



**OFFICE OF THE
CITY AUDITOR**

**SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT
ON ALL OUTSTANDING AUDIT RECOMMENDATIONS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2002**

**A REPORT TO THE
SAN JOSE CITY COUNCIL
MAKING GOVERNMENT WORK BETTER COMMITTEE**



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City Auditor

CITY OF SAN JOSÉ, CALIFORNIA

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March 27, 2003

Honorable Mayor and Members
of the City Council
801 North First Street, Room 600
San Jose, CA 95110

Transmitted herewith is the *Semi-Annual Follow-Up Report On All Outstanding Audit Recommendations For The Six Months Ended December 31, 2002.*

An Executive Summary is presented on the blue pages in the front of this report. In accordance with procedures, the City Auditor gave the City Manager's Office a preview copy of this report for review and comment.

The format of the Semi-Annual Follow-Up Report is intended to highlight recommendations requiring Making Government Work Better Committee attention and report on the status of all open recommendations.

I will present this report to the Making Government Work Better Committee at its April 9, 2003 meeting. Should you have any questions or need additional information in the interim, please let me know.

Respectfully submitted,

Gerald A. Silva
City Auditor

GS:bh
Dec02

cc: City Manager's Office
and affected departments

EXECUTIVE SUMMARY

In accordance with the City Auditor's approved 2002-03 Workplan, we have prepared a report of the status of open recommendations for the last six months of 2002 ending December 31, 2002. To prepare this report, we met with department staff, reviewed department assessments of audit status, and reviewed documentation provided by departments.

IMPLEMENTATION STATUS OF OPEN RECOMMENDATIONS

During the semi-annual period covering July 1 through December 31, 2002, there were ninety four (94) outstanding recommendations of which:

- 22 recommendations were implemented;
- 57 recommendations were partly implemented;
- 13 recommendations were not implemented;
- 1 recommendation was dropped; and
- 1 recommendation was deferred.

Table I summarizes these recommendations by audit report in chronological order.

TABLE I
STATUS OF OPEN RECOMMENDATIONS BY AUDIT REPORT ENDING DECEMBER 31, 2002

Report #	Audit Report	Implemented	Partly Implemented	Not Implemented	Deferred	Dropped
88-03	An Audit Of The Police Department Overtime Controls		1			
93-04	An Audit Of The Fire Department--Hazardous Materials Storage Permit Fees			1		
93-05	An Audit Of The Department Of General Services/Vehicle Maintenance Division--Police Vehicles		1			
95-06	An Audit Of The San Jose Arena Management Agreement		1		1	
96-06	An Audit Of The City Of San Jose's Business Tax Collection Process			1		
96-07	An Audit Of The City Of San Jose's Open Purchase Order Process		1	1		
97-01	An Audit of the City of San Jose's Utility Billing System		3			
97-05	An Audit of the Department of Public Works Engineering & Inspection Costs		1			
98-05	An Audit of the City of San Jose's Sewer Billing Services		1			
99-04	An Audit of the Sewer Fund Expenditures		1			
00-01	An Audit Of The Police Department -Bureau of Field Operations Patrol Division's Staffing and Deployment		2	1		
00-02	An Audit of the City of San Jose's Master Vendor File			1		
00-04	An Audit of the City of San Jose Building Division's Building Permit Fee Process	1	3			
00-05	An Audit of the San Jose-Santa Clara Water Pollution Control Plant's Progress Toward Meeting Effluent Limitations		1			
00-07	An Audit of the Watershed Protection Division's Industrial and Commercial Inspection Program		6			
00-08	An Audit of the City of San Jose's Building-Related Fees and Taxes		2			
01-01	An Audit of the Property Appraisal Process of the Department of Public Works—Real Estate Division		3	2		
01-02	An Audit of the City Of San Jose Fire Department's Overtime Expenditures		5			
01-03	An Audit of the Pretreatment Source Control Program	4	3			
01-05	An Audit of the City of San Jose Fire Department's Strategic Plan Regarding Proposed Fire Stations		1	1		
02-01	An Audit Of The City Of San José's Rental Dispute Program	1	2			1
02-02	An Audit Of The San José Arena Management Corporation's Compliance With The San José Arena Management Agreement	4	2	1		
02-03	An Audit Of The Property Management Operations Of The City Of San José's Department Of Public Works – Real Estate Division	5	6	1		
02-04	An Audit Of The San José Police Department's Method Of Projecting Sworn Officer Retirements And Other Separations		1	2		
02-05	An Audit Of The City Of San José's Customer Service Call Center	2				
02-06	An Audit Of City Hall Departments' Petty Cash And Change Fund	1				
02-08	An Audit Of The School Age Growth And Enrichment Program Of The Department Of Parks, Recreation, And Neighborhood Services	1	4			
02-10	An Audit Of The City Of San José's Office Of Equality Assurance	3	6	1		
	Totals	22	57	13	1	1

EXECUTIVE SUMMARY - continued

As of December 31, 2002, the distribution of the seventy one (71) recommendations which remain are as follows:

8	City Administration	1	General Services
1	City Attorney	1	Information Technology
1	Employee Relations	5	Planning, Building, and Code Enforcement
15	Environmental Services Department	6	Police Department
4	Equality Assurance	6	Parks, Recreation, and Neighborhood Services
2	Finance Department	10	Public Works Department
8	Fire Department	3	San Jose Arena Management

Of the seventy one (71) recommendations which remain open:

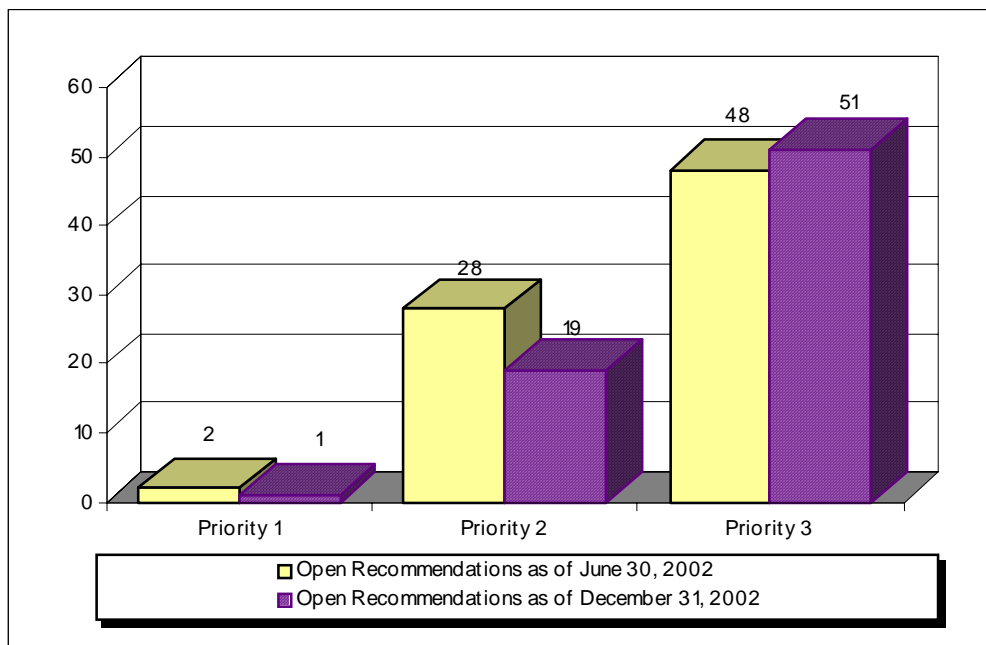
- 1 recommendation is Priority 1;
- 19 recommendations are Priority 2; and
- 51 recommendations are Priority 3.

Of the thirteen (13) recommendations which are “not implemented”:

- 1 recommendation is Priority 1;
- 3 recommendations are Priority 2; and
- 9 recommendations are Priority 3.

Graph 1 shows the priority status of recommendations that remained open during the past year.

