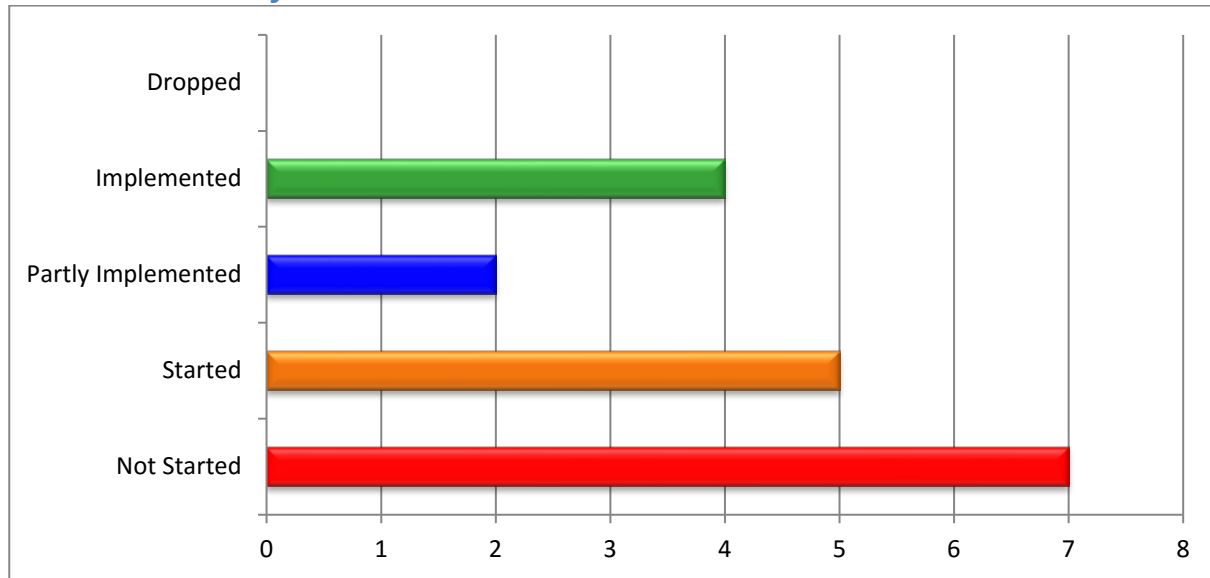
Since 2014, 327 people have been appointed to the city's various boards and commissions. Based on the information gathers so far, it appears that there are still some formatting and extraction issues to resolve. The Clerks staff will be working with the vendor to resolve the remaining issues.

Post Audit Summary of the Audit of Fire Department Overtime Use

The *Audit of Fire Department Overtime Use* contained four findings and made eighteen recommendations aimed at improving the Fire Department's administration and use of overtime. During this audit engagement, we included an analysis of potential staffing options the Fire Department could consider implementing to increase operational efficiency.

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

Exhibit 7: Status of Audit Recommendations



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

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

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

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

We recommend that the Human Resources Department:

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

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

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

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

#5 Negotiate that assignment pay not be provided to employees who do not work the shift the incentive was designed for.

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

#6 Evaluate the necessity of Primary Paramedic Pay.

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

Finding 3: The Fire Department Lacks Sufficient Controls Over the Administration and Use of Overtime

#7 Establish policies on the administration and use of overtime.

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

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

Not Started No progress has been made towards this recommendation. Telestaff is in the process of being upgraded and the Fire Department expects the newer version will have enhanced capability for documenting the use and approval of overtime.

#9 Document supervisory approval of overtime use in a consistent and retrievable format.

Not Started No progress has been made towards this recommendation. Telestaff is in the process of being upgraded and the Fire Department expects the newer version will have enhanced capability for documenting the use and approval of overtime.

#10 Provide guidance on the use of Special Duty pay, including the practice of providing rest time after returning from strike team deployment.

[Partly Implemented](#) The Department has notified employees that the practice of providing rest time after returning from strike team deployment will no longer continue.

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

[Started](#) According to the Fire Department, system access has been reviewed and modified. However, a formal system access policy has not been drafted.

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

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

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

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

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

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

[Started](#) The Fire Department is preparing a workshop to discuss the benefits and drawbacks of three-person staffing.

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

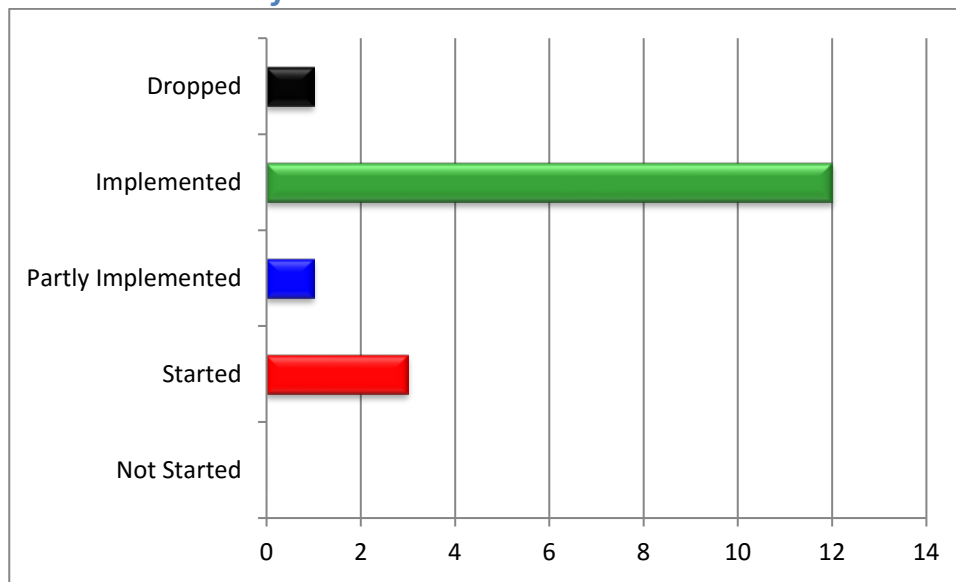
[Started](#) The Fire Department is currently staffing up to three peak-demand ambulance units per day, when staff are available. The Department continues to work towards a more permanent deployment model.

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

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

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

Exhibit 8: Status of Audit Recommendations



Finding 1: Some Transactions in the Two Risk Management Funds May be Inconsistent with Proposition 218 Requirements

#1 Continue to develop a system to reconcile health premium invoices to actual amounts deducted in payroll to ensure the General Liability and Auto Liability fund does not subsidize health benefit costs.

Partly Implemented According to the Human Resources (HR) and Finance Departments, staff utilize the deduction register queries in eCAPS to reconcile health bills and deductions for active employees. The audit of retiree medical enrollment has been completed and as of June 30, 2017, the City has begun to self-bill for retiree medical bills. Staff is now working on auditing the dental and vision enrollment to prepare to implement the self-billing process for these bills. It is unknown at this time what effect self-billing has had on the risk funds.

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

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

Started All employees who operate commercial vehicles are currently enrolled in the California Department of Motor Vehicles (CA DMV) drivers' license pull notice system. The draft Transportation Policy includes the following requirement for non-commercial drivers: "Employees who drive at least weekly on City business, with a class C license, will be enrolled in CA DMV pull notice at the time of hire or in accordance with terms of collective bargaining agreements." The HR Risk Management Division will implement pull notice monitoring for these non-commercial drivers upon adoption of the Transportation Policy. As of the end of this reporting period, the Transportation Policy had not been implemented by the Department of Public Works' Fleet Management Division.

#16 Continue to work towards implementing the updated draft of the Transportation Policy to increase the insurance requirement of employees driving their personal vehicles for City business.

Started HR will continue to work towards implementing the updated draft of the Transportation Policy. As of the end of this reporting period, the Transportation Policy had not been implemented by the Department of Public Works' Fleet Management Division.

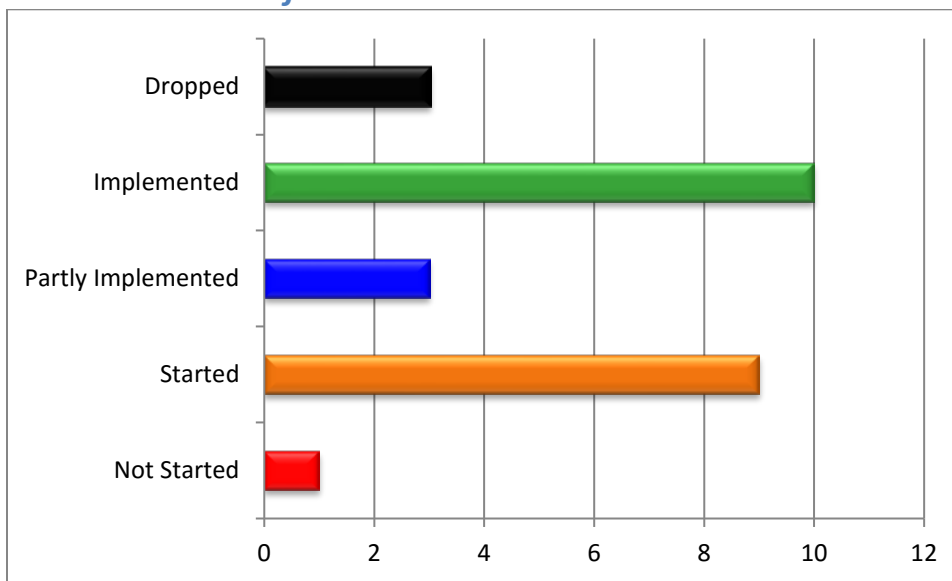
#17 Work together to develop a monitoring mechanism to ensure employees maintain the required minimum insurance coverage when receiving a vehicle allowance.

