CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

OFFICE OF THE
CITY AUDITOR

SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT ON ALL OUTSTANDING AUDIT RECOMMENDATIONS FOR THE SIX MONTHS ENDED DECEMBER 31, 2005

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

Office of the City Auditor
Gerald A. Silva, City Auditor

May 8, 2006

Honorable Mayor and Members
    of the City Council
200 East Santa Clara Street
San José, CA 95113

        Transmitted herewith is the *Semi-Annual Follow-Up Report On All Outstanding Audit Recommendations For The Six Months Ended December 31, 2005.*

        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.

        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 May 18, 2006 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
Dec05

cc: City Manager's Office
        and affected departments

EXECUTIVE SUMMARY

In accordance with the City Auditor's approved 2005-06 Workplan, we have prepared a report of the status of open recommendations for the six months ending December 31, 2005. 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, 2005, there were one hundred and twenty one (121) outstanding recommendations of which:

- 11 recommendations were implemented;

- 87 recommendations were partly implemented;

- 20 recommendations were not implemented; and

- 3 recommendations were deferred.

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

TABLE I
STATUS OF OPEN RECOMMENDATIONS BY AUDIT REPORT ENDING December 31, 2005

Report #	Audit Report	Implemented	Partly Implemented	Not Implemented	Deferred	Dropped
88-03	An Audit Of The Police Department Overtime Controls		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		
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		2			
98-05	An Audit Of The City Of San Jose's Sewer Billing Services	1				
00-01	An Audit Of The Police Department -Bureau of Field Operations Patrol Division's Staffing and Deployment		1			
00-04	An Audit Of The City Of San Jose Building Division's Building Permit Fee Process				2	
01-01	An Audit Of The Property Appraisal Process Of The Department Of Public Works—Real Estate Division		2	2		
01-02	An Audit Of The City Of San Jose Fire Department's Overtime Expenditures	1	4			
01-05	An Audit of the City of San Jose Fire Department's Strategic Plan Regarding Proposed Fire Stations		2			
02-02	An Audit Of The San José Arena Management Corporation's Compliance With The San José Arena Management Agreement		3			
02-03	An Audit Of The Property Management Operations Of The City Of San José's Department Of Public Works – Real Estate Division		4			
02-04	An Audit Of The San José Police Department's Method Of Projecting Sworn Officer Retirements And Other Separations	1				
03-01	An Audit Of The Targeted Neighborhood Clean-up Program		2			
03-03	An Audit Of The Fleet Management Division Of The General Services Department's Vehicle Replacement Program		4			
03-04	An Audit Of The Airport Neighborhood Services Group		1			
03-07	An Audit Of The Neighborhood Development Center Of The Department Of Parks, Recreation, And Neighborhood Services		2			
03-10	An Audit of The San José Fire Department's Bureau of Fire Prevention		4		1	
03-11	An Audit Of The Utilization And Replacement Of The City's Metered Equipment		5			
04-01	An Audit Of The Concentrated Code Enforcement Program	3	2	1		
04-02	An Audit Of The Crossing Guard Program	1				
04-04	An Audit Of The Utilization And Replacement Of The City's Transport Vehicles	1	6			
6/2/04 Memo	Memorandum Of The Avis Rent A Car Audit	1		2		
04-05	A Review Of The CUSP Request For Proposal Process		6	8		
04-06	A Review Of The Request For Proposal For The New Civic Center Converged Network System		2	3		
04-07	An Audit Of The City's Cellular Phone Program		5			
04-08	An Audit Of San José Family Camp		4			
04-09	An Audit Of The City Manager's Reforms		2			
05-01	An Audit Of The Public Art Program		8			
05-02	An Audit Of The Agreements Between The City And The Filipino American Senior Opportunities Development Council (Fil-Am SODC)		13	1		
05-04	An Audit Of The Workers' Compensation Program Claims Liability	2				
	Totals	**11**	**87**	**20**	**3**	**0**

As of December 31, 2005, the distribution of the one hundred ten (110) recommendations which remain open are as follows:

3	Airport	10	General Services
18	City Administration	6	Planning, Building, and Code Enforcement
5	Economic Development	2	Police Department
2	Environmental Services Department	21	Parks, Recreation, and Neighborhood Services
22	Finance Department	5	Public Works Department
12	Fire Department	4	San José Arena Management

Of the one hundred ten (119) recommendations which remain open:

− 7 recommendations are Priority 1;
− 33 recommendations are Priority 2; and
− 70 recommendations are Priority 3.