GRAPH 1
PRIORITY STATUS OF REMAINING OPEN AUDIT RECOMMENDATIONS



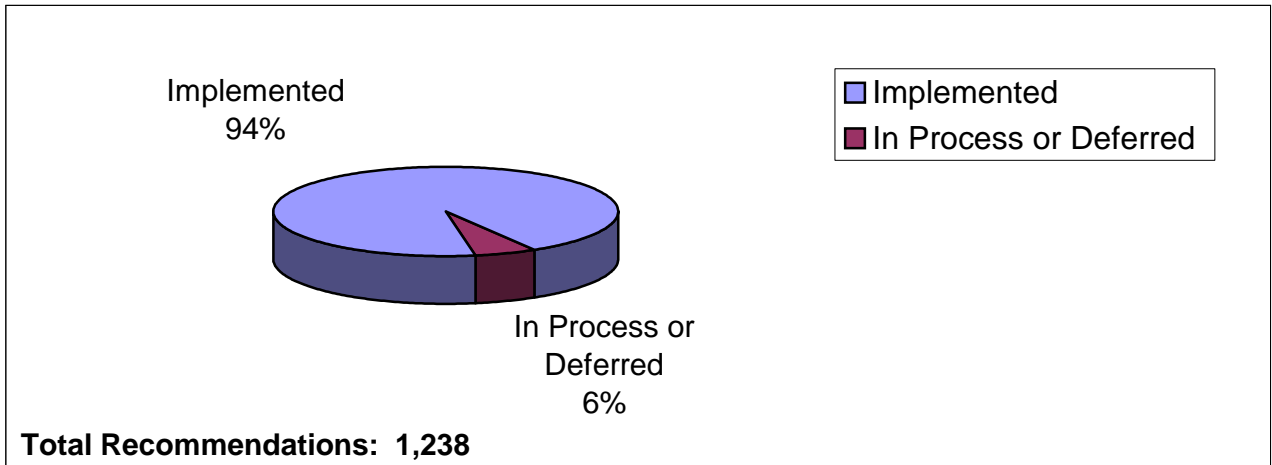
EXECUTIVE SUMMARY – continued

During this semi-annual period the City Council approved 16 new recommendations, the Administration implemented 22 recommendations, and one recommendation was dropped. We thank the departments for their efforts in implementing these recommendations and toward implementing those 71 recommendations still outstanding.

Graph II shows the number of City Auditor recommendations made and implemented from May 1985 through December 31, 2002.

GRAPH II

**RECOMMENDATIONS IMPLEMENTED
May 1985 through December 2002**



EXECUTIVE SUMMARY - continued

RECOMMENDATIONS REQUIRING MAKING GOVERNMENT WORK BETTER COMMITTEE ATTENTION

Recommendations requiring Making Government Work Better Committee attention are those recommendations for which either 1) the City Auditor and the Administration disagree on the recommendation's implementation status, 2) the Administration has not informed the City Auditor as to the status of the recommendation's implementation, 3) the Administration has indicated it cannot or will not implement the recommendation, 4) the recommendation will require additional funding in order to be implemented, or 5) implementation would generate additional revenues or cost savings.

93-04: AN AUDIT OF THE FIRE DEPARTMENT--HAZARDOUS MATERIALS STORAGE PERMIT FEES

#1 (Fire/NB) - Include in the cost recovery system for the Hazardous Materials Program the costs of the Hazardous Incident Team activities that relate to the City's Hazardous Materials Program. (Priority 1)

Not implemented. The Fire Department will prepare an updated proposal regarding these fees, which will be reviewed for inclusion in the 2003-04 proposed operating budget. Target date: 6-03.

INCREASES REVENUE: \$1,170,000.

95-06: AN AUDIT OF THE SAN JOSÉ ARENA MANAGEMENT AGREEMENT

#4 (City & SJ Arena Management Corporation/ME) - Agree on a definition of what the program operating budget in section 9.02 of the Management Agreement should include in order to facilitate the San Jose Arena Management Corporation preparing the budget and submitting it to the City for review and approval in accordance with the terms of the Management Agreement. (Priority 2)

Deferred. For the fiscal year 2002-03, the City and the Arena Authority (AA) will not be requesting from San Jose Arena Management (SJAM) a submittal of the program operating budget. The information that is contained in the program operating budget is not required at this time for any immediate purpose by the City, the AA, or SJAM. The City and the AA reserve the right for future considerations for the submittal of the program operating budget. Target date: 6-03.

96-06: AN AUDIT OF THE CITY OF SAN JOSÉ'S BUSINESS TAX COLLECTION PROCESS

#4 (Finance /Treasury Division/NB) - Upon approval of Recommendations #1, #2 and #3, request funding for any associated costs for necessary new staff and additional operating expenses. (Priority 3)

Not implemented. According to the Finance Department, staff has completed three pilot programs in the implementation of this recommendation. According to the Finance staff, all three pilot programs resulted in a revenue-neutral impact. While the recommendation does help taxpayers recognize if they are underpaying their business tax obligation, it also helps them to find out if they are overpaying the business tax. The benefits of implementing this recommendation would be that the taxpayer submitted the correct information and paid the right amount of tax. However, the department stated that this recommendation would also require additional staff to be able to process the increased workload resulting from cross-checking and analyzing business tax renewals. The department requested funding for this audit recommendation during the 2001-02 budget process as part of the ITPB e-Gov funds. Funding was not provided at that time. Because of a lack of funding source to implement this recommendation, the department is recommending that this recommendation be dropped. We recommend that this recommendation continue to be carried through the next budget cycle. Target date: None.

REQUIRES FUNDING: Funding was requested as part of the ITPB e-Gov funds.

97-01: AN AUDIT OF THE CITY OF SAN JOSÉ'S UTILITY BILLING SYSTEM

#4 (Finance/ESD/SE) - The City Council consider combining sewer and storm drain fees with Recycle Plus billings. (Priority 2)

Partly implemented. The Finance Department processes annual sewer and storm drain assessments, and forwards these assessments to the County for inclusion on property tax bills. The County charges the City more than \$700,000 per year to collect sewer and storm drain assessments and remit them to the City. Our audit found that if the City billed these assessments bi-monthly through the UBS system, the City could save more than \$700,000 in County collection fees and earn an additional \$870,000 in interest, in return for a small increase in bill-printing fees. Subsequently, the Administration issued an RFP for a new utility billing system. However, there were delays in implementing the new billing system software and the system implementation effort was cancelled. The Finance Department is currently working with the ESD and IT to issue a new RFP. The ESD has modified the cost savings projections from \$870,000 to \$350,000 due to a change in the agreement between the City and County. The projected additional interest earned has been modified as well, from \$700,000 to \$350,000, due to the decrease in overall market interest rates. We will re-examine these calculations when the system comes on-line. Target date: 3-04.

#19 (Finance/ESD/SE) - Request that the City Council authorize a database administrator position at the UBS. (Priority 3)

Partly implemented. The ESD hired a Project Manager to lead the development and implementation of a billing, customer service, and contract management system. The ESD has also requested a database administrator position. However, due to the current budget situation, the database administrator position has yet to be approved. The RFP is proposed to be issued in June 2003. A recommendation on vendor selection may be proposed to the City Council in September 2003. Target date: 3-04.

REQUIRES FUNDING: TBD.

00-02: AN AUDIT OF THE CITY OF SAN JOSÉ'S MASTER VENDOR FILE

#3 (Finance Department/IT Department/BH) - Prepare a proposal and budget requirements to allow for 1) identifying, researching, and purging inactive vendor numbers; "R" vendor numbers; deceased, retired, and former employee numbers; and erroneously assigned vendor numbers from the Master Vendor File and the corresponding records in other modules; 2) Archiving the records taken off the Master Vendor File and the corresponding records; and 3) Using a vendor numbering system for one-time payment of authorized purchases and automatic purging of such vendor numbers. (Priority 3)

Not implemented. During the previous budget process, a budget proposal was submitted to address specific vendor file issues and other financial issues. System enhancements related to FMS were included in this proposal. However, the proposal was not funded. Due to the City's current budget situation, this proposal will not be advanced in this year's budget cycle. Target date: None.

REQUIRES FUNDING: TBD.

01-02 AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S OVERTIME EXPENDITURES

#9 (Fire/EL) - Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the San Jose Fire Department (SJFD) and prepare a budget proposal should the initiative appear cost beneficial. (Priority 3)

Partly implemented. The SJFD has contracted with Club One to provide a full-time Wellness Program Coordinator. Club One is supposed to maintain equipment as needed; visit stations for special subjects; conduct two special subject Department-wide programs; track data and trends; report cost savings; administer and deliver reports on physical assessments to individuals; complete a Health Risk Appraisal Program screening assessment; and administer a Continuing Education program for ACE certification. The SJFD also reported that it installed exercise equipment in all

fire stations; provides staff with an individual fitness evaluation and nutritional plan; requires annual fire fighter physicals; and is working on medical standards for new hires. The SJFD reported that it supports a full comprehensive Wellness-Fitness Initiative Program. The SJFD recognizes that components needed for full implementation include cancer screening, behavioral health, rehabilitation, and injury prevention. The SJFD has not prepared a budget proposal due to current budget constraints. Target date: TBD.

REQUIRES FUNDING: TBD.

02-01 AN AUDIT OF THE CITY OF SAN JOSÉ'S RENTAL DISPUTE PROGRAM

#9 (Advisory Commission on Rents/JL) - Increase meeting frequencies from bi-monthly to monthly. (Priority 3)

Dropped. The Advisory Commission on Rents and the Mobilehome Advisory Commission discussed increasing meeting frequencies. The consensus of both Commissions is to continue meeting bi-monthly and call special meetings in the event the need arises.

**COMPLETE LISTING OF THE STATUS
OF OPEN AUDIT RECOMMENDATIONS
AS OF DECEMBER 31, 2002**

88-03: AN AUDIT OF THE POLICE DEPARTMENT OVERTIME CONTROLS

#14 (Police/ME) - Develop and implement forms for documenting the justification and authorization of all overtime occurrences. (Priority 3)

Partly implemented. The Police Department has been unable to implement an exception-based payroll system that would have assisted it in implementing this recommendation. During the next six months, the City Auditor's Office will assess whether the other controls the Police Department has implemented since the 1988 audit are sufficient to allow this recommendation to be dropped. Target date: 6-03.