Started Public Works Fleet Management and HR Risk Management staff recommend conducting a 25% random sample annually to verify that requirements for maintaining automobile insurance are met by employees who receive mileage reimbursements or automobile allowances. HR Risk Management staff will implement this verification process upon adoption of the \$100,000/\$300,000/\$50,000 insurance limits recommended in the draft Transportation Policy. The policy also contains requirements to monitor employees' personal insurances. As of the end of this reporting period, the Transportation Policy had not been implemented by the Department of Public Works' Fleet Management Division.

Post Audit Summary of the Audit of the Department of Utilities Labor Reporting

The Audit of the Department of Utilities Labor Reporting contained four findings and made 26 recommendations aimed at improving compliance, achieving potential cost savings, and improving processes related to the Department of Utilities labor reporting practices. The audit was released in October 2016. Since the audit's release, ten recommendations have been fully implemented, 3 recommendations have been dropped, and progress has been made towards implementing thirteen other recommendations. The progress for the recommendations made in this audit is shown in the exhibit below.

Exhibit 9: Status of Audit Recommendations



Finding 1: Lack of Interfund Reimbursements for Some Department of Utilities Costs May Be Inconsistent with the Cost Allocation Requirements of Proposition 218

#1 Establish cycles to regularly review and update the program code master web file, including reviewing transfer methodology and deactivating appropriate program codes in eCAPS.

Implemented All inactive program codes have been deleted from eCAPS. The master file has been updated. It appears the file is being updated on an annual basis during the fiscal year-end process. At this time, any program codes not in use will be deleted.

#2 Develop written policies and procedures for processing interfund reimbursements.

Implemented The Department of Utilities received a final report from the consultant in August 2017. The report specifically addresses the audit recommendations and includes procedures for the automated and interfund processes. The department has formally adopted these policies and procedures and it appears that staff are adhering to these policies and procedures.

Finding 2: Policies Can Be Improved and Opportunities for Cost Savings Through Renegotiation Exist

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

Started The department hosted training from Labor Relations on February 14, 2018 on the newly ratified labor agreements. Additionally, department staff attended leave, performance management, FMLA, timesheets, and disciplinary training on various dates throughout April and May. Additional trainings are planned for supervisors. Topics will be determined by the Human Resources Department.

#8 Review the existing employee user access to pay types and restrict access to only those pay types for which an employee is eligible.

Started No progress has been made during this reporting period.

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

Started No progress was made during this reporting period. The Human Resources and Finance departments will work on this item in the beginning of FY 2018-19, as there have been recent PERS changes regarding out-of-class pay.

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

Started No progress was made during this reporting period. The Human Resources and Finance departments will work on this item in the beginning of FY 2018-19, as there have been recent PERS changes regarding out-of-class pay.

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

Started Labor Relations worked with payroll to establish new overtime codes and has trained PAR contacts, managers, and supervisors throughout the City on these changes. The Department of Utilities hosted training from Labor Relations on February 14, 2018 on the newly ratified labor agreements. Additionally, department staff attended leave, performance management, FMLA, timesheets, and disciplinary training on various dates throughout April and May. Additional trainings are planned for supervisors. Topics will be determined by the Human Resources Department.

#12 Work with the various labor unions to negotiate overtime pay to be consistent with the FLSA minimum requirements.

Dropped During the most recent labor negotiations, sick leave was removed from the calculation of overtime. However, Local 447 negotiated to have family sick count as time worked for the purposes of overtime. Labor Relations plans to negotiate this away during the next negotiations. No other changes are being made at this time.

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

Started The department has been coordinating with the Human Resources Department since the last update. A draft policy is being written.

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

[Partly Implemented](#) Due to vacancies in the department, no action has been taken since the last update in December 2017. This effort will resume as vacancies are filled.

Finding 3: There are System Users with Unnecessary or Excessive Levels of Access to Department of Utilities Systems that May Create Potential Conflicts of Interest or Inconsistencies in the Timesheet Approval Process

#16 Reclassify the Utility time reporting groups and limit the number of employees with the authority to approve timesheets.

[Implemented](#) The department recently went live with a new time reporting group structure. In this updated, 42 groups were deleted, 5 groups were added, 35 approvers were moved, and 1,027 approvers were removed.

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

[Started](#) A report has been developed for reconciliation. However, due to differences in alternate work schedules, paid time off, and timecard corrections in eCAPS, the two systems do not match exactly. To address high risk areas, the department reconciles eCAPS to Maintenance Connection for hours pertaining to program codes billed to external parties prior to seeking reimbursement.

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

[Partly Implemented](#) This policy is awaiting approval by the ADA Office and will be implemented upon final approval.

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

[Partly Implemented](#) This policy is awaiting approval by the Labor Relations Office and will be implemented upon final approval.

Finding 4: The Finance Department Uses an Excessive Number of Time Reporting Codes and Earn Codes as well as Complex Calculation Methodologies and Distribution Methods for Supplemental Pay that May Not Align with Labor Agreements or Tax Laws

#21 Establish clear definitions for the frequency of payment for all incentives and allowances in all labor agreements.

[Dropped](#) The Human Resources Department worked with Payroll to fix incentive items that were being paid incorrectly in comparison to the labor agreement language. According to the Human Resources Department, now that the items are corrected, there should be no confusion on when items are paid. The City does not intend to further clarify the frequency of payment for incentives and allowances in the labor agreements.

#23 Adjust the process for distributing the tool allowance to employees so that it is in compliance with current tax laws, if necessary.

Implemented The tool allowance is now paid through payroll and, according to the Payroll Division, is now in compliance with applicable laws. Based on limited testing, this appears to be accurate.

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

Started No progress was made during this reporting period.

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

Started No progress was made during this reporting period.

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

Not Started No progress was made during this reporting period.

Post Audit Summary of the Audit of City's Master Vendor File

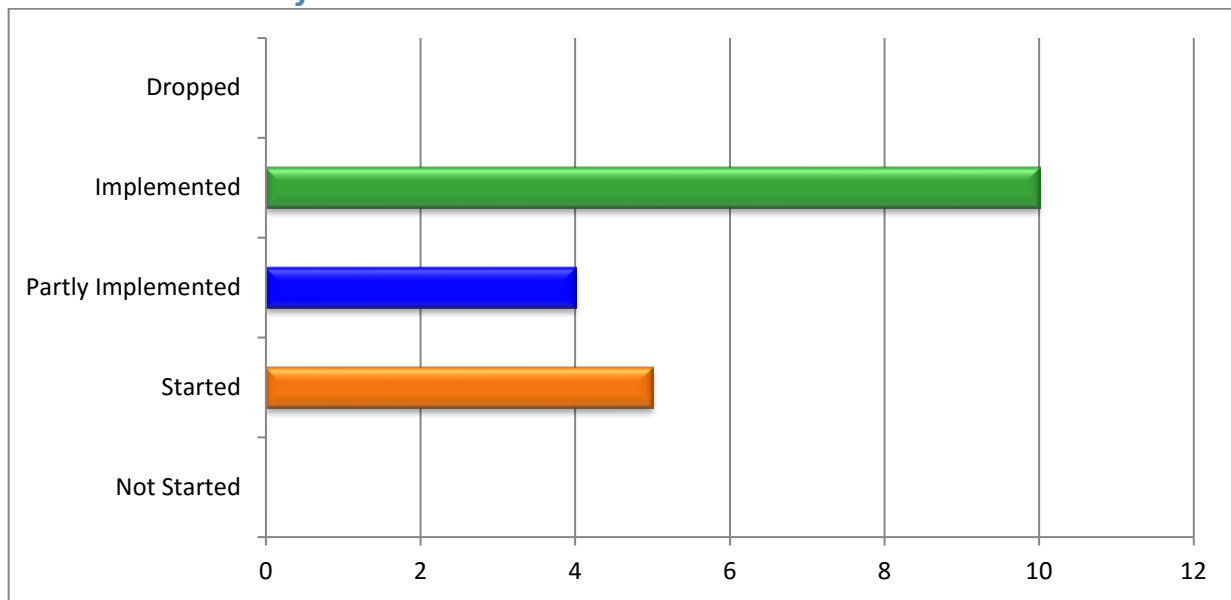
The *Audit of the City's Master Vendor File* contained four findings and made nineteen recommendations to improve the City's Master Vendor File. The audit, which was released in December 2015, assessed the controls over the Master Vendor File and identified areas of risk.

Since the audit's release, the Finance Department has made progress towards implementing many of the audit recommendations by conducting training with City staff and by working with the City's Information Technology (IT) Department to enhance Master Vendor File system controls.

However, the Finance Department has recently experienced employee turnover in key positions. This will likely delay the implementation of some of the recommendations until the positions have been filled.

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

Exhibit 10: Status of Audit Recommendations



Finding 2: City employees with incompatible duties had access to the Master Vendor File

#6 Develop a process to review user accounts on a regular basis to ensure the number of users and their level of permission is commensurate with their responsibilities.

Implemented Finance developed a process to review user accounts on a regular basis to ensure the number of users and their level of permission is commensurate with their responsibilities. This process has been incorporated into the policies and procedures currently under development.

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

[Partly Implemented](#) A new Security Requisition Request form with workflow has changed the new user access approval process.