Of the thirty five (35) recommendations which are "not implemented":

− 1 recommendation is Priority 1;
− 2 recommendations are Priority 2; and
− 17 recommendations are Priority 3.

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

GRAPH 1
PRIORITY STATUS OF REMAINING OPEN AUDIT RECOMMENDATIONS
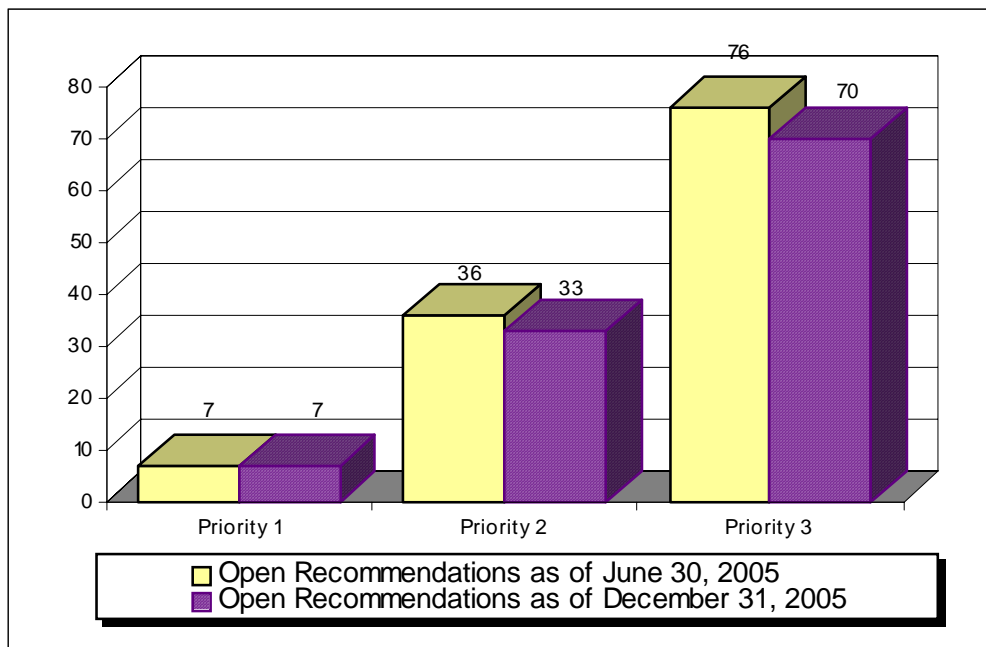
During this semi-annual period, the Administration implemented 11 recommendations. We thank the departments for their efforts in implementing these recommendations and toward implementing those 110 recommendations still outstanding.

Graph II shows the number of City Auditor recommendations made and implemented from May 1985 through December 2005.