93-04: AN AUDIT OF THE FIRE DEPARTMENT--HAZARDOUS MATERIALS STORAGE PERMIT FEES

#1 (Fire/NB) - Include in the cost recovery system for the Hazardous Materials Program the costs of the Hazardous Incident Team activities that relate to the City's Hazardous Materials Program. (Priority 1)

Not implemented. The Fire Department will prepare an updated proposal regarding these fees, which will be reviewed for inclusion in the 2003-04 proposed operating budget. Target date: 6-03.

INCREASES REVENUE: \$1,170,000.

93-05: AN AUDIT OF THE DEPARTMENT OF GENERAL SERVICES/VEHICLE MAINTENANCE DIVISION--POLICE VEHICLES

#5 (City Council & City Administration(Employee Relations)/NB) - Update the current section of the City Administrative Manual on employee transportation to include language defining a City-wide sphere of influence and stipulating how employees will compensate the City for taking a City vehicle beyond the City's sphere of influence. (Priority 2)

Partly implemented. The SJPD MOA includes a provision for forming a Labor Management Committee. According to the Police Department, this Committee is the body that needs to address the Vehicle Take-Home Policy. The SJPD MOA covering the period July 1, 2000 to June 30, 2003 shows this topic among the issues that the Labor Management Committee will address. Target date: 6-03.

95-06: AN AUDIT OF THE SAN JOSÉ ARENA MANAGEMENT AGREEMENT

#4 (City & SJ Arena Management Corporation/ME) - Agree on a definition of what the program operating budget in section 9.02 of the Management Agreement should include in order to facilitate the San Jose Arena Management Corporation preparing the budget and submitting it to the City for review and approval in accordance with the terms of the Management Agreement. (Priority 2)

Deferred. For the fiscal year 2002-03, the City and the Arena Authority (AA) will not be requesting from San Jose Arena Management (SJAM) a submittal of the program operating budget. The information that is contained in the program operating budget is not required at this time for any immediate purpose by the City, the AA, or SJAM. The City and the AA reserve the right for future considerations for the submittal of the program operating budget. Target date: 6-03.

#6 (SJ Arena Management Corporation/ME) - Immediately prepare a detailed programmatic maintenance budget for 1995-96 and submit it to the City in accordance with the Management Agreement. Thereafter, the San José Arena Management Corporation should submit to the City a detailed programmatic maintenance budget by March 1 for the following fiscal year and a detailed maintenance performance audit by March 1 for those items in the previous fiscal years' maintenance budget. (Priority 2)

Partly implemented. SJAM has provided the AA with the 1995-96 detailed programmatic maintenance budget and has prepared a detailed maintenance performance audit on the previous fiscal years' maintenance budget, as stated in section 4.08 of the Management Agreement. However, SJAM needs to provide the AA with explanations of the major differences between budget and actual for the programmatic maintenance budget. Target date: 6-03.

96-06: AN AUDIT OF THE CITY OF SAN JOSÉ'S BUSINESS TAX COLLECTION PROCESS

#4 (Finance /Treasury Division/NB) - Upon approval of Recommendations #1, #2 and #3, request funding for any associated costs for necessary new staff and additional operating expenses. (Priority 3)

Not implemented. According to the Finance Department, staff has completed three pilot programs in the implementation of this recommendation. According to the Finance staff, all three pilot programs resulted in a revenue-neutral impact. While the recommendation does help taxpayers recognize if they are underpaying their business tax obligation, it also helps them to find out if they are overpaying the business tax. The benefits of implementing this recommendation would be that the taxpayer submitted the correct information and paid the right amount of tax. However, the department stated that this recommendation would also require additional staff to be able to process the increased workload resulting from cross-checking and analyzing business tax renewals. The department requested funding for this audit recommendation during the 2001-02 budget process as part of the ITPB e-Gov funds.

Funding was not provided at that time. Because of a lack of funding source to implement this recommendation, the department is recommending that this recommendation be dropped. We recommend that this recommendation continue to be carried through the next budget cycle. Target date: None.

REQUIRES FUNDING: Funding was requested as part of the ITPB e-Gov funds.

96-07: AN AUDIT OF THE CITY OF SAN JOSÉ'S OPEN PURCHASE ORDER PROCESS

#19 (General Services Purchasing Division/Finance Department/RM) - Develop and implement invoice review and approval procedures to be included in the City Administrative Manual. The procedures should provide assurance that:

- *goods or services were authorized under the open purchase order;*
- *goods or services were received;*
- *on open purchase orders over \$5,000, invoiced quantities, prices/rates and terms are in accordance with the terms of the open purchase order;*
- *invoices are mathematically correct;*
- *departments receive the pricing and rate documentation necessary to properly review invoices; and*
- *receiving documents are forwarded to accounting units to match to the invoices.*

(Priority 2)

Not implemented. The Finance Department is in the process of developing procedures to be included in the City Administrative Manual. Due to workloads and priorities, implementation of these procedures has not been completed.

Target date: 6-03.

#21 (Finance/RM) - Finalize revisions to the Finance Administrative Manual Accounts Payable Section. (Priority 3)

Partly implemented. The Finance Department is in the process of updating the Accounts Payable Section of the Finance Administrative Manual. Continued vacancies in this section have prevented completion. Target date: 6-04.

97-01: AN AUDIT OF THE CITY OF SAN JOSÉ'S UTILITY BILLING SYSTEM

#4 (Finance/ESD/DM) - The City Council consider combining sewer and storm drain fees with Recycle Plus billings. (Priority 2)

Partly implemented. The Finance Department processes annual sewer and storm drain assessments, and forwards these assessments to the County for inclusion on property tax bills. The County charges the City more than \$700,000 per year to collect sewer and storm drain assessments and remit them to the City. Our audit found that if the City billed these assessments bi-monthly through the UBS system, the City could save more than \$700,000 in County collection fees and earn an

additional \$870,000 in interest, in return for a small increase in bill-printing fees. Subsequently, the Administration issued an RFP for a new utility billing system. However, there were delays in implementing the new billing system software and the system implementation effort was cancelled. The Finance Department is currently working with the ESD and IT to issue a new RFP. The ESD has modified the cost savings projections from \$870,000 to \$350,000 due to a change in the agreement between the City and County. The projected additional interest earned has been modified as well, from \$700,000 to \$350,000, due to the decrease in overall market interest rates. We will re-examine these calculations when the system comes on-line. Target date: 3-04.

#19 (Finance/ESD/DM) - Request that the City Council authorize a database administrator position at the UBS. (Priority 3)

Partly implemented. The ESD hired a Project Manager to lead the development and implementation of a billing, customer service, and contract management system. The ESD has also requested a database administrator position. However, due to the current budget situation, the database administrator position has yet to be approved. The RFP is proposed to be issued in June 2003. A recommendation on vendor selection may be proposed to the City Council in September 2003. Target date: 3-04.

REQUIRES FUNDING: TBD.

#20 (Finance/ESD/DM) - Establish on-going procedures for (1) scanning for errors and correcting customer data in the database, (2) purging unnecessary data, (3) authorizing changes in account status from active to inactive, and (4) routinely reviewing monthly reports for rate code exceptions. (Priority 3)

Partly implemented. Procedures for scanning for errors and correcting customer data in the database have been incorporated within the procedures developed to identify write-offs. Procedures for routinely reviewing monthly reports for rate code exceptions have been included in revenue recording procedures. UBS has drafted procedures to authorize changes in account status from active to inactive and will be developing procedures for purging unnecessary data once the new billing system is installed. Staff is preparing a report to the City Council for March 2003 to approve the billing system concept and scope and issue an RFP for the new system. Target date: 3-04.

97-05: AN AUDIT OF THE DEPARTMENT OF PUBLIC WORKS ENGINEERING AND INSPECTION COSTS

#2 (Public Works/RK) - In conjunction with the Budget Office, develop and propose to the City Council an alternate method, such as the "budget-off-the-top" approach, to budget and account for DPW costs charged to capital projects. (Priority 3)

Partly implemented. According to Department Administration, beginning in FY 2002-03, a new cost tracking method was implemented in FMS to track project costs by phases for new projects. Specifically, the City expanded the usage of the FMS accounting code structure for capital projects. Seven project phases are coded in FMS, from Phase Zero for General Administration and Overhead costs to Phase Six for Post Construction costs. Aligning the cost accounting structure by project phases will provide more detailed and useful cost information for project management and oversight of capital projects and allow for easier reconciliation of budget to actual costs. Target date: 6-04.