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

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

[Started](#) A new process that will allow potential vendors to conduct business with the City of Sacramento will be added with the implementation of ABCDs. Potential vendors will be required to supply appropriate details of their business and appropriate tax forms before acceptance by City staff. Procedures will be incorporated once ABCDs comes on line in the Fall of 2018.

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

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

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

[Partly Implemented](#) Finance requires all TIN's be limited to 9 digits. Finance reviewed this recommendation with City departments at the fiscal year-end close kick-off and training workshop in June. These procedures will be incorporated into the policies and procedures currently under development.

#13 Perform a TIN matching review on a regular basis to identify and correct errors.

[Implemented](#) Finance has started conducting quarterly TIN matching.

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

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

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

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

#16 Develop policies and procedures that guide employees and provide direction on all major aspects of maintaining and protecting the Master Vendor File.

Started Finance is in the process of developing policies and procedures to address maintenance of the Master Vendor File and expects to publish the guidance by December 2018. The policies and procedures will be in line with the ABCDs project implementation.

Finding 4: Prohibited vendors with potential conflicts of interest conducted business with the City

#18 Develop and document more robust and frequent methods of searching the Master Vendor File for vendors that could potentially represent conflicts of interest.

Partly Implemented Finance routinely checks new vendor requests for potential conflict of interest and is in the process of developing improved procedures for searching the Master Vendor File. Finance plans to have this new process documented and in place by December 2018.

#19 Provide training on City Code 2.16.010 Prohibition on City Employee Interest in City Contract to City employees responsible for selecting vendors.

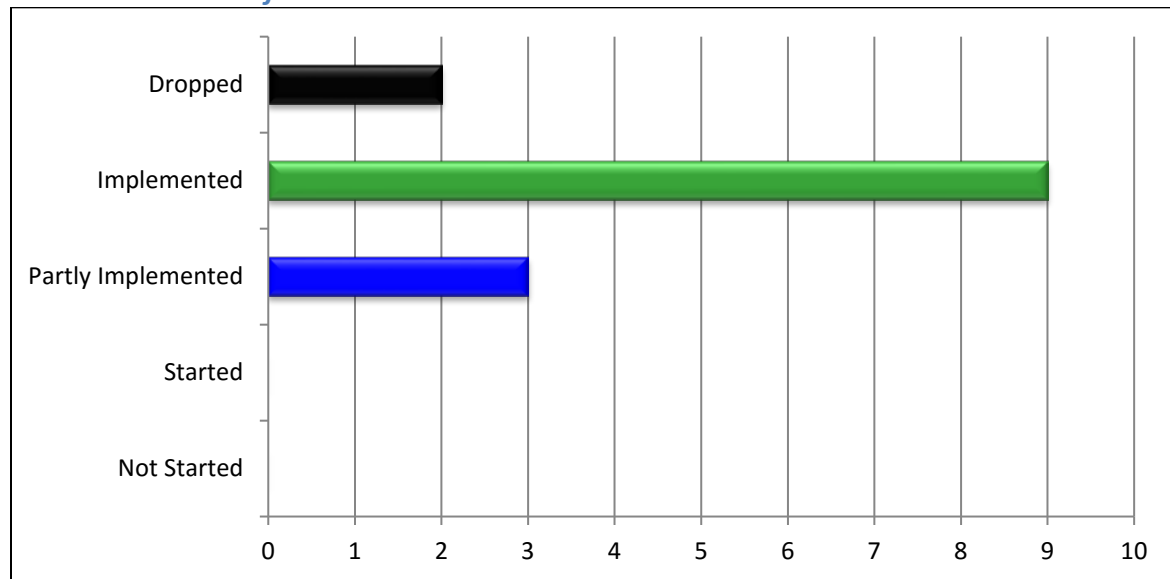
Started Finance is developing web-based training for the City's executive team and all City employees responsible for vendor selection.

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

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

Since the audit's release, SHRA has made measurable progress towards implementing many of the recommendations. Most notably, SHRA has amended the bylaws of one of its non-profits (SHARP) to reduce the potential for the appearance of favoritism. In addition, SHRA published a 2016 Multi-Family Loan Application Schedule in order to increase transparency of the agency's project selection and funding practices. To date, SHRA has implemented or partly implemented twelve of the recommendations. SHRA expects to have made progress on all recommendations by the end of 2018.

Exhibit 11: Status of Audit Recommendations



Finding 1: SHRA's Funding Practices and Project Selection Should Be More Transparent

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

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

Redevelopment Commission workshop was held to receive public comments on October 25, 2017. Staff anticipates releasing a third draft of the Policies in late 2018.

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

[Partly Implemented](#) According to SHRA, the first in a series of stakeholder meetings was held in January 2017. On September 12, 2017 staff released draft revised Policies. After incorporating public comment, staff released a second draft of the Policies on October 11, 2017. A Sacramento Housing and Redevelopment Commission workshop was held to receive public comments on October 25, 2017. Staff anticipates releasing a third draft of the Policies in late 2018.

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

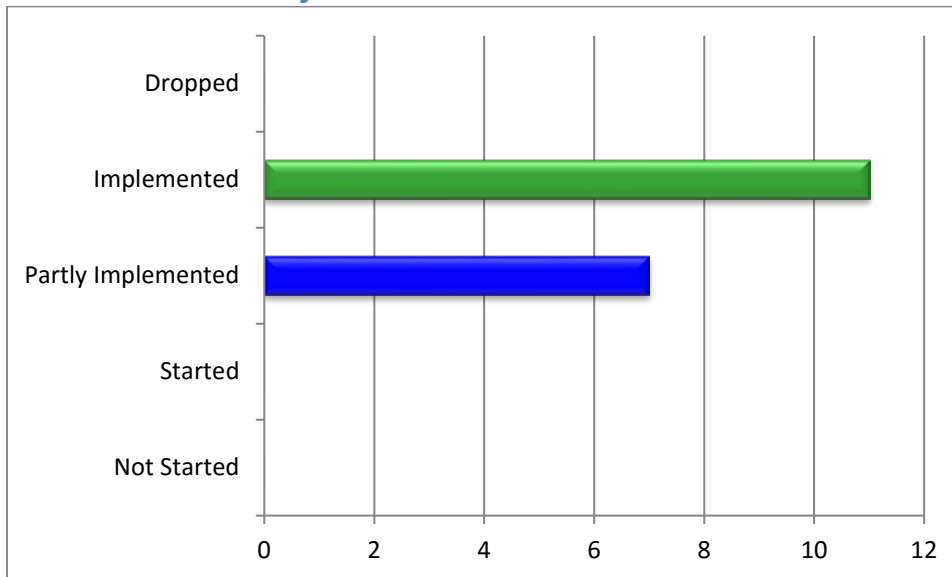
[Partly Implemented](#) In 2016 SHRA began publishing project submission with deadline information as part of the annual budget process. In addition, submission criteria is posted on the SHRA website and updated annually. The first in a series of stakeholder meetings was held in January 2017. On September 12, 2017 staff released draft revised Policies. After incorporating public comment, staff released a second draft of the Policies on October 11, 2017. A Sacramento Housing and Redevelopment Commission workshop was held to receive public comments on October 25, 2017. Staff anticipates releasing a third draft of the Policies in late 2018.

Post Audit Summary of the Audit of City's 311 Call Center

The Audit of the City's 311 Call Center contained two findings and made eighteen recommendations to enhance the operations and improve the performance of the City's 311 Call Center for the public. The audit, which was released in May 2015, evaluated internal controls, tested the accuracy of Siebel Customer Relationship Management system, and assessed the Call Center's ability to meet its performance measures.

Since the audit's release, the 311 Call Center has worked towards implementing the recommendations made in the audit. During the reporting period of January 2018 to June 2018, the 311 Call Center recruited and hired a new manager. As shown in below, we designated 11 recommendations implemented (61%), and seven recommendations partly implemented (39%).

Exhibit 12: Status of Audit Recommendations



Finding 1: The Call Center is Unable to Meet Its Current Service Level Goals

#1 Review 311 Call Center staffing levels and ensure it is staffed to meet service level goals.

Partly Implemented Currently there is no accurate and reliable reporting available to make an accurate assessment of service levels and staff requirements. The department is working with Cisco over the next several months to develop accurate reports. The new manager will use those reports to assess the environment to determine the number of additional staff members necessary to meet the Division's service level agreements.

#7 Evaluate supervisor-to-agent and support staff-to-agent levels and consider increasing the number of supervisory and support staff in the 311 Call Center to be more in line with similarly sized 311 Call Centers.

Partly Implemented The Division is recruiting for a 311 Supervisor position and plans to begin interviews in August 2018. Once the position is filled, the supervisor-to-agent ratio will be at 1:13; which is in line with other call centers. Meanwhile, the Division's support staff-to-agent ratio is at 9:1 and is

within the normal range for call center. The new 311 Manager will reassess reasonableness of staff level during the next follow-up period.

Finding 2: Additional Technological Enhancements May Help the 311 Call Center Improve Performance

#9 Enhance the City's mobile application to provide additional services and information for citizens to utilize.

[Partly Implemented](#) The 311 Mobile Application was recently upgraded to allow for more service requests and provide users with additional information.

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

[Partly Implemented](#) The 311 Division will be adding chat and self-service functions as part of the CRM upgrade at the end of July 2018. These new functions will allow customers the ability to utilize technology to contact 311 Call Center.

#15 Integrate data from Cisco, Siebel or new CRM system, and Witness to better analyze 311 Call Center data and develop processes to improve customer service.