GRAPH II

RECOMMENDATIONS IMPLEMENTED
May 1985 through December 2005

Implemented
92%

In Process or
Deferred
8%

☐ Implemented
☐ In Process or Deferred

Total Recommendations: 1,411
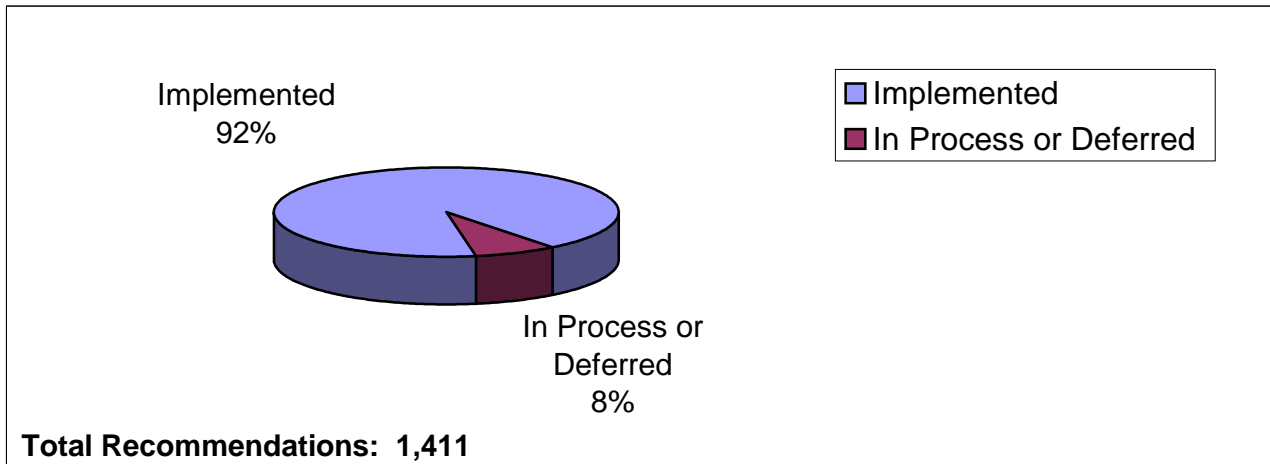
RECOMMENDATIONS REQUIRING MAKING GOVERNMENT WORK BETTER COMMITTEE ATTENTION

Recommendations requiring City Council 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.

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

#4 (Finance/Treasury Division/RO) - 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. The Finance Department implemented Council-approved Recommendations #1, #2, and #3 as of December 31, 1998, December 31, 2000, and January 31, 1997, respectively. Recommendation #1 directed Finance Administration to implement a City Auditor-recommended amnesty program, Recommendation #2 suggested leaving blank the number of employees portion of the Business Tax Renewal Notice, and Recommendation #3 stated Finance Administration should provide packets of information regarding the San Jose Business Tax and Business Improvement District to San Jose rental property managers for large business complexes for distribution to their business tenants. Finance/Treasury has implemented Recommendations #1, #2, and #3 without new staff or budget increases. Accordingly, the City Auditor recommends this recommendation be dropped. Target date: 6-06.

COUNCIL ATTENTION REQUIRED: We recommend that this recommendation be dropped.

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

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

Partly implemented. In November 2004, the City Council approved the selection of BearingPoint/PeopleSoft to implement an integrated billing, customer service, and partner management system (CUSP) that would have the capability to issue combined sewer, storm, and garbage bills. The project implementation and initial operation is expected to take about 18-24 months. The project anticipates a consolidated billing

system, integrating Recycle Plus, Water, Sewer, and Storm Drain fees into one system, one bill. Target date: 12-06.

INCREASES REVENUE: $350,000.   REDUCES COSTS: $350,000.

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

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

> Partly implemented. The Fire Department is currently evaluating the requirements to implement a comprehensive wellness program. The City Safety Officer is working with the Department Safety Officer and Department Safety Committee to formulate a Master Health and Safety Plan, which includes the implementation of the Wellness-Fitness Initiative Program. Full implementation is pending the outcome of contract negotiations with IAFF Local 230. Target date: 12-06.

> COUNCIL ATTENTION REQUIRED: Requires funding TBD.

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 SJFD has completed some of the prerequisites necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in February 2005; it implemented the new CAD system necessary to integrate ProQA software necessary for the Priority Dispatch Omega protocol; and it has begun using the ProQA software. However, the current EMS Agreement with the County requires that the SJFD respond on all 911 calls received. Under the Priority Dispatch Omega protocol, the 911 call is referred to an appropriate alternate site rather than requiring a response. The Fire Department has participated in a series of EMS stakeholder group meetings, sponsored by the Santa Clara County Local EMS Agency, since October to make recommendations regarding EMS contract changes. These recommendations have focused on changes to clinical and response requirements tied to Countywide response prioritization. This is the first step of many needed to complete this process and moves the Department closer to using the Omega protocol as a resource management tool. In addition to working with the County, the Department has initiated a retrospective study that will analyze data found in its patient care report database to determine which Omega determinants could safely receive an alternate

response. The result of this study will be used to propose an alternate response to 911 requests for services. The outcome of Department efforts to change County EMS contract language are under consideration by the County. The Fire Department will also need to evaluate advice program options and projected costs as well as coordinate with Priority Dispatch Corporation and American Medical Response Corporation to develop a comprehensive Omega protocol system for the City. Target date: 7-06.