98-05: AN AUDIT OF THE CITY OF SAN JOSÉ'S SEWER BILLING SERVICES

#2 (ESD/DM) - Document its methodology for estimating sewer flow and its criteria for granting water loss adjustments. In addition, the ESD should annually review existing water loss adjustment factors for both monitored industries and unmonitored companies and require supervisory review and approval of all changes to those factors. (Priority 2)

Partly implemented. The ESD has adopted a policy requiring installation of flow meters at major industrial locations, where feasible, as part of the permit renewal cycle. Those major industrial locations without flow meters are required to submit engineering reports that the ESD will review. The ESD procedures also require that industrial customers submit an engineering report to substantiate disputed water loss adjustments. ESD staff agreed that the Department would include a review of the water loss factors for all other industries in the analysis of the sewer rate structure that is planned in the next two to three years. Target date: 9-03.

99-04: AN AUDIT OF SEWER FUND EXPENDITURES

#11 (Administration/ESD/DM) - Develop approved charts of account and their uses that program managers can use for charging various expenses to the twelve wastewater funds. (Priority 3)

Partly implemented. The Management Wastewater Core Service Chart of Accounts is complete and is currently being reviewed by managers and accounting staff to ensure all necessary information is included and presented in a useful format. The Environmental Services Department (ESD) has developed this guide for program managers to explain the purpose of the three primary wastewater funds and what types of charges are appropriate in each fund. Transactions in the other nine wastewater funds are controlled primarily by the ESD's Finance and Accounting personnel and do not apply to regular management activities. This guide is targeted for completion in June 2003. Target date: 6-03.

00-01: AN AUDIT OF THE POLICE DEPARTMENT – BUREAU OF FIELD OPERATIONS PATROL DIVISION’S STAFFING AND DEPLOYMENT

#1 (SJPD/City Administration/RM) - Negotiate with the San Jose Police Officers’ Association to modify shift-starting times to provide sufficient flexibility to deploy officers in the most efficient and effective manner. (Priority 2)

Not implemented. Shift-staffing times will be reviewed when Recommendation #3 is implemented and new staffing software is online. Target date: 7-03.

#2 (SJPD/City Administration/RM) - Use the information in this report to develop, and forward to the City Council for concurrence, a strategic, multi-year, community policing-based plan and a staffing proposal for the SJPD Bureau of Field Operations patrol division that is responsive to both officer and public safety needs and calls for service demand. The report should include the advantages, disadvantages, and cost implications of the following policy decisions:

- *A full 4th watch, and*
- *An appropriate basis for calculating free patrol time. (Priority 2)*

Partly implemented. The Police Department has received input from the community and has held a series of meetings. The Department’s “Neighborhood Policing Operations Plan” has been reviewed by the City Manager’s Office and Office of the Mayor and is being printed. It will then be presented to the City Council for review. Target date: 3-03.

#3 (SJPD/RM) – Investigate the feasibility of using federal or state grant funds to procure police staffing and deployment software. If federal or state grant funds are not available, we recommend that the SJPD, through the annual budget process, develop a budget proposal to purchase the software. (Priority 2)

Partly implemented. The Police Department selected the Computer Aided Dispatch (CAD) system consultant for the new CAD system in December 2000. Due to a number of issues, the CAD start date has been delayed until 2004. The Department has purchased staffing/deployment software and is in the process of purchasing supporting hardware, using grant funds. Once the hardware is in place, a two-day on-site training session will be scheduled, tentatively set for March 2003. Target date: 7-03.

00-02: AN AUDIT OF THE CITY OF SAN JOSÉ'S MASTER VENDOR FILE

#3 (Finance Department/IT Department/NB) - Prepare a proposal and budget requirements to allow for 1) identifying, researching, and purging inactive vendor numbers; "R" vendor numbers; deceased, retired, and former employee numbers; and erroneously assigned vendor numbers from the Master Vendor File and the corresponding records in other modules; 2) Archiving the records taken off the Master Vendor File and the corresponding records; and 3) Using a vendor numbering system for one-time payment of authorized purchases and automatic purging of such vendor numbers. (Priority 3)

Not implemented. During the previous budget process, a budget proposal was submitted to address specific vendor file issues and other financial issues. System enhancements related to FMS were included in this proposal. However, the proposal was not funded. Due to the City's current budget situation, this proposal will not be advanced in this year's budget cycle. Target date: None.

REQUIRES FUNDING: TBD.

00-04: AN AUDIT OF THE CITY OF SAN JOSÉ BUILDING DIVISION'S BUILDING PERMIT FEE PROCESS

#1 (Building Division/EL) - Regularly conduct or cause to be conducted a comprehensive cost of service study that

- ***Calculates the full cost (both direct and indirect) of providing building-related services by project type;***
- ***Compares the identified program costs with building fee revenues currently received for those services; and***
- ***Identifies achievable building fee recovery levels based on the cost of those services. (Priority 3)***

Implemented. The Building Division employed DMG-Maximus to do a comprehensive fee study in 2001. In 2003-04, the Building Division performed a cost-of-service study that identified costs associated with residential projects. The Building Division expects to do a similar study for commercial and industrial projects in 2004-05. The Division's policy will be to conduct a detailed cost of service study every third year, while updating cost of living factors in intervening years.

#2 (Building Division/EL) - Implement a fee schedule that results in the assessment of fees that are commensurate with the cost of providing service. (Priority 3)

Partly implemented. In the 2002-03 budget process, the Department recommended a revision of the current fee schedule. The Department used a consultant's model for cost-recovery to identify cost-recovery gaps. A two-year phase-in plan for fee increases was proposed. In 2003-04, the Building Division is recommending implementing a full cost-recovery fee structure for residential projects. Target date: 7-03.

#3 (Building Division/EL) - Develop a process for accounting for works-in-progress to ensure a proper matching of Building Program revenues and costs. (Priority 3)

Partly implemented. The Building Division received a final report from the Financial Consulting Group on the process to account for works-in-progress. The Building Division staff were trained on how to update statistics and apply the process. In the 2003-04 budget process, the Department will recommend the establishment of a special revenue fund to implement the works-in-progress accounting system. Once this proposal is submitted in the budget process, the recommendation will be considered implemented. Target date: 7-03.

#4 (Building Division/EL) - Establish a policy and process to pay for long-term capital or asset acquisitions. (Priority 3)

Partly implemented. The Building Division received a final report from the Financial Consulting Group recommending a sinking fund to pay for long-term capital asset acquisitions. The Division plans to submit this proposal, along with a special revenue fund, to the Council for consideration. Target date: 7-03.

00-05: AN AUDIT OF THE SAN JOSÉ'S-SANTA CLARA WATER POLLUTION CONTROL PLANT'S PROGRESS TOWARD MEETING EFFLUENT LIMITATIONS

#5 (ESD/DM) - Track and accumulate operating budget costs for all flow-reduction programs in the South Bay Action Plan. (Priority 3)

Partly implemented. The Environmental Services Department (ESD) has identified all applicable projects and areas that are included in the South Bay Action Plan and those key areas that require additional tracking. The ESD is working to develop new responsibility center numbers to track all associated costs of the Plan. Target date: 6-03.

00-07: AN AUDIT OF THE WATERSHED PROTECTION DIVISION'S INDUSTRIAL AND COMMERCIAL INSPECTION PROGRAM

#2 (ESD/LB) - Acquire a data system that more adequately meets Program needs. (Priority 3)

Partly implemented. The ESD issued RFP #02-03-03 for the new data system on July 31, 2002. The RFP process and contractor selection has been completed. The database contract is currently in the City Attorney's Office. It is tentatively scheduled to be on the City Council's agenda during April 2003. We will revisit this recommendation after the ESD acquires a new data system. Target date: 6-03.

#5 (ESD/LB) - Assign inspectors to ensure that required inspection frequencies are met. (Priority 2)

Partly implemented. The current database generates next inspection dates as a method to ensure required inspection frequencies are met. However, this function was present at the time of the audit and therefore did not appear to be a sufficient control. According to the Senior Sanitary Engineer, the new database will be able to completely implement this recommendation. The ESD has informed us that the RFP process and contractor selection has been completed. The database contract is at the City Attorney's Office. It is tentatively scheduled to be on the City Council's agenda during April 2003. We will revisit this recommendation once the ESD has acquired the new database. Target date: 6-03.

#6 (ESD/LB) - Develop written procedures that provide inspectors with specific guidance on how to report desk reviews and identify facilities listed more than once in the database. (Priority 3)

Partly implemented. Finalized procedure #5310 (Industrial Facility Inspection) and # 5320 (Facility Inspection Form) have been revised for this fiscal year to reflect the revisions in the inspection forms. The ESD has informed us that the RFP process and the selection of the contractor have been completed. The database contract is at the City Attorney's Office. It is tentatively scheduled to be on the City Council's agenda during April 2003. We will review this recommendation once the ESD has acquired the new database to ensure duplicate facilities are not transferred to the new database. Target date: 3-03.

#7 (ESD/LB) - Develop written criteria for determining compliance dates and provide facilities with clearly defined compliance dates for correcting violations. (Priority 3)

Partly implemented. The ESD drafted an Enforcement Response Plan (ERP) and the City Auditor's Office has provided feedback to ensure the finalized version addresses the recommendation. However, having to incorporate the new permit requirements, that were effective July 2002, into the procedures has delayed the process. The procedures and the ERP continue to be in draft form. We will review this recommendation after the ERP is finalized. Target date: 6-03.