[Partly Implemented](#) Siebel is no longer utilized by the 311 Division. The 311 Division is working with the IT Department to build an in-house solution that will integrate data from Cisco, OSC, and Verba. Cisco is evaluating the 311 Division's environment to determine the most efficient tools to improve services. The evaluations should be completed by July 2018.

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

[Partly Implemented](#) The Division is in the process of replacing CIS with Customer Care & Billing (CC&B). CC&B will be fully integrated with OSC, requiring agents to complete forms in OSC, which will then populate the fields in CC&B.

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

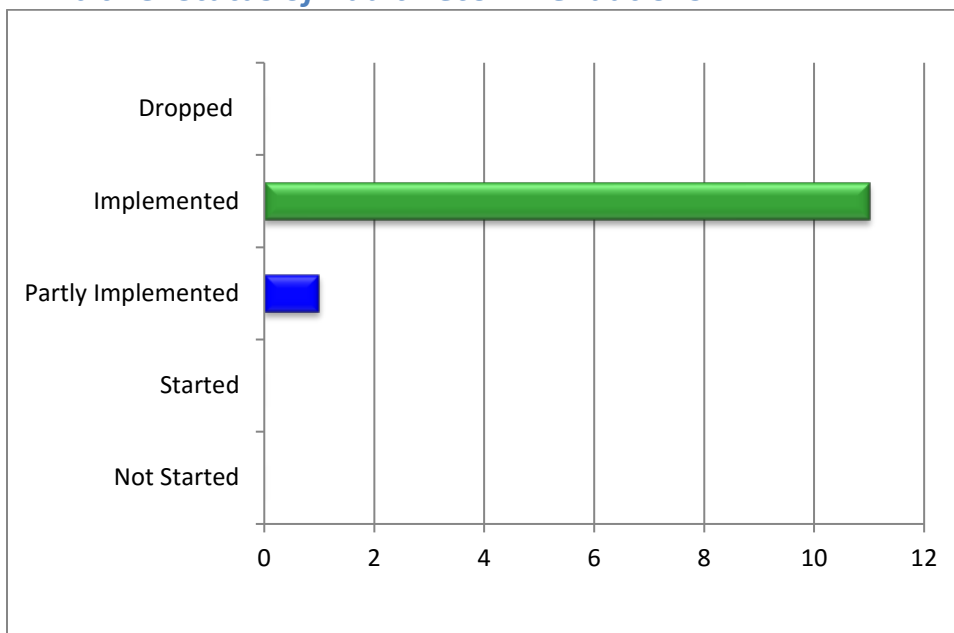
[Partly Implemented](#) The escalation form will be implemented as part of the CRM upgrade at the end of July 2017. Agents can review notes from external CRMS to follow up on previous requests.

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

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

Since the publication of the audit, the Department of Public Works (Public Works) has made progress towards implementing all 12 of the recommendations, and only one remains open and in progress. The progress is shown below.

Exhibit 13: Status of Audit Recommendations



Finding 3: Opportunities Exist to Enhance the Sidewalk Repair Process

#4 Continue to work towards reducing the backlog of sidewalk repairs to six months.

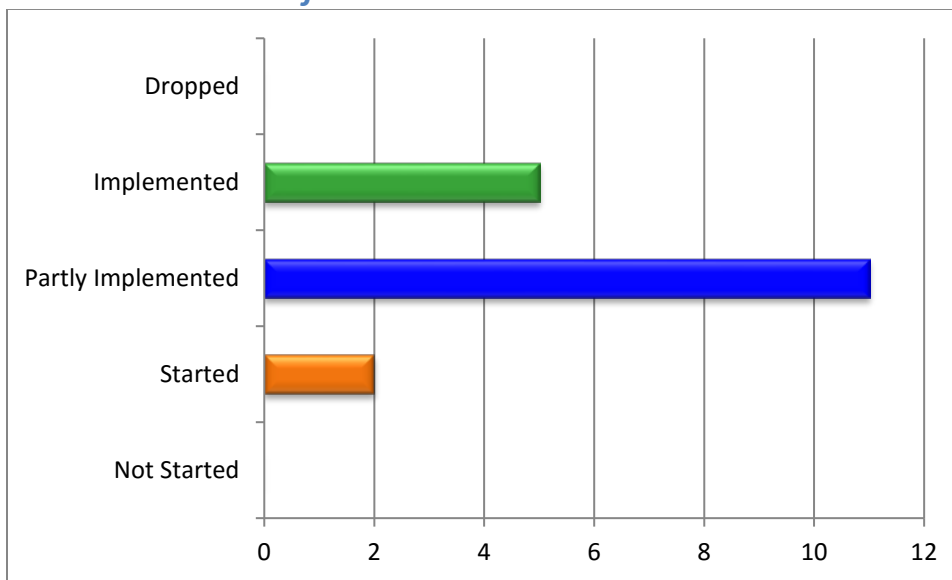
Partly Implemented Due to Prevailing Wage legislation that significantly increased contractor costs, and other factors beyond the control of the City, efforts to reduce the backlog to six months are no longer realistic. The Office of the City Auditor and the Department of Public Works are in agreement to adjust this recommendation to a more realistic and sustainable goal of a one-year work order backlog. Efforts to reduce the backlog to one year were slowed by State legislation and accompanying budget issues, however Public Works is in the process of adjusting operations to continue reduction efforts. The current repair backlog averages approximately 2 ½ years, with some work orders dating as far back as February 2015. Based on this and the limited resources available, we anticipate a backlog reduction to 12-18 months will not occur for least another 1-2 years.

Post Audit Summary of the Audit of Citywide Wireless Communications

The *Audit of Citywide Wireless Communications* contained three findings and made 18 recommendations for improving the City's administration of its citywide wireless communication devices. By performing this assessment, we sought to identify ways to reduce the City's cost of providing wireless communication devices to employees. By improving how the City's wireless device program is administered, the City may save nearly \$300,000.

Since the audit's release in August 2014, the City's Information Technology Department has worked towards implementing the audit's recommendations. During the reporting period of January 2018 to June 2018, the status of recommendations did not change from the previous reporting period. Implementation of the recommendations has been slow due to coordination efforts with other City departments to make appropriate changes to wireless communication devices. In addition, the IT Department has developed a Mobile Device Policy that designates the roles and responsibilities of department heads and their designees to review and make changes to mobile plans as necessary. However, implementation of the policy has stalled. As shown below, we designated 5 recommendations implemented (28%), 11 recommendations partly implemented (61%), and 2 recommendations as started (11%).

Exhibit 14: Status of Audit Recommendations



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

#1 Establish controls to monitor overage charges.

[Partly Implemented](#) The Information Technology (IT) Department implemented a mobile management application, NexTEM, to monitor wireless overage charges. In addition, the IT Department also sends monthly bills and quarterly usage details (including zero usage and overage charges) to departments for review. Department heads or their designees are responsible for reviewing monthly charges and making appropriate plan changes as required in the Mobile Device Policy.

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

[Partly Implemented](#) IT implemented a mobility management application to monitor monthly wireless charges. In addition, monthly bills and quarterly wireless usage details are available for management review. The IT Department has developed a Mobile Device Policy assigning department heads or their designees responsibility for reviewing and approving monthly vendor charges. Also, the IT Department implemented the Mobile Device Management solution that will provide better controls in monitoring, inventory, and securing the City's mobile devices.

#7 Consider cancelling or suspending services for devices not being used.

[Partly Implemented](#) The IT Department is currently working with departments to review and update wireless device inventory as required. The IT Department provides monthly bills and quarterly 'Low or No Usage' reports to departments for their review. We found that the amount and cost of zero-use devices increased from the audit period to calendar year 2017.

#9 Assign responsibility for monthly review of device use.

[Partly Implemented](#) Department heads or their designees will be responsible for reviewing monthly charges and making appropriate plan changes as required in the Mobile Device Policy.

#10 Perform analysis on the City's lines to ensure devices are in the most cost effective plans.

[Partly Implemented](#) Most departments have already taken steps to review monthly bills and optimization reports and make changes to suggested plans. IT will continue to produce optimization reports and work with other departments on a quarterly basis to review them.

Finding 2: Wireless Device Policies are Insufficient

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

[Partly Implemented](#) The IT Department has developed formal policies and procedures as part of the Mobile Device Policy.

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

[Partly Implemented](#) The IT Department will review and update the formal policy on an annual basis once it has been finalized and implemented.

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

[Partly Implemented](#) Roles and responsibilities of all players in the management of the City's wireless communication devices will be delineated in the formal Mobile Device Policy.

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

[Started](#) The IT Department developed a wireless communication request form. The request form is also addressed in the Mobile Device Policy.

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

[Started](#) The IT Department developed a wireless communication device request form to provide to existing employees with City-issued devices. The request form is also addressed in the Mobile Device Policy.

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

[Partly Implemented](#) Roles and responsibilities of all players in the management of the City's wireless communication devices will be delineated in the formal Mobile Device Policy.

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

[Partly Implemented](#) Alerts are now sent to management when changes are made in the Mobile Device Management system. Wireless communication device request form will help prevent inappropriate orders. The IT Department also sends monthly charges to departments for review. Responsibility for reviewing changes and charges are assigned in the Mobile Device Policy.

Finding 3: Inventory Records are Incomplete and Inconsistent

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

[Partly Implemented](#) The IT Department continues to utilize the KACE system to manage all IT hardware equipment inventory and is currently selecting a random sample of 400 inventory items every quarter and tracking the items down to ensure inventory information is up-to-date.