REQUIRES FUNDING: TBD.

#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)

Partly implemented. According to FY 2005-06 Manager's Budget Addendum #10, temporary redeployments of existing fire companies are proposed to minimize the General Fund operating costs on a year-by-year basis for the next three years. The Fire Department intends to collect data to determine the appropriateness of this strategy beginning with the first temporary redeployment of an existing fire company, originally scheduled to defer operating costs associated with the opening of Fire Station 33. However, because of the delay in opening Station 33, it will open at the same time as Fire Stations 34 and 35. As a result, the Fire Department is working with the Budget Office to identify a funding strategy and redeployment options that would permit the initiation of the pilot study of the feasibility of using the Tender/Light Unit to respond to lower priority medical calls. The Fire Department will have more information on the feasibility of a potential alternative pilot test site following completion of the Budget development cycle. The implementation of the Fire Department's Fire/EMS records management system will enable the Fire Department to gather and analyze operational and clinical data on the effectiveness of alternative deployment options. Target date: 7-07.

REQUIRES FUNDING: TBD.

04-08: AN AUDIT OF SAN JOSÉ FAMILY CAMP

#2 (Parks, Recreation, And Neighborhood Services/EL) - Upgrade camp staff housing. (Priority 3)

Partly implemented. Staff housing consists of 22 soft-sided tents and five hard-sided cabins. PRNS has upgraded five hard-sided cabins and four soft-sided tents. Without additional funding, PRNS plans to upgrade four staff tents or cabins per year and expects to complete upgrading staff housing by June 2011. Unit cost of tent upgrades has increased to $3,500 per unit. Target date: 6-11.

COUNCIL ATTENTION REQUIRED: $63,000 funding required to repair 18 tent platforms.

#4 (Parks, Recreation, And Neighborhood Services/EL) - Develop budget estimate for repairing deck railings, water tanks, and amphitheatre. (Priority 3)

> Partly implemented. PRNS staff and volunteers repaired six tent platforms between March and May 2005. According to PRNS staff, the water tank liner and reconditioning project was deferred after consultation with the local Health Department and vendor. PRNS originally planned to use volunteers to implement this project, but instead will rely on professional installers plans to protect City warranty rights. This project will be completed in two phases to retain potable water service at all times. The first tank repair is scheduled for Spring 2006 and the second repair scheduled for Fall 2006. The amphitheatre seating was repaired and reconditioned. Additional work remaining includes repairing amphitheatre erosion at an estimated cost of $8,000. The project will entail redirecting winter rain water and will be completed as funds are identified in 2006-07. Target date: 6-07.

> COUNCIL ATTENTION REQUIRED: $8,000 funding required to repair erosion.

The City Auditor will issue a separate report on the following audit recommendations dealing with Vehicle Replacement/Utilization for discussion at a future MGWB meeting:

03-03: AN AUDIT OF THE FLEET MANAGEMENT DIVISION OF THE GENERAL SERVICES DEPARTMENT'S VEHICLE REPLACEMENT PROGRAM

#6 (Fleet Management Division/JO) - Consistently follow its vehicle replacement policy for all vehicle purchases regardless of the funding source. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) has finalized their replacement policy and procedures. However, due to the current freeze on vehicle replacements, the General Services Department has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. We will follow up on this recommendation after the FMD has had an opportunity to implement the new procedures. Target date: 6-06.

#8 (City Manager/JO) - Establish and implement a Citywide replacement policy for transport vehicles that incorporates vehicle mileage, years in service, accurate repair costs, and comprehensive mechanical assessments. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) has finalized their replacement policy. However, due to the current vehicle freeze, the FMD has not had an opportunity to demonstrate consistency in its implementation of the replacement policy. We will follow up on this recommendation after the FMD has had an opportunity to implement the new procedures. Target date: 6-06.

#12 (Fleet Management Division/JO) – Review the database information to ensure it is accurate and complete. (Priority 3)

> Partly implemented. The Fleet Management Division (FMD) is currently undergoing an additional software upgrade. A full set of audit procedures has been developed to ensure data integrity. The FMD is also incorporating the Federal GAO guidelines for database management and system auditing into their policies and procedures. In order to fully implement this recommendation, we will review the database and test the accuracy of the information. Target date: 6-06.