#8 (ESD/LB) - Develop written procedures to ensure that Program inspectors follow-up on identified violations and when necessary use available enforcement actions. (Priority 3)

Partly implemented. The ESD drafted an Enforcement Response Plan (ERP) and draft procedures. The City Auditor's Office has provided feedback to ensure the finalized versions address the recommendation. However, having to incorporate the new permit requirements, that were effective July 2002, into the procedures has delayed the process. The procedures and the ERP continue to be in draft form. We will review this recommendation after the ERP and procedures are finalized. Target date: 6-03.

#10 (ESD/LB) - Not seek an increase in Storm Sewer Fees for the Program until it has revamped the Program and significantly improved its effectiveness and efficiency. (Priority 3)

Partly implemented. According to the ESD, the 2002 rate increase provided additional funding for the Storm Sewer Capital Program and did not increase the operating budget. The ESD and the DOT are currently conducting a review of the operating expenditures which should be completed in 2002-03. Any cost savings will be implemented as part of the 2003-04 operating budget. In addition, a memo will be prepared by the ESD and submitted to the City Council for review. We will revisit this recommendation upon receiving the review of the operating expenditures and the City Council memo. Target date: 6-03.

00-08: AN AUDIT OF THE CITY OF SAN JOSÉ'S BUILDING-RELATED FEES AND TAXES

#12 (Building Division/GM) - Work with the City Attorney's Office and Administration to develop guidelines for what constitutes research and development and classifying multiple use structures. (Priority 2)

Partly implemented. The Division has drafted a proposed amendment to Section 4.46.050 to classify multiple use structures. Additionally, this amendment proposes replacing current Municipal Code (Code) language on industrial purposes with a list of each specific industrial use that was allowed by the Code. This recommendation will be fully implemented once the City Council approves the ordinance. Target date: 6-03.

#13 (Building Division/GM) - Designate an authoritative organization or person to render industrial versus commercial structure designation decisions where the structure use is unclear or complex. (Priority 2)

Partly implemented. The Building Division is in active discussion with the Office of Economic Development (OED), the Division's Attorney, and the City Manager's Office about the issue of final authority. In addition, the Division is in the process of drafting an ordinance to clarify the issue of industrial versus commercial designations. According to Division Officials, the issue will be partly resolved when the City Council approves the ordinance. Target date: 6-03.

01-01 AN AUDIT OF THE PROPERTY APPRAISAL PROCESS OF THE DEPARTMENT OF PUBLIC WORKS—REAL ESTATE DIVISION

#9 (Public Works Real Estate/RK) - (a) Establish performance criteria and qualifications for staff assigned to perform title services; (b) write the title services procedures the Real Estate Division provides; and (c) assign and train backup staff to perform title services. (Priority 3)

Partly implemented. According to Department Administration, the Real Estate Division has undergone a recent reorganization, with the result that all staff now perform title services and have been trained to do so. Furthermore, in consideration of the recent reorganization, the Real Estate Division is re-evaluating the staffing needs to fully implement this recommendation. Target date: 6-03.

#11 (Public Works Real Estate/GE) - Augment its requested consultant services to include an assessment of whether the File Locator Database Program is compatible with the City's overall records management strategy and other City systems and can be upgraded to provide the ability to identify specific documents for purging and the statistical functions needed to support productivity tracking and management reports. (Priority 2)

Partly implemented. The Department of Public Works – Real Estate Division – included within its operating budget proposal for FY 2001-02 a one-time General Fund request for contractual services for a consultant's evaluation of the current File Locator Database Program or make recommendations for an improved system. However, the budget proposal was denied. As of July 1, 2002, the Asset Management division of General Services will manage all Property Management-City as Tenant; Property Management-City as Landlord (excepting Telecommunication contracts); and Property Maintenance-Deed and Title files. General Services is now working on how best to implement the recommendation. Successful implementation of a reliable and efficient records retention and retrieval system will expedite searches for documents, prevent loss of historical records, and enable staff to provide a higher quality level of service to the Division's customers. Target date: 6-03.

#12 (Public Works Real Estate/GE) - Write a user manual and conduct staff training on the use and maintenance of the File Locator Database Program if it decides to enhance and implement the Database. (Priority 3)

Not implemented. Implementation of this recommendation depends on the implementation of Recommendation #11. Target date: 6-03.

#13 (Public Works Real Estate/GE) - Write current and complete Real Estate Division policies and procedures in the prescribed Department of Public Works format. (Priority 3)

Not implemented. Originally, Public Works - Real Estate Division included within its FY 2001-02 proposed operating budget an on-going capital-funded full time Analyst II position. But, the budget proposal was denied. At that time, according to the Division, without the addition of the requested resource, development and

maintenance of written procedures to ensure consistent delivery of Real Estate services will remain unanalyzed and unwritten. However, due to the reorganization and subsequent transfer of responsibility to General Services, Public Works – Real Estate Division is reviewing the staffing needs to implement this recommendation without additional staffing. Target date: 6-03.

#14 (Public Works Real Estate/GE) - Develop a project tracking system that will track targeted and actual dates on a project by project basis. (Priority 3)

Partly implemented. On November 21, 2001, the Real Estate Division retained GLW Consulting (computer programming services) which, in concert with Division staff, prepared an Access 2000 Real Estate Tracking System (RETS) for all Acquisition, Appraisal, Deed, Relocation (business and residential) and Title assignments. The system has undergone preliminary system tests and is now being finalized. Once completed, the RETS database will compare the actual progress of each phase against a standard timeline that has been developed. Portions of the data collected in RETS will be uploaded to the CIP Project Database System. Target date: 12-03.

01-02 AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S OVERTIME EXPENDITURES

#5 (Fire/EL) - Report to the City Council updated staffing information by December of each year including staffing levels and vacancies by rank, the number of personnel on disability and modified duty, and projected short-term and long-term vacancies. (Priority 3)

Partly implemented. The SJFD has not complied with this recommendation in a timely manner. The SJFD should have provided updated staffing information to the City Council in December 2001 and December 2002. The SJFD indicated that it has completed a draft of a staffing report, but has not submitted the report to the City Council. Target date: 6-03.

#6 (Fire/EL) - Update its 1992 study regarding the use of relief staff and overtime to meet minimum staffing requirements and annually determine the most efficient and cost effective mix of relief staff and overtime to meet minimum staffing needs. (Priority 3)

Partly implemented. The SJFD has not complied with this recommendation in a timely manner. The SJFD indicated that this report is an integral component of updating the 1992 study regarding the use of relief staff and overtime to meet minimum staffing requirements. The SJFD will update the 1992 study in conjunction with the finalized staffing report going to the City Council. Target date: 6-03.

#7 (Fire/EL) - Review sick leave data to establish benchmarks for sick leave use and identify possible patterns of abuse and take appropriate follow-up actions. (Priority 3)

Partly implemented. The SJFD has not complied with this recommendation in a timely manner. The SJFD reported that it continues to analyze sick leave usage for trends and possible patterns of abuse. The SJFD has received instruction on establishing a sick leave benchmark, but has not established a sick leave benchmark. Target date: 6-03.

#8 (Fire/EL) - Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance. (Priority 3)

Partly implemented. The SJFD has not complied with this recommendation in a timely manner. The SJFD indicated that, in 2002, they recognized employees with minimal sick leave use in calendar years 2000 and 2001. The SJFD has received instruction on the parameters for establishing a pro-active sick leave reduction program. The SJFD needs to continue working on implementing a proactive sick leave reduction program targeted at line personnel to inform them of the benefits of conserving sick leave and rewarding personnel with minimal sick leave usage. Target date: 6-03.

#9 (Fire/EL) - Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the SJFD and prepare a budget proposal should the initiative appear cost beneficial. (Priority 3)

Partly implemented. The SJFD has contracted with Club One to provide a full-time Wellness Program Coordinator. Club One is supposed to maintain equipment as needed; visit stations for special subjects; conduct two special subject Department-wide programs; track data and trends; report cost savings; administer and deliver reports on physical assessments to individuals; complete a Health Risk Appraisal Program screening assessment; and administer a Continuing Education program for ACE certification. The SJFD also reported that it installed exercise equipment in all fire stations; provides staff with an individual fitness evaluation and nutritional plan; requires annual fire fighter physicals; and is working on medical standards for new hires. The SJFD reported that it supports a full comprehensive Wellness-Fitness Initiative Program. The SJFD recognizes that components needed for full implementation include cancer screening, behavioral health, rehabilitation, and injury prevention. The SJFD has not prepared a budget proposal due to current budget constraints. Target date: TBD.

REQUIRES FUNDING: TBD.

01-03 AN AUDIT OF THE PRETREATMENT SOURCE CONTROL PROGRAM

#3 (ESD/LB) - Schedule Source Control (SC) Program inspection and sampling events to optimize the use of SC Program staff time and resources. (Priority 2)

Partly implemented. The SC program's current database does not have the capacity to schedule inspections and sampling events. The ESD released the RFP for a new database in July 2002. The new database will assist in the tracking of SC Program inspections and sampling workloads. The RFP process and contractor selection has been completed. The database contract is currently in the City Attorney's Office. It is scheduled to be on the City Council's agenda during April 2003. We will review the recommendation after the ESD acquires a new data system. Target date: 6-03.