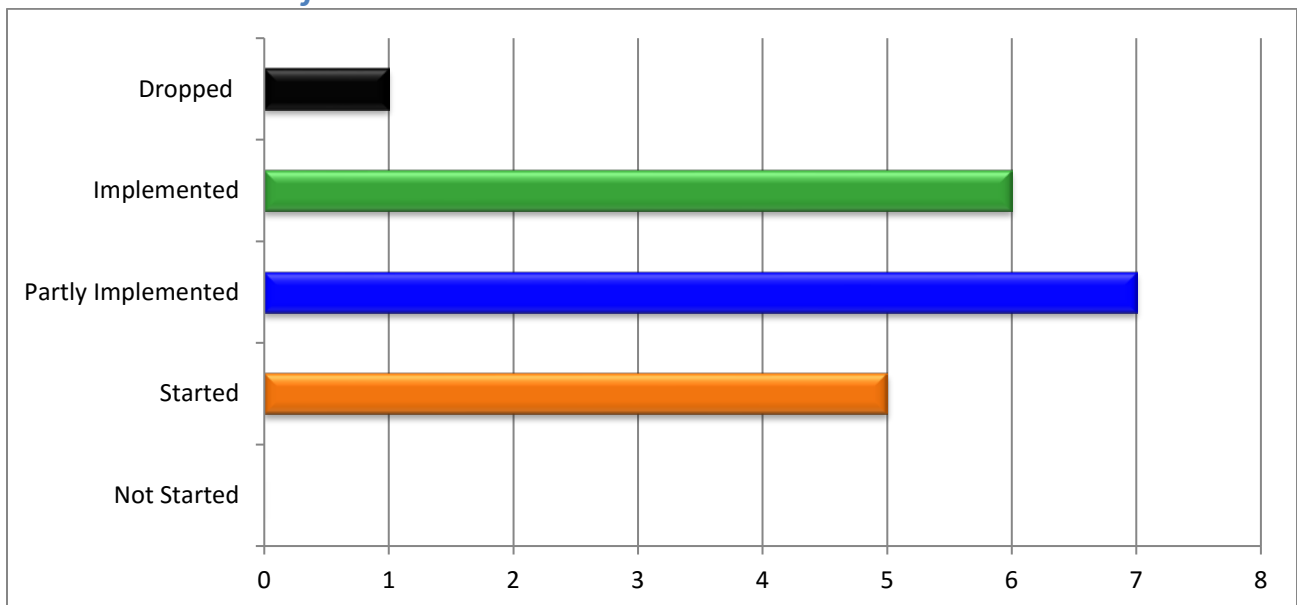
Post Audit Summary of the Audit of the Fire Department Inventory System and Narcotics

The *Audit of Fire Department Inventory System and Narcotics* contained three findings and made 19 recommendations aimed at improving the accuracy and accountability of the Fire Department’s Emergency Medical Services (EMS) inventory systems. The audit, which was released in August 2014, provided both a high-level assessment of the newly acquired Operative IQ inventory management system and a comprehensive analysis of the existing narcotics inventory system.

A Medical Supply Working Group (MSWG) was established in October 2017 to establish consistent policies and provide guidance on the Department’s inventory management.

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

Exhibit 15: Status of Audit Recommendations



Finding 1: The Fire Department should implement inventory management best practices to improve accountability and accuracy

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

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

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

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

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

[Started](#) Inventory processes, including quarterly cycle counts and random counts, are still being developed and tested.

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

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

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

[Partly Implemented](#) Expiration dates for some supplies are being recorded in the electronic inventory system. Policies are still being drafted.

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

[Started](#) Inventory processes are still being developed and tested.

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

[Partly Implemented](#) The Fire Department is working to reorganize some system access levels; however, additional work still needs to be completed.

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

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

#9 Perform ongoing reviews of system access.

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

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

[Partly Implemented](#) Some key reports have been created to monitor inventory ordering and supply levels.

#11 Set up automatic delivery of key reports.

[Partly Implemented](#) Some key reports have been created to monitor inventory ordering and supply levels.

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

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

[Partly Implemented](#) The Fire Department has started performing some reconciliations, but additional work remains.

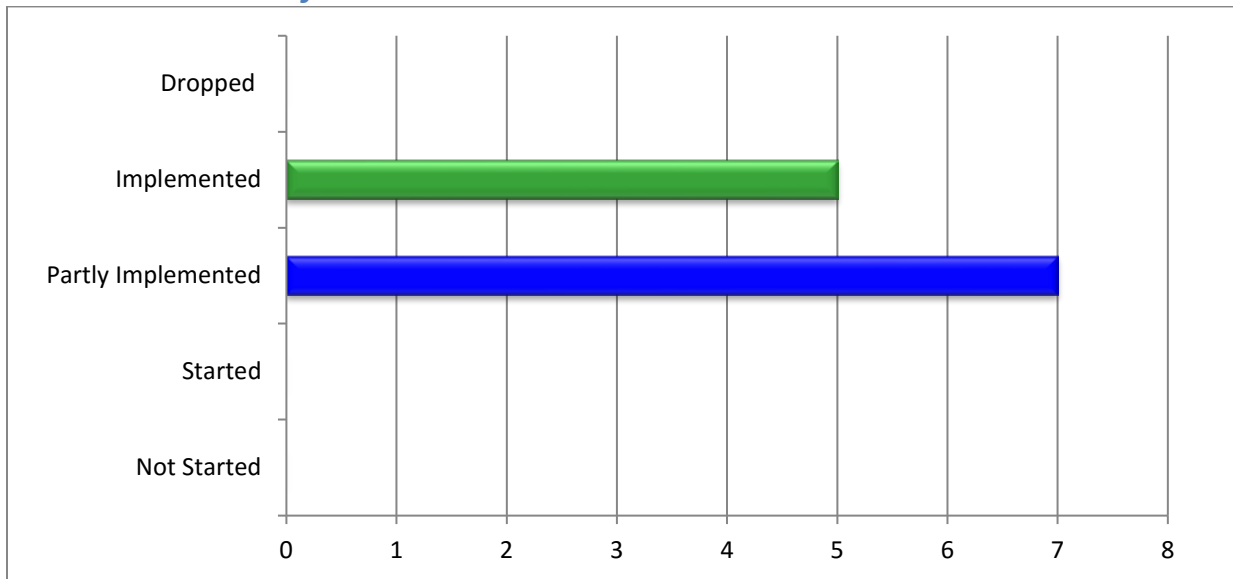
Post Audit Summary of the Audit of City Inventory Systems Part 1 of 2 Information Technology Department

The *Audit of City Inventory Systems – Part 1 of 2 Information Technology Department* contained two findings and identified as much as \$288,000 in unaccounted for computers. The audit, which was released in April 2014, assessed the inventory systems used by the IT Department to track computer equipment. The audit included 12 recommendations designed to improve the accuracy and accountability of the inventory systems.

Since the audit’s release, the IT Department has made significant progress towards implementing the recommendations. Most notably, the IT Department drafted a Citywide *Information Technology Hardware Inventory Policy* that identifies those responsible for managing inventory and outlines minimum requirements for maintaining inventory records. However, the policy is still in the process of being formally adopted.

The IT Department has performed a review of user access and started conducting self-assessments aimed at improving the reliability of the inventory records. Of the 12 recommendations, 5 (42%) have been implemented and 7 (58%) have been partly implemented.

Exhibit 16: Status of Audit Recommendations



Finding 1: The Information Technology Department's inventory system contains significant errors and omissions

#1 Assign responsibility for managing the IT inventory system to the Chief Information Officer.

[Partly Implemented](#) The Chief Information Officer has assumed responsibility for the IT inventory system. However, City Department Directors are still responsible for maintaining accountability and control of IT assets located in their respective departments. A Citywide *Information Technology Hardware Inventory Policy* is in the final stages of formal adoption.

#2 Establish goals and performance measures to increase data accuracy to at least 95 percent.

[Partly Implemented](#) A goal of 95% accuracy has been established by the Citywide *Information Technology Hardware Inventory Policy* and performance toward that goal is being measured quarterly. This policy is in the final stages of formal adoption.

#3 Develop standardized policies and procedures for inventory management and provide training to staff.

[Partly Implemented](#) *IT Hardware Inventory Procedures* have been developed for internal use by the IT Department to complement the Citywide *Information Technology Hardware Inventory Policy* mentioned in recommendation #1. A training plan was developed and completed for all IT staff responsible for the acquisition and management of the City's IT hardware inventory. Training includes standardized procedures, performance measures, and clearly defined staff roles and responsibility.

#4 Develop minimum data requirements for inventory records including model number, physical location, status, assignment, cost, and purchase date.

[Partly Implemented](#) The following required fields for inventory have been identified in the Citywide *Information Technology Hardware Inventory Policy*: Asset Tag Number, Asset Type, Assigned to, Department Org Unit, Location, Manufacture, MAC Address (VOIP phones), Model Name/Number, Name, Purchase Date, Cost, Serial Number/Unique Identifier, Status, and Warranty Dates (if applicable.) This policy is in the final stages of adoption.

#6 Determine why inventory records are not always updated when employees separate from the City and implement a solution.

[Partly Implemented](#) According to the IT Department, procedures and workflows have been put in place to remove system access and collect/reassign city owned IT equipment to a prospective employee or departmental representative. IT has begun performing quarterly reviews of employee separations.

#7 Develop a process to ensure all new IT hardware purchases are recorded in the inventory system.

[Partly Implemented](#) The *Information Technology Hardware Inventory Policy* addresses the updated procedures for recording new purchases including the data fields listed in Recommendation #4. Quarterly self-audits are being performed to measure accuracy.