#14 (Fleet Management Division or Budget Office/JO) - Develop a process to subject all department requests for vehicles to a standardized review process to ensure that departments are using similar vehicles for similar purposes. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) has finalized a Citywide replacement policy. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. We will review this recommendation during the next follow-up to ensure the procedures are in place to be implemented as soon as the freeze is lifted. Target date: 6-06.

03-11: AN AUDIT OF THE UTILIZATION AND REPLACEMENT OF THE CITY'S METERED EQUIPMENT

#2 (Fleet Management Division/JO) - Develop and consistently implement cost-effective utilization standards for the City's fleet of metered equipment. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) has incorporated replacement criteria into their replacement policy. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in implementing the vehicle replacement policy. In order to implement this recommendation, we will review the policy and procedures and verify that they are consistently implemented. Target date: 6-06.

#3 (Fleet Management Division/JO) - Ensure the City has complete and current utilization information for all of the equipment in its inventory. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) is providing utilization data to all departments on a semi-annual basis. According to the FMD, they are also planning to establish an intranet site for all user departments to access utilization reports as needed. However, due to the FMD undergoing an additional software upgrade for their database, we cannot at this time verify the accuracy of the database information. We will re-evaluate the implementation status of this recommendation upon the completion of the software update. Target date: 6-06.

#6 *(Fleet Management Division/JO) - Establish an equipment pool to address the needs of the City's low-use equipment and develop a formal policy for using and maintaining such a pool. (Priority 2)*

> Partly implemented. According to the Fleet Management Division (FMD), it has received approval to establish and manage a metered equipment pool. In addition, the FMD has finalized equipment pool policy and procedures. In order to implement this recommendation, we need to review and verify the consistent implementation of the policy and procedures for the equipment pool. Target date: 6-06.

#7 *(Fleet Management Division/JO) - In conjunction with the City Manager's Office and City departments analyze the City's fleet of metered equipment to determine the optimal cost-effective fleet size. (Priority 2)*

> Partly implemented. The Fleet Management Division (FMD) is currently in the process of consolidating and establishing a metered equipment pool. We will revisit this recommendation after the FMD has concluded their consolidation efforts. Target date: 6-06.

#9 *(Fleet Management Division/JO) - Include metered equipment, regardless of funding source, in its current efforts to develop and consistently implement a cost-effective replacement policy for transport vehicles, which incorporates repair costs and a minimum useful life. (Priority 2)*

> Partly implemented. The Fleet Management Division (FMD) has incorporated replacement standards for metered equipment into its policies and procedures. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. In order to fully implement this recommendation, we will review the policies and procedures and verify that they are consistently implemented. Target date: 6-06.

04-04: AN AUDIT OF THE UTILIZATION AND REPLACEMENT OF THE CITY'S TRANSPORT VEHICLES

#3 *(City Departments/JO) - When appropriate, assign employees to park at the remote parking locations that are nearest to the employees' primary work areas and ensure that employees are parking assigned City vehicles at authorized remote parking locations. (Priority 1)*

> Partly implemented. The revised City Policy Manual, Section 13.01 states, "All City provided vehicles must be parked, when not in use, in the City parking lot designated by the Department…Departments may authorize remote parking locations, however, employees must use the remote parking location nearest their primary work area. Employees are prohibited from parking a City vehicle in other than the Department's approved location in order to park closer to the employee's home…Departments will be required to maintain a list of each vehicle and the vehicle's designated parking

area. This list will be made available to the Fleet Management Division." We will review this recommendation during the next follow-up to ensure the policy is consistently implemented. Target date: 6-06.

#4 (City Manager's Office/JO) - Implement the City's policy to track 24-hour vehicle assignments and provide a complete list of authorized vehicles and employees to appropriate departments. (Priority 2)

Partly implemented. According to the City Manager's Office, information on 24-hour vehicle assignments has been provided, but the City Manager's Office has not yet completed its determinations regarding approval of these vehicles. Target date: 6-06.