#5 (ESD/LB) - Evaluate options to eliminate or reduce the need for customers to visit the WPCP for plan check services related to grease traps and grease trap interceptors; Require Source Control (SC) Program supervisors to answer phone inquiries; and Reassign the three SC Inspectors working on the SC Program tracking database to inspector activities. (Priority 2)

Implemented. According to the ESD, SC Inspectors are no longer assigned to maintain the database. In addition, clerical staff has been trained to answer most phone inquiries. The ESD met with Planning, Building and Code Enforcement (PBCE) between August 2002 and January 2003 to evaluate options to eliminate or reduce the need for customers to visit the WPCP for plan check services related to grease traps. It was concluded that plan checks for grease removal devices should remain at the ESD. A joint memo was written which detailed their conclusions.

#6 (ESD/LB) - Define the Source Control (SC) Program's mission, goals, objectives, and work activities. (Priority 2)

Implemented. The Source Control's mission, goals, and work activity were finalized and included in the new Source Control Training Manual and Procedures. All staff received training on the new training manual and procedures on November 13, 2002.

#13 (ESD/LB) - Develop and implement procedures to ensure all identified violations are consistently enforced according to Source Control (SC) Program procedures. (Priority 3)

Partly implemented. The SC Program developed procedures and an Enforcement Response Plan to consistently identify violations. The ESD also issued an RFP for a new database with a requirement that the database will flag all violations. The RFP process and contractor selection has been completed. The database contract is currently in the City Attorney's Office. It is tentatively schedule to be on the City Council's agenda during April 2003. We will review this recommendation after the new database system is implemented. Target date: 6-03.

#14 (ESD/LB) - Develop written procedures and management reports that ensure adequate management review and oversight of inspectors' activities including inspection reports and enforcement activities. (Priority 3)

Partly implemented. The SC Program developed procedure #1700 to provide supervisory oversight for the SC Program. The ESD also issued an RFP for a new database system that will assist in the tracking of the SC Program inspections and management reports. The RFP process and contractor selection has been completed. The database contract is currently in the City Attorney's Office. It is tentatively scheduled to be on the City Council's agenda during April 2003. We will review this recommendation after the new database system is implemented. Target date: 6-03.

#17 (ESD/LB) - Report to the City Council Finance and Infrastructure Committee on the feasibility of implementing a Surcharge for Violations of Industrial Waste Regulations Program in San Jose. (Priority 2)

Implemented. After discussing the feasibility of implementing this recommendation with the City Attorney's Office and with ESD Finance Staff, it was decided that implementing a Surcharge for Violations of Industrial Waste Regulation Program similar to the Santa Clara program was not applicable. A memo has been written detailing why the Surcharge for Violations of Industrial Waste cannot be put into practice.

#18 (ESD/LB) - Ensure any future civil penalties assessed through San Jose Municipal Code Section 15.14.720 are placed in Fund 541. (Priority 1)

Implemented. The ESD transferred \$106,574 from Fund 514 to Fund 541 and also finalized their procedures.

01-05 AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S STRATEGIC PLAN REGARDING PROPOSED FIRE STATIONS

#3 (San José Fire Department/RM) - Develop for City Council consideration plans for expanding its use of the Omega priority response level. These plans should include: obtaining the software necessary to fully implement the Omega priority response level; options and costs for dispensing non-emergency medical advice; and any other issues that need to be addressed. (Priority 3)

Partly implemented. The Fire Department fully supports the implementation of the Omega Program. There are two prerequisites for its implementation: (1) The requirement of Fire Communications becoming an Accredited Center of Excellence which was obtained in July, 2001 and (2) ProQA software must be in place and integrated with the City's Computer Aided Dispatch (CAD) system. This will occur with implementation of the new CAD system tentatively scheduled for Fall 2004.

According to the Fire Department, implementation of the Omega Program itself, the evaluation of advice program options, and the projected costs, will be assessed and determined at the appropriate time in the future. Target date: 7-04.

#5 (San José Fire Department/RM) - Implement a pilot project to evaluate the use of SUVs or Light Units to respond to lower priority emergency medical calls. (Priority 3)

Not implemented. According to the Fire Department, they will begin a process to evaluate potential limited implementation (pilot) within the next year. However, according to the Fire Department, it needs to consider the following factors first:

1. Pilot implementation first requires improved analytical and data collection capabilities in order to determine the most appropriate location for the pilot and to measure the effectiveness of the pilot program.
2. Evaluate the impact of any staffing and labor issues.
3. Determine the additional “emergency medical dispatch” capabilities required to fully implement a “priority medical dispatch” procedure that meets legal tests and is acceptable to the County EMS.

Target date: 12-03.

02-01 AN AUDIT OF THE CITY OF SAN JOSÉ’S RENTAL DISPUTE PROGRAM

#3 (Parks, Recreation, and Neighborhood Services/JL) - Collect and analyze apartment complex size data for those callers who are concerned about evictions. (Priority 3)

Partly implemented. The Housing Department plans to collect and analyze apartment size data for callers concerned about evictions. The staff plans to collect this information once Information Technology staff updates the database to include the field for the client’s apartment size. Target date: 2-03.

#6 (Parks, Recreation, and Neighborhood Services/JL) - Update its website with an easy-to-use menu, additional Program information, and links to other organizations including the City’s Housing Department website. (Priority 3)

Implemented. The Housing Department revised and updated its website to include detailed information on the rental dispute program and rental ordinances. The website has a search function to allow residents to check whether their rental unit is eligible for the Rental Dispute Program and has links to organizations that provide rental assistant. The website address is located at <http://www.sjhousing.org/program/rentdisp.html>.

#7 (Parks, Recreation, and Neighborhood Services/JL) - Work with the Information Technology Department to improve service levels and ensure 24-hour service via an informative, user-friendly, and multi-lingual call answering system. (Priority 3)

Partly implemented. The Housing Department has a SBC (Pacific Bell) Call Management System. This system has the ability to produce call reports and the capacity to include the three languages needed by the Program. Program staff have completed 80 percent of the call tree and are finalizing scripts before implementing the system. Target date: 3-03.

#9 (Advisory Commission on Rents/JL) - Increase meeting frequencies from bi-monthly to monthly. (Priority 3)

Dropped. The Advisory Commission on Rents and the Mobilehome Advisory Commission discussed increasing meeting frequencies. The consensus of both Commissions is to continue meeting bi-monthly and call special meetings in the event the need arises.

02-02 AN AUDIT OF THE SAN JOSÉ ARENA MANAGEMENT CORPORATION'S COMPLIANCE WITH THE SAN JOSÉ ARENA MANAGEMENT AGREEMENT

#1 (Arena Management/ME) - Develop written procedures for calculating the annual Arena fees payment to the City and include in those new procedures estimating luxury suite revenues based upon prior years' luxury suite leasing history. (Priority 2)

Partly implemented. The Manager's Office and Finance Department with assistance from the City Auditor's Office have worked with Arena Management to implement a procedural review of the 2002 annual payment. The Finance Department will be working with Arena Management to validate the annual calculation of fees for future periods. Target date: 6-03.

#2 (City Manager's Office/ME) - Assign responsibility for reviewing and approving the annual Arena fees payment. (Priority 3)

Implemented. The Finance Department will be reviewing future annual arena fee payments to insure compliance with the Management Agreement.

#3 (Arena Management/Arena Authority/City Attorney's Office/ME) - Develop a mutually agreeable delivery schedule regarding the frequency of the detailed reports and records relating to the City Related Accounts. (Priority 3)

Partly implemented. The Finance Department has recently been assigned responsibility for receiving the Management Agreement and determining which City Department(s) will be assigned monitoring tasks for the reporting/record requirements of the Management Agreement and developing a reporting schedule. The delegated monitoring assignments will commence with the summer 2003 reporting. Target date: 9-03.

#4 (Arena Management/ME) - Provide the past and future City Income Reports and Audit Reports in accordance with the Management Agreement. (Priority 3)

Not implemented. The Administration will be assigning responsibility for oversight of the Management Agreement, and the assigned staff will work with Arena Management to implement this recommendation. Target date: 6-03.

#5 (City Manager's Office/ME) - Assign responsibility for ensuring that Arena Management submits all Management Agreement-required reports. (Priority 3)

Implemented. The Finance Department will be the primary contact point for the San Jose Arena Corporation's filings with the City and will be the initial point to insure compliance with the financial aspects of the agreement.

#7 (Agency/City Attorney's Office/City Manager's Office/Arena Management/ME) - Work together to determine how Arena Management should calculate its possessory interest tax deduction. (Priority 2)

Implemented. Possessory interest tax calculations were reviewed and validated with the 2002 reporting by the Arena Management Corporation, San Jose Redevelopment Agency, City Attorney, Manager's Office, Arena Management and the City Auditor's Office. After the review, appropriate revenue distributions were made to the City.