Finding 2: The Information Technology Department's inventory system has an excessive number of users with the ability to modify and delete inventory records

#12 Formalize logical access to the inventory system in a written policy.

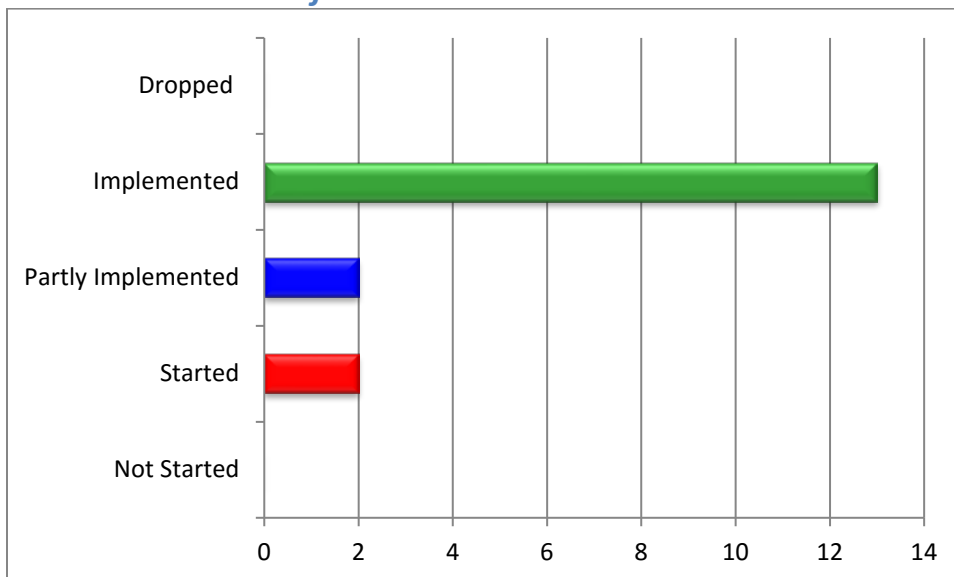
[Partly Implemented](#) IT has developed logical access in KACE system to specify the roles and the access level for each user group and perform audits and controls on an annual basis to ensure conformity. This is covered in the *Information Technology Hardware Inventory Policy*, currently in the final phases of formal adoption.

Post Audit Summary of the Audit of City Employee Supplemental Pay

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

Since the publication of the audit, the Fire, Finance, Human Resources, and Police Departments made progress towards implementing all 17 of the recommendations. As shown in Exhibit 17, we designated 13 recommendations implemented (76%), 2 recommendations partly implemented (12%), and 2 recommendations as started (12%).

Exhibit 17: Status of Audit Recommendations



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

We recommend that the Human Resources Department:

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

Started Currently, the Paramedic Incentive is the only incentive that is compounded, resulting in an estimated \$336,000 per year in costs to the City. According to the Fire Department, Fire Management and Labor met on December 10, 2015 with the intent to calendar a date that included Labor Relations in the discussion regarding the recommendation. The Department is working with all parties to set a date. The labor contract term pertaining to this recommendation is four years and therefore will not be up for discussion again until late 2018.

Finding 3: Controls Over Employee Time Reporting Must be Improved

We recommend that the Fire Department:

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

Partly Implemented According to the Fire Department, City IT has met with Kronos and plans to implement fixes to move SFD Telestaff to version 6.0. In addition, the Department is working with City IT to determine the ability to use Telestaff's interface with eCAPS in order to utilize eCAPS' supervisor approval process. It is anticipated that one of these approaches will provide supervisors the ability to record approvals in a time keeping system. Once the approach has been determined, an implementation plan will need to be developed which will include testing, updating policy and procedures, employee training, and deployment. According to the Fire Department, they current review weekly payroll exception reports provided by Fire Human Resources staff and require exception approvals. However, a formal policy and procedure has not yet been drafted.

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

Partly Implemented The practice of employees having administrative access to both the Telestaff software and server has been discontinued. The Department has requested assistance from City IT to develop an administrative access policy and are awaiting a Citywide policy.

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

Started According to the Fire Department, City IT has met with Kronos and plans to implement fixes to move SFD Telestaff to version 6.0. The previous upgrade did not provide the functionality needed. Future iterations will allow a more tiered access to administrative controls.

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.

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 Police Department provided us with finalized policies regarding overtime and time charging.

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

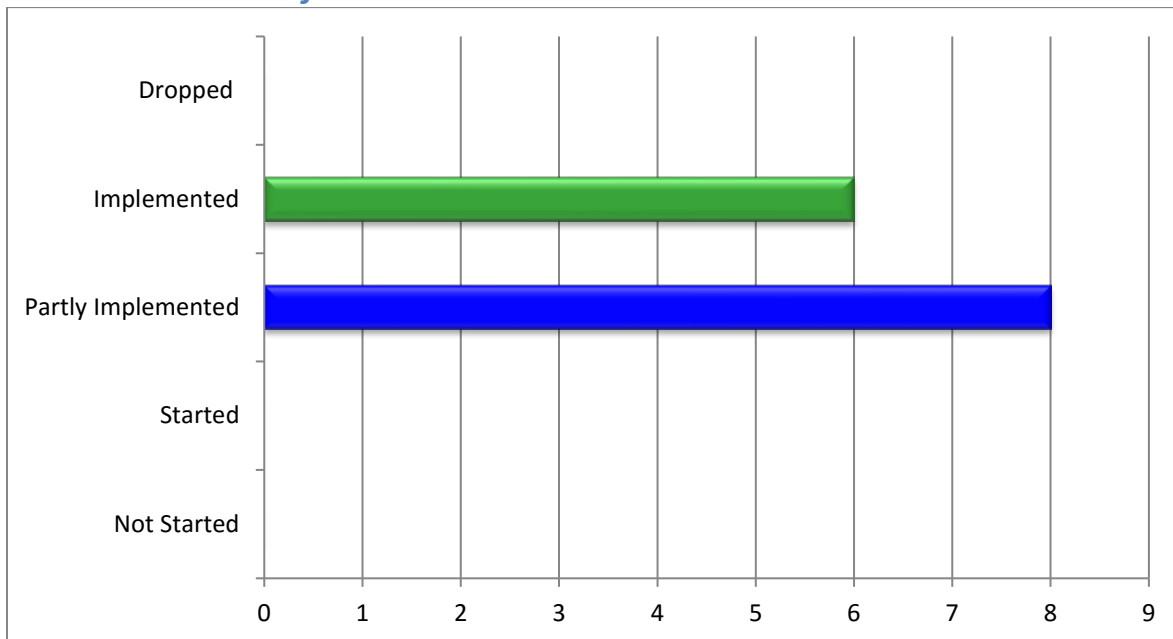
Implemented The Police Department's hardcopy overtime approval form is no longer used or required. Further, the policies and procedures were updated as recommended. The Police Department provided us with finalized policies regarding overtime and time charging.

Post Audit Summary of Citywide Purchase-Card Use

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

Since the publication of the audit, Procurement Services has drafted a comprehensive Purchasing Card Policy and Program Handbook. During the reporting period of January 2017 to June 2017, Procurement Services is updating the Purchasing Card Policy and the Program Handbook. As shown in Exhibit 18, we designated 6 recommendations implemented (43%), and 8 recommendations partly implemented (57%). Nearly all of the recommendations are in the final stages being implemented, pending formal adoption of the revised Purchasing Card Policy and Program Handbook.

Exhibit 18: Status of Purchase-Card Use Recommendations



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

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

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

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

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

[Partly Implemented](#) The Purchasing Card Policy and Program Handbook, pending formal adoption, has been updated to be consistent with other City policies.

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

[Partly Implemented](#) The Purchasing Card Policy and Program Handbook, pending formal adoption, will serve as the authoritative document that clearly identifies what types of p-card transactions are allowable and prohibited.

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

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

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

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

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

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

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

[Partly Implemented](#) Procurement Services performed four Citywide transaction reviews during Fiscal Year 2016. All questionable transactions were identified and forwarded to the Finance Operations Manager for review and investigation. The Purchase Card Policy and Program Handbook, pending formal

adoption, will require all receipts to be submitted to Finance for storage in CCM. Access to all receipts will allow for more efficient reviews of cardholder activity.

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

[Partly Implemented](#) The Purchasing Card Policy and Program Handbook, pending formal adoption, specifies strengthened controls and additional clarification regarding prohibited uses of P-cards. The policy will provide updated and consistent information to program participants. In addition, staff is conducting quarterly reviews of P-card transactions.

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

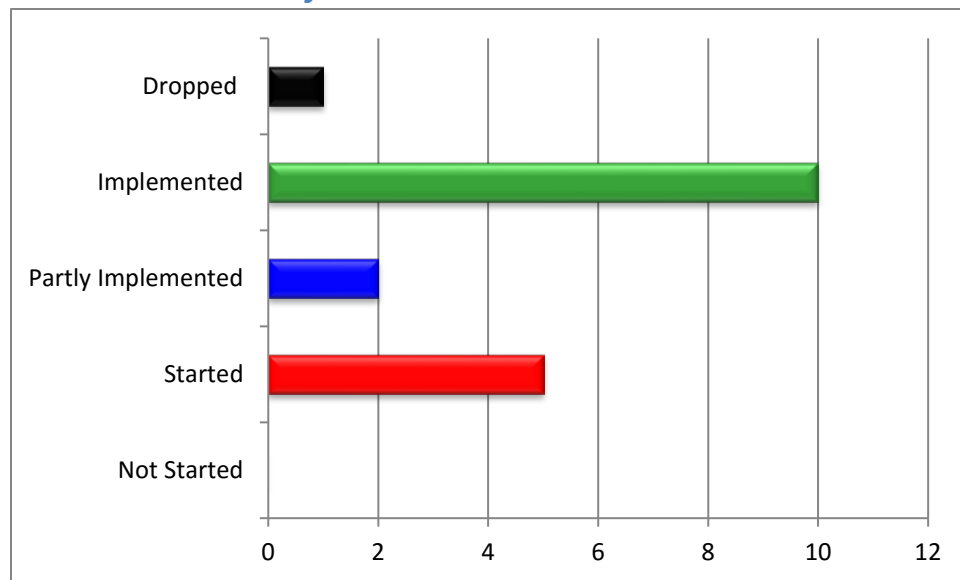
The *Audit of City Light-Duty Vehicle Use* contained three findings and identified as much as \$6.1 million in one-time and future benefits, with most of these benefits generated through avoided vehicle replacement. The audit, which was released in December 2011, included 18 recommendations and covered vehicle use, Fleet information, and take-home vehicles. During the audit, Fleet Management was located within the Department of General Services. However, in April 2015, the Department of General Services was disbanded and Fleet Management was shifted to the Department of Public Works.

To evaluate Fleet Management’s progress in implementing the audit recommendations, we first requested a self-assessment from the department and asked for evidence to support progress. We reviewed this information, worked with department staff, and requested additional evidence as needed.

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

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

Exhibit 19: Status of Audit Recommendations



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

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

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

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

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

Started The City Manager’s Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City’s employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager’s list of items to negotiate during the next round of contract negotiations.

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

Started The City Manager’s Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City’s employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager’s list of items to negotiate during the next round of contract negotiations.

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

Started The City Manager’s Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City’s employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager’s list of items to negotiate during the next round of contract negotiations

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

[Started](#) The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

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

[Started](#) The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy. The Transportation Policy is in near-final draft stages. It will be circulated to the Executive Team and Charter Officers and then sent to Labor Relations for negotiations with all nine unions. Vehicle retention and any related policies will remain on the City Manager's list of items to negotiate during the next round of contract negotiations.

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

[Partly Implemented](#) The Finance Department has worked with the City Attorney's Office to ensure that the City is accurately reporting the IRS liability associated with take-home vehicles. The Department updated its process after the audit to provide all IRS opportunities (3) to employees to accurately report their IRS liability. The Transportation Policy is currently being updated and policy language will reflect this process.

Post Audit Summary of the Audit of Citywide Policies and Procedures

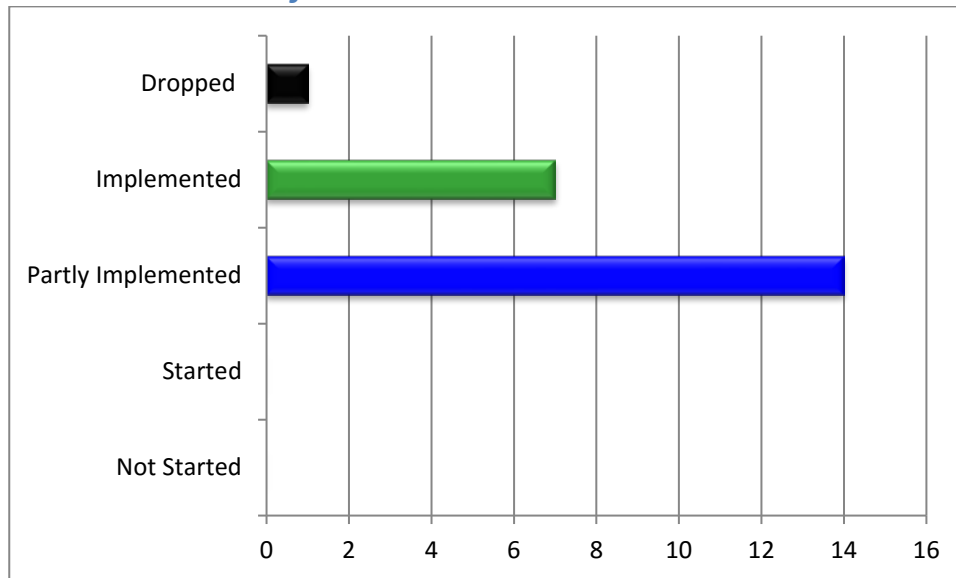
The *Audit of Citywide Policies and Procedures* contained three findings and made 22 recommendations for improving the City's administration of its citywide policies and procedures. By performing this assessment, we sought to identify ways to reduce time spent by employees looking for or explaining policies 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 had been delayed due to requests from City labor unions to meet and confer over policies potentially impacting working conditions. Due to meetings with City labor unions, progress had stalled since June 2013. During the reporting period from January 2018 through June 2018 no new progress was made on these recommendations.

As shown in Exhibit 20, 7 recommendations have been implemented, 14 recommendations have been partly implemented, and we are in agreement with the Office of the City Clerk to drop one recommendation no longer applicable.

Exhibit 20: Status of Audit Recommendations



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

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

[Partly Implemented](#) The APPS 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. The City Manager's office is actively working with department staff to formalize policies and procedures with submission into APPS for management and to ensure all referenced documents exist and are accessible for policy users. The APPS manager continues to meet with existing and new employees to review the APPS policy and clarify the structure and the requirement for readable, complete policies and procedures. Recently reviewed and new policies are now packaged with a table of contents with appropriate fillable forms included as an attachment for effective and complete delivery including attachments and appropriate bookmarks as needed. The next priority is to incorporate ADA compliant "Alt" tags on all PDF documents; this is expected to be an ongoing project.

The City is also migrating intranet pages from the CityNet platform to Nexus (Sitecore), which will provide external role-based access to applicable documents for City employees. Additionally, efforts are in progress to transition department policies to the City's website, similar to how Citywide policies are stored.

The APPS database is receiving an upgrade this fall with some elements we have identified that will be added.

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

[Partly Implemented](#) The Automated Policy and Procedure System policy has been updated to clearly describe the mechanism for updating policies and procedures in APPS, Phase I. 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. Updating of Administrative Policies will be described when the new platform, K-2 Business Process Management (BPM), is implemented. It is in the final stages of testing and User Training is scheduled for the second week of August 2016. IT and the APPS manager are currently developing video tutorial training materials for reference.

APPS is currently in Phase II development, which will provide enhanced collaboration and allow the APPS manager to usher exceptions through the workflow with notations. Additionally, policies requiring executive approval will be delivered through the digital signature application. Once these enhancements are complete and sustainable, the APPS policy will be updated to reflect new procedures.

The APPS database is receiving an upgrade this fall with some elements we have identified that will be added.

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

[Partly Implemented](#) The City will ensure area experts' roles and responsibilities are incorporated into policies and procedures. The City has begun identifying the responsible department and individual for each policy or procedure in APPS. Additionally, the Automated Policy and Procedure System policy states, "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." The APPS manager is able to assist subject matter experts in migrating existing policies into the proper format and identifying subject matter contacts. The APPS manager also provides guidance in document structure and lead discussions with appropriate stakeholders about the archiving of out-of-date information. The APPS manager meets with new employees responsible for managing citywide and departmental policies for knowledge transfer of how to manage and distribute documents properly.

This is an ongoing project as City staff are learning to contact the APPS manager regarding development and distribution of citywide and departmental policies and procedures.

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

[Partly Implemented](#) The City is 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 City Manager's office has assigned an APPS Manager to collaborate with department staff on all citywide policies and procedures. The APPS Manager also facilitates the use of APPS for Departmental and Division level policies. The Automated Policy and Procedure System policy was rewritten to require the APPS Manager to ensure no subsequent policy or procedure is published without a review for these same issues. The APPS manager continues to review updated policies and procedures for conflict and collaborates with

department contacts to remove redundancies with citywide, departmental and division level policies. Providing an overview to new employees of APPS and policy and procedure structure and delivery mechanisms is an ongoing APPS manager activity.

The City APPS manager is developing a Citywide training course through CityYou on “Effective Policy/Procedure Writing and Management”. The first session presented by the City’s Information Security Officer and APPS Manager is planned for early summer 2017.

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

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

Partly Implemented The new Human Resources Department Director is taking an active role in updating and developing citywide policies and procedures. The City Manager’s office has assigned an APPS Manager to continue to collaborate with all department staff to review and update/retire current citywide policies. During this collaboration, additional policy and procedure needs are identified. The APPS Manager is currently working with the Department of Utilities and the Fire Department on updating their departmental policies in APPS and continues to work with departmental staff to refine existing policy and procedures documents and identification of those that need to be written, reviewed, approved, and released to the appropriate staff. This process is expected to be an ongoing effort.

#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 Automated Policy and Procedure System policy language requires department directors to establish policies and procedures over key operational areas and to facilitate the receipt and understanding of appropriate citywide, departmental, and division level policies and procedures. In addition, the release of policies and procedures through the Learning Management System (Target Solutions) identifies clearly the responsibilities of all City staff. The APPS manager continues to work with new department directors and division managers to encourage the formalization of internal policies and procedures including worksheets and tutorials. The inclusion of the Fire Department’s operational policy documents in APPS is an example of this success.