#8 (City/ME) - Establish a procedure to immediately bill the Agency for Arena Management's possessory interest tax deductions when it receives Arena Management's annual Arena fee payment. (Priority 2)

Implemented. After the review of possessory interest tax calculations recommended in #7 appropriate revenue distributions were made from San Jose Redevelopment Agency to the City.

02-03 AN AUDIT OF THE PROPERTY MANAGEMENT OPERATIONS OF THE CITY OF SAN JOSÉ'S DEPARTMENT OF PUBLIC WORKS – REAL ESTATE DIVISION

#1 (City Council/EL) - Revisit its policy on non-profit leases of City-owned properties. (Priority 2)

COUNCIL ATTENTION

Not implemented. Before revisiting its policy on below-market rents to non-profit entities, the City Council requested that the Office of the City Auditor survey all City departments, and the Redevelopment Agency, to identify all City-and Agency-owned real property non-profit organizations lease, occupy, or otherwise use. The City Auditor issued a survey of Citywide Real Property Inventory in December 2002. The survey identified 43 leases to non-profit organizations. The City Council needs to utilize the survey results to review its policy on below-market rents involving City-owned properties. Target date: 6-03.

#2 (Administration/Department of Public Works/Real Estate Division/EL) - Include language in its leases with non-profits requiring the annual submission of documents to the Division to facilitate an annual review. (Priority 3)

Partly implemented. Effective July 1, 2002, all Public Works' property management operations were transferred to the General Services Department. At the direction of the City Manager's Office, non-profits whose leases expire will be given month-to-month rental agreements until such time as the City Council revisits Policy 7-1. All non-profits requesting lease renewals will be required to submit key non-profit background information prior to having their leases renewed. Additionally, new lease agreements will contain wording requiring the annual submission of documents to facilitate an annual review. Target date: 6-03.

#3 (Administration/Department of Public Works/Real Estate Division/EL) - Establish a formal application process for non-profit leases of City-owned property including the submission of key non-profit background information. (Priority 3)

Partly implemented. Effective July 1, 2002, all Public Works' property management operations were transferred to the General Services Department. At the direction of the City Manager's Office, non-profits whose leases expire will be given month-to-month rental agreements until such time as the City Council revisits Policy 7-1. All non-profits requesting lease renewals will be required to submit key non-profit background information prior to having their leases renewed. The Administration needs to formalize and implement an application process for non-profits to complete to obtain the necessary information to ensure compliance with City Council policy. Target date: 6-03.

#4 (Administration/Department of Public Works/Real Estate Division/EL) - Designate a staff person to monitor non-profit leases and ensure that these leases are renewed in a timely manner, have appropriate insurance, and are in compliance with Revised City Council Policy 7-1 on Below Market Rents provision. (Priority 3)

Implemented. Effective July 1, 2002, all Public Works' property management operations were transferred to the General Services Department. In September 2002, the Department designated a real property agent to monitor non-profit leases to ensure compliance with City policies.

#5 (Department of Public Works/EL) - Work with the City Attorney's Office on how best to resolve underpaid and overpaid rents. (Priority 2)

Implemented. General Service staff have consulted with City Attorney staff on resolving underpaid and overpaid rents. In the one case of high rent balance, an agreement was reached with the tenant to pay the rent in arrears over a period of time.

#6 (Department of Public Works/EL) - Identify all Real Estate leases with late payment penalty provisions and establish procedures to ensure that late payment penalties are properly assessed. (Priority 3)

Partly implemented. Staff have identified leases with late payment provisions and have met with Finance Department staff to discuss developing a process to ensure late payment penalties are properly assessed. Finance staff are developing violation codes that will automatically calculate and assess the penalties on the appropriate accounts. Target date: 3-03.

#7 (Department of Public Works/EL) - Review all of its leases of City-owned property with private entities and ensure that the Fiscal Division has been invoicing tenants for the proper amount of rents and invoice tenants for any amounts owed. (Priority 2)

Implemented. In October 2002, the Department of Public Works transferred to General Services the responsibility of invoicing tenants. General Services assigned a Senior Account Clerk the responsibility of invoicing tenants on either a monthly or an annual basis. The Senior Account Clerk and Real Property Agent reviewed the leases assigned to General Services and developed a spreadsheet of accounts, including tenant name, billing address, rent amount, facility code, and rent adjustment anniversary date.

#8 (Department of Public Works/EL) - Establish a process to ensure that the Fiscal Division invoices tenants on a consistent and continuous basis until the tenant vacates the property or until there is a change in property ownership. (Priority 2)

Partly implemented. General Services has a process in place for ensuring that tenants are invoiced on a consistent and continuous basis. Staff are working toward completing documenting this process. Target date: 6-03.

#9 (Department of Public Works/Finance Department/EL) - Identify the leases for which there are past due payments and initiate appropriate collection efforts. (Priority 2)

Implemented. Leases that had past due payments were identified and the past due payment issues were resolved upon further review of the accounts.

#10 (Department of Public Works/EL) - Establish a reconciliation process and formal procedures to ensure that leases of City-owned property are correctly invoiced and collected. (Priority 2)

Implemented. General Services developed a reconciliation process to ensure leases are correctly invoiced and proper rents are collected. In addition to maintaining a complete file on all leases, staff created a database to track the issuance of invoices and to ensure proper payments were made.

#11 (Department of Public Works/EL) - Assign responsibility for calculating rent adjustments on City-owned property and establish policies and procedures to effectuate that assignment. (Priority 3)

Partly implemented. The General Services Department has assigned responsibility for calculating rent adjustments on City-owned property to the Asset Management Group of its Strategic Support Division. Staff are working toward establishing formal policies and procedures to ensure proper reconciliation. Target date: 6-03.

#12 (Department of Public Works/EL) - Assign to the Real Estate Division the responsibility for providing oversight over leases of City-owned property. (Priority 2)

Partly implemented. General Services staff is utilizing the results from the City Auditor, "Survey of Citywide Real Property Inventory" to identify departments that maintain leases or property-use agreements. Staff indicated that they have contacted those Departments and requested lease copies. General Services staff indicated that they plan on working with those agreements to ensure that terms of the agreements are followed. Target date: 6-03.

02-04 AN AUDIT OF THE SAN JOSÉ POLICE DEPARTMENT'S METHOD OF PROJECTING SWORN OFFICER RETIREMENTS AND OTHER SEPARATIONS

#1 (SJPD/CC) - Expand its current attrition-based approach for projecting sworn officer retirements to include the longer-term impact of retirements using demographic considerations. (Priority 3)

Not implemented. The SJPD plans on establishing a permanent staffing committee to monitor staffing augmentations. The SJPD also plans on augmenting their attrition-based approach for projecting sworn officer retirements by surveying POA members that are within five years of retirement. The SJPD has developed a draft survey to gauge potential retirements. However, the SJPD should not exclusively rely on planned survey results to gauge potential retirements. The SJPD needs to integrate demographic factors, such as age and years of service into their attrition-based approach for projecting retirements. Target date: 5-03.

#2 (SJPD/CC) - Evaluate the impact of any proposed retirement plan changes on future sworn officer retirements. (Priority 3)

Partly implemented. The department indicates that it has a process to evaluate the impact of retirement plan changes on future sworn retirements. This recommendation cannot be completely implemented until retirement plan changes are proposed. Target date: TBD.

#3 (City Administration/CC) - Determine the feasibility of designing a Regular Deferred Retirement Option Plan that improves sworn officer retention and retirement predictability without being cost prohibitive. (Priority 3)

Not implemented. The Administration plans to determine the feasibility of designing a Regular Deferred Retirement Option Plan in preparation for the next collective bargaining sessions in June 2003. Target date: 6-03.

02-05 AN AUDIT OF THE CITY OF SAN JOSÉ'S CUSTOMER SERVICE CALL CENTER

#1 (City Council and the Administration/RM) - Consider using an answering service to handle the Call Center's off-peak hours calls. (Priority 2)

Implemented. The answering service began answering off-peak hours calls in October 2002.

#2 (Office of Employee Relations/RM) - Review any labor relations implications resulting from using an answering service to handle the Call Center's off-peak hours calls. (Priority 3)

Implemented. The Office of Employee Relations held meetings with labor representatives and reviewed the labor relations implications prior to beginning the contract with an answering service to handle off-peak hours calls in October 2002.

02-06 AN AUDIT OF CITY HALL DEPARTMENTS' PETTY CASH AND CHANGE FUNDS

#1 (Finance Department/RK) - Distribute a memorandum to all City departments specifically directing compliance with the FAM procedures to:

- *document that a fund reconciliation was performed whenever fund custodianship changes;*
- *periodically spot-audit all cash funds;*
- *ensure that all required information is properly recorded on the Petty Cash Reimbursement forms; and*
- *replenish their petty cash funds before they are approximately 75 percent expended. (Priority 3)*

Implemented. In August of 2002, the Finance Department distributed a memorandum to departments reminding them of the reconciliation, periodic spot-audit, and documentation requirements for petty cash. In addition, the Finance Department updated Petty Cash forms available on the City's intranet to assist departments in complying with these petty cash procedures. Finally, the August 2002 Finance Department memorandum also reminded departments of the recommendation that requests for petty cash fund replenishment be made before funds are approximately 75 percent expended.