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

Partly Implemented The City’s web team has launched a new City website. Existing policies are housed in the Citywide Content Management (CCM) system and published to the intranet or website. All updated and current policies and procedures are on the City website at <http://portal.cityofsacramento.org/City-Hall/Policies-and-Procedures>. Archived policies may be accessed by contacting the City Clerk’s Office. The APPS team conducted a review of the 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. The APPS manager continues to monitor the City’s policy and procedure webpage with updates as approved. This process is expected to be an ongoing effort. The Fire Department has currently retired some of the more severely outdated policies and are consolidating

multiple policies of similar topics into one. This process is expected to take 12 to 18 months for the over 300 remaining policy documents. The APPS manager is on alert for citywide informal policy documents that are uncovered.

#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 are in the process of being finalized. Additional policies will be considered per direction from the City Manager. The APPS manager continues to recommend subject matter issues that may be appropriate for a formal policy and procedure document. The City Manager and Charter Officer staff actively identify issues and processes in need of policy/procedure documentation. The most recent examples of success are the City Hall Complex policy and the Space Planning policy.

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 Automated Policy and Procedure System policy document notes that all current citywide policies and procedure documents shall be published to the CCM. CCM provides 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 and on the City website or intranet. The system is in place to update newly approved policy and procedure documents in CCM. Documents identified as policies or procedures in nature are transitioned into APPS.

#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 Automated Policy and Procedure System policy document notes that all current citywide policies and procedure documents shall be published to CCM. CCM will provide the source documents for posting of City policies and procedures to the City's new website. The City Manager's office continues to refine the Automated Policy and Procedure System policy to accurately reflect the most current processes. The APPS policy and procedures are likely to be updated with the migration to the new BPM tool. After video tutorial and training material is finalized, it will be incorporated into the APPS policy.

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

[Partly Implemented](#) The updated Automated Policy and Procedure System policy 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. CityNet no longer houses any Policies and Procedures. The City's public website contains the most current policies and procedures. The APPS manager continues to add policies and procedures, such as the Council Rules of Procedure, to the website as they are identified.

City staff continues to review and update Citywide policies and procedures as time allows and necessity requires. Recently a City Hall Complex policy was written and published taking applicable information from existing ordinances/resolutions, outdated memos and building rules. This will likely be an ongoing project until all outdated policies are reviewed and revised.

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

[Partly Implemented](#) APPS provides a single point of accountability for each policy and procedure document including name, title, department, telephone number and email address. The department owners of all the current policies and procedures have been corrected. Many policies and procedures are in the process of being updated and will reflect correct owners. As the APPS manager is notified of end of city service, policies and procedures are updated with appropriate contact information. An example of this update is the retirement and appointment of the current HR Director and the resignation of the support services manager. The older policies that have not yet been updated are referred to the department director or division manager. The HR Director is currently the contact person on all HR policies. A note is added to each HR policy.

The goal of the APPS Manager is to identify correct contact information on existing policies in old formats during the next quarter.

#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. The City Manager's office has assigned an APPS Manager to continue to collaborate with all department staff to review and update/retire current citywide policies. The City Manager's office has assigned an APPS Manager to continue to collaborate with all department staff to review and update/retire current citywide policies.

The standard is that all Citywide policies and procedures (before final approval) are forwarded to the City's executive team for review. Any comments are referred to the authoring department for follow-up before the policy is Approved by charter offices and finalized. This will likely be an ongoing project until all outdated policies are reviewed and revised by the responsible departments. During the revision process, review timelines can be associated with policies to ensure timely reviews occur in the future.

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. The City Manager's office has assigned an APPS Manager to collaborate with department staff on all citywide policies and procedures. The APPS Manager also facilitates the use of APPS for departmental and division level policies. Currently

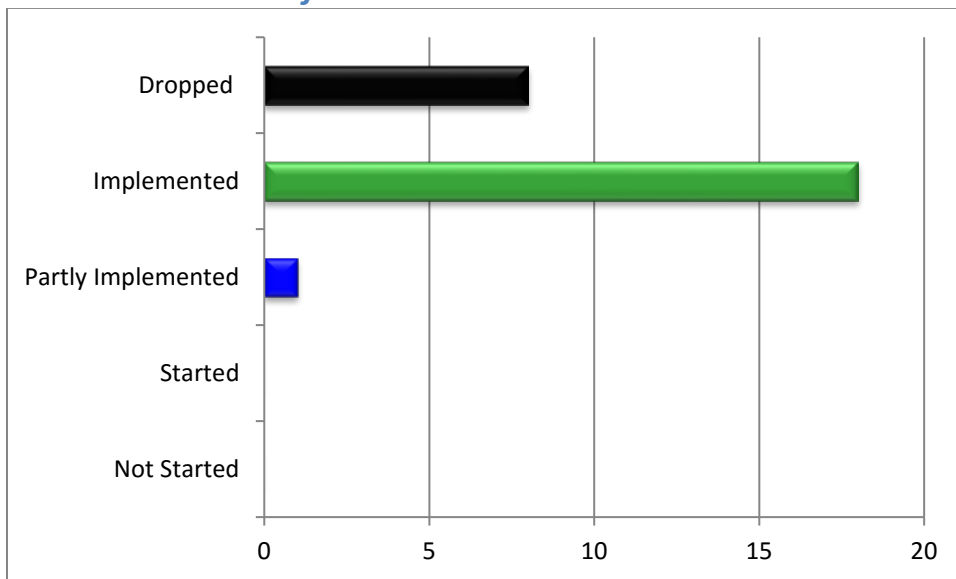
Department of Utilities and the Fire Department are actively transitioning their departmental policies and procedures into APPS. The Fire Department has successfully added over 300 departmental policies to APPS and will begin the review and update process in the new APPS system. While the Fire Department and the Department of Utilities continue to work toward transitioning their policies, efforts continue to be made to ensure other departments are also working toward this goal.

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

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

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

Exhibit 21: Status of Audit Recommendations



Additional Operational Efficiencies and Cost Savings

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

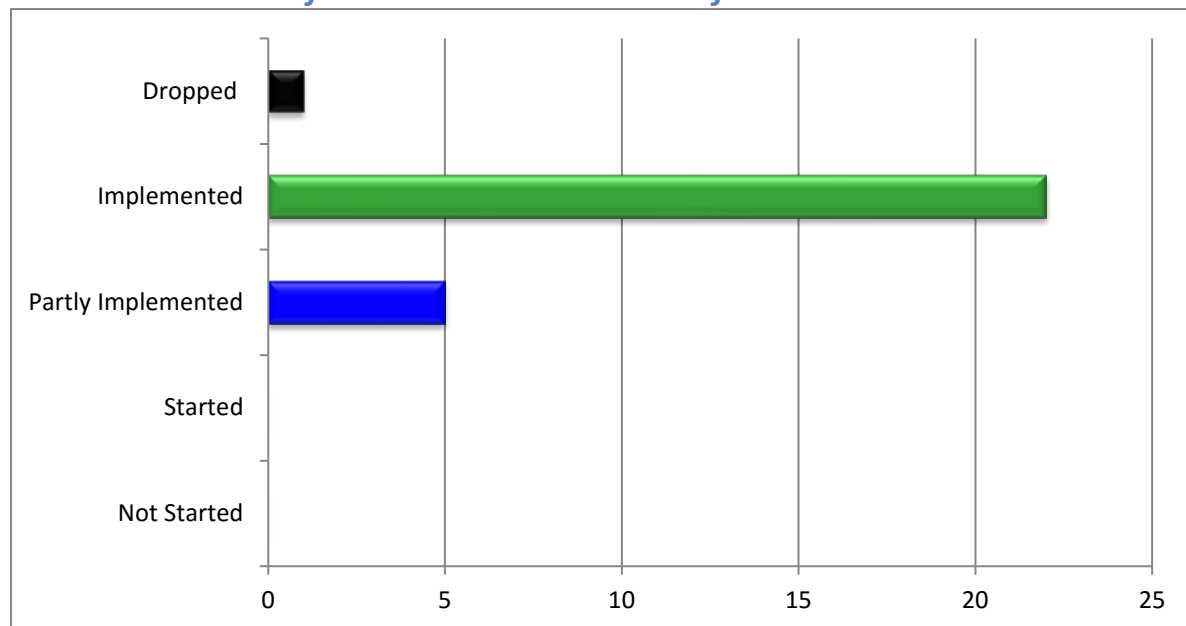
[Partly Implemented](#) DOU is preparing to begin the new pilot project with Water Distribution. This pilot project is scheduled to be completed during the next reporting period, and if successful, full implementation will follow.

Post Audit Summary of Employee Health and Pension Benefits

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

During the reporting period of January 2018 to June 2018, there was no notable progress. As shown below, we designated 22 recommendations implemented (81%) and 5 recommendations partly implemented (19%). One recommendation was dropped as it was not adopted during negotiations with Local 522.

Exhibit 22: Status of Health and Pension Benefits Audit Recommendations



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

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

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

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

#21 Continue pursuing options to reduce retiree health costs.

[Partly Implemented](#) The department continues to pursue options to reduce retiree health costs through negotiations with labor unions. Retirees contributions rate were not increased last year.

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

[Partly Implemented](#) Human Resources has implemented a self-billing method for retiree medical bills. The department is in the process of implementing a similar billing method for dental and vision bills. In addition, the department is working on inputting CalPERS retiree information into eCAPS.

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

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

[Partly Implemented](#) The department is promoting the Western Health Advantage Community Fit program and distributing monthly wellness tips to employees. The department is evaluating resources needed to assess the impact of the wellness program.

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

[Partly Implemented](#) The department will be requesting additional resources during the next budget cycle to address the recommendation.