02-08 AN AUDIT OF THE SCHOOL AGE GROWTH AND ENRICHMENT PROGRAM OF THE DEPARTMENT OF PARKS, RECREATION, AND NEIGHBORHOOD SERVICES

#1 (Parks, Recreation, and Neighborhood Services/EL) - Establish a process to notify those parents who wish to be informed when their child does not attend the after-school program for which the parent enrolled the child. (Priority 3)

Partly implemented. In September 2003, PRNS staff plan to revise registration forms to allow SAGE parents to request notification when a child does not attend the program. PRNS staff reported that ASEP and LEARNS after-school programs currently notify parents of absences. Target date: 9-03.

#2 (Parks, Recreation, and Neighborhood Services/EL) - Modify its monthly reports to include the following performance measures:

- *staffing ratios;*
- *average daily attendance;*
- *average daily attendance as percent of enrolled students; and*
- *average daily attendance as percent of student body enrollment.*

Additionally, 1) establish a process to ensure that students are counted consistently and correctly and 2) develop a standard for assessing middle school participation. (Priority 3)

Partly implemented. SAGE staff modified existing management reports to include staffing ratios, average daily attendance, average daily attendance as percent of enrolled students, and average daily attendance as percent of student body enrollment. SAGE staff also established a process to ensure that students are counted consistently and correctly. Program staff track lunch time and after-school participation separately. SAGE staff is currently evaluating middle school programs on a site by site basis and are still working on developing a standard for assessing middle school participation. Target date: 6-03.

#3 (Parks, Recreation, and Neighborhood Services/EL) - Use the management information in this report in responding to the Mayor's March 2002 message to establish a process to review after-school sites to ensure that most, if not all, sites operate within recommended staffing ratios. (Priority 3)

Partly implemented. SAGE staff plans to utilize the audit report results to respond to the Mayor's March 2002 referral. Staff plans to analyze staffing ratios and plans to review ratios on a quarterly basis. Target date: 6-03.

#4 (Parks, Recreation, and Neighborhood Services/EL) - Use the management reports and performance indicators to review program participation and identify sites that

- **average less than 50 students per day;**
- **have low average daily attendance as a percent of enrolled students; and**
- **have low average daily attendance as a percent of total student body enrollment.**

Once these below-standard sites are identified, PRNS needs to consider additional marketing efforts or possible program consolidation with other sites. (Priority 3)

Implemented. PRNS has held, and will continue to hold, quarterly management meetings to review program performance. SAGE staff developed attendance standards (satisfactory, marginal, or needs improvement) for reviewing program participation. The Fall 2002 meeting, utilized audit data collected in response to the report to take corrective actions. At this meeting, staff reviewed case by case marketing, made staff modifications, or in one case, consolidated a program. SAGE indicated that as a result of these actions, program participation increased 25 percent. SAGE staff plan to hold quarterly meeting reviews in Winter 2003 and Spring 2003.

#5 (Parks, Recreation, and Neighborhood Services/EL) - Revise its website to include more comprehensive information on the location, hours of operation, and registration requirements for SAGE, LEARNS and ASEP programs. Additionally, program management should forward PRNS's website address to school districts and school sites with SAGE-related programs to allow for easier posting of website information. (Priority 3)

Partly implemented. PRNS has begun to revise its website to include more comprehensive program information. A new San Jose After School website is in the development stage. The prototype will be expanded to include information on other after school programs and will include a link to school sites, key partners, and the City's website. PRNS plans to ask School Districts to link to the new website. Target date: 6-03.

02-10 AN AUDIT OF THE CITY OF SAN JOSÉ'S OFFICE OF EQUALITY ASSURANCE

#1 (Office of Equality Assurance/GM) - Review the workload among construction contract compliance specialists and require staff to document when they received and reviewed compliance documents. (Priority 3)

Partly implemented. The OEA's database reflects the date of receipt of construction compliance reports and the date these reports were reviewed. In addition, the OEA has developed written procedures providing instructions on documenting receipt of these compliance documents. Further, the OEA is in the process of reviewing the construction contract compliance specialists' workload and distributing it more evenly. A recent senior staff retirement has delayed implementation of this recommendation. Target date: 6-03.

#2 (Office of Equality Assurance/GM) - Develop Prevailing and Living Wage Resolutions enforcement procedures including the requirement that staff document when contractors return requested compliance documents. (Priority 3)

Implemented. The OEA's database reflects the date of receipt of compliance documents and the date these reports are reviewed. In addition, the OEA has developed formal written guidelines on these changes for the service and maintenance and the construction section.

#3 (City Attorney's Office/GM) - Advise if and when the City should withhold payments to construction and service and maintenance contractors. (Priority 3)

Partly implemented. The OEA and the City Attorney's Office have issued a joint memorandum dated March 3, 2003. This memorandum addresses the issue of withholding payments to construction and service and maintenance contractors. According to this memorandum, withholding payments will be one of the administrative remedies allowed, to ensure compliance with the City's Prevailing Wage and Living Wage Resolutions. The memorandum will be discussed at the March 12, 2003, Making Government Work Better Committee meeting. This recommendation will be considered fully implemented once the City Council approves it. Target date: 6-03.

#4 (City Council/GM) - Revisit its Living Wage Resolution and consider specifying the withholding of payments to contractors as a means to compel contractors to comply with OEA requests for documents. (Priority 3)

Not implemented. The City Council has not revisited the Living Wage Resolution to date. Target date: 6-03.

#5 (Office of Equality Assurance/GM) - Develop Prevailing Wage and Living Wage Resolutions enforcement procedures including the use of withholding payments to non-compliant contractors and tracking the number of times the withholding of payments was used as an enforcement tool. (Priority 3)

Partly implemented. The OEA has developed Prevailing Wage and Living Wage enforcement procedures within its database. The database reflects fields to document violations, quantify restitution, and calculate the time it took staff to resolve the violation. The OEA and the City Attorney's Office have issued a joint memorandum addressing the issue of withholding payments. According to the OEA, they will develop withholding procedures once this memorandum has been approved by the City Council when it is discussed at the March 12, 2003 Making Government Work Better Committee meeting. Target date: 6-03.

#6 (Purchasing/GM) - Formally inform its Buyers of the importance of checking off Prevailing and Living Wage boxes on Purchase Orders and forwarding those Purchase Orders to the OEA for Prevailing and Living Wage Resolutions review and enforcement. (Priority 3)

Implemented. General Services has developed written procedures informing its Buyers of the importance of checking off the Prevailing and Living Wage boxes on Purchase Orders. These procedures require multiple levels of review to ensure that these boxes have been properly checked. According to Purchasing Officials, they will also be conducting joint training sessions with the OEA to educate buyers on Prevailing and Living Wage requirements.

#7 (Office of Equality Assurance/GM) - Impose financial penalties on contractors who willfully or blatantly violate the City's Prevailing Wage or Living Wage Resolutions. (Priority 2)

Partly implemented. The OEA and the City Attorney's Office have issued a joint memorandum providing for alternatives to imposing financial penalties on contractors who willfully or blatantly violate the City's Prevailing Wage or Living Wage Resolutions. These include imposing liquidated damages on the contractors. This memorandum is scheduled to be discussed at the March 12, 2003, Making Government Work Better Committee meeting. This recommendation will be considered fully implemented once the City Council approves this memorandum. Target date: 6-03.

#8 (Office of Equality Assurance/GM) - Submit to the City Council an evaluation of the advantages and disadvantages of becoming a designated Labor Compliance Program. (Priority 3)

Partly implemented. The OEA and the City Attorney's Office have issued a joint memorandum evaluating the advantages and disadvantages of becoming a designated Labor Compliance Program. It includes other alternatives to being a designated Labor Compliance Program. This memorandum is scheduled to be discussed at the March 12, 2003, Making Government Work Better Committee meeting. This recommendation will be considered fully implemented once the City Council approves this memorandum. Target date: 6-03.

#9 (Office of Employee Relations/GM) - Reassess the Fair Employment and Disability Access workload and if necessary reassign the analyst to other responsibilities. (Priority 3)

Implemented. The Fair Employment and Disability Access staff has been assigned to other responsibilities in addition to their existing responsibilities. Additional responsibilities include: help resolve grievance and labor issues, develop and interpret certain City of San Jose policies, and participate in the new employee orientation training and the Frontline Leadership training.

#10 (Office of Employee Relations/GM) - Accurately record and report the hours its staff spends training City employees and the hours of harassment and discrimination training City employees receive. (Priority 3)

Partly implemented. According to the Office of Employee Relations (OER) Officials, they currently track all of the training staff provides. This recommendation will be considered fully implemented once evidence of the changes in the OER reporting mechanism is provided in the upcoming budget. Target date: 6-03.