#5 (City Manager's Office/JO) - Improve controls over the mileage reimbursement program to help ensure that mileage reimbursement forms are properly completed and contain accurate mileage. (Priority 2)

Partly implemented. The updated City Policy Manual Section 1.8.3 addresses mileage reimbursement issues. We will sample mileage reimbursement requests during the next follow-up to ensure the policy is consistently implemented. Target date: 6-06.

#9 (Fleet Management Division/JO) - Review the City's fleet of specialized vehicles to determine the most cost-effective complement of vehicles. (Priority 2)

Partly implemented. The updated City Policy Manual Section 1.8 addresses specialized vehicles. We will review this recommendation during the next follow-up to ensure the policy is consistently implemented. Target date: 6-06.

#10 (Fleet Management Division/JO) - Remove from the City's fleet and sell at auction those transport vehicles that do not meet the City's annual mileage criteria and do not serve a special purpose or are otherwise not exempt. (Priority 2)

Partly implemented. The Fleet Management Division (FMD) is in the process of identifying underutilized vehicles as defined by the updated vehicle policy. According to the FMD, vehicles that are not candidates for re-deployment will be removed from the City's fleet and sold at auction. We will revisit this recommendation upon completion of the auction process. Target date: 6-06.

#12 (San José Fire Department/JO) - Implement a transport vehicle rotation program to balance usage and reduce the number of vehicles with low mileage. (Priority 2)

Partly implemented. In February 2005, the Fire Department began Phase I of a Vehicle Mileage Balancing program that will utilize vehicle mileage information to facilitate a "swap" mechanism that will move lower mileage vehicles to higher usage assignments and rotate higher mileage vehicles into assignments where data indicates lower usage. Every four months, the vehicles' mileage will be evaluated and a rotation process will take place according to the mileage and years of service differential. Target date: 6-06.

**COMPLETE LISTING OF THE STATUS
OF OPEN AUDIT RECOMMENDATIONS
AS OF DECEMBER 31, 2005**

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

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

> Partly implemented. The City Auditor and members of the SJPD met with the Rules Committee to discuss this recommendation. The City Auditor's Office recommended to add this item to their 2005-06 Audit Workplan to conduct a "controls review" of the SJPD's overtime controls. After the controls review, the City Auditor's Office will then make the decision to either close this recommendation or recommend another audit of the Department's overtime justification and authorization process. In January 2006, the SJPD requested that the City Auditor's Office delay the audit because it is in the process of deploying a new scheduling software package, which will give the Department the ability to run various analytical reports on a daily, weekly, monthly, bi-monthly, or annual basis. The ability for the Department to run real-time reports to include the monitoring of overtime should be fully deployed (including implementation and training) by September 2006. The City Auditor's Office will conduct the audit after the new software is implemented. Target date: 3-07.

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

#5 (City Council & City Administration(Employee Relations)/JO) - 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. City Policy Manual Section 13.01 states, "Employees approved for take-home use of vehicles will comply with any standards, which may be set by the City regarding the maximum allowable time or distance from the reporting location for standby or callback duty." In order to implement this recommendation, we will review the departments' standards regarding this issue for appropriateness and consistent implementation. Target date: 6-06.

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

#4 (City & San José 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 José 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)

> Not implemented. Although the City and Arena Authority continue to reserve the right for future considerations for the submittal of the program operating budget, it is not required for any immediate purpose. Target date: 12-06.

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

#4 (Finance/Treasury Division/RO) - 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. The Finance Department implemented Council-approved Recommendations #1, #2, and #3 as of December 31, 1998, December 31, 2000, and January 31, 1997, respectively. Recommendation #1 directed Finance Administration to implement a City Auditor-recommended amnesty program, Recommendation #2 suggested leaving blank the number of employees portion of the Business Tax Renewal Notice, and Recommendation #3 stated Finance Administration should provide packets of information regarding the San Jose Business Tax and Business Improvement District to San Jose rental property managers for large business complexes for distribution to their business tenants. Finance/Treasury has implemented Recommendations #1, #2, and #3 without new staff or budget increases. Accordingly, the City Auditor recommends this recommendation be dropped. Target date: 6-06.

> COUNCIL ATTENTION REQUIRED: We recommend that this recommendation be dropped.

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. However, staff redeployments intended to accomplish this task are not complete, so these procedures have not yet been completed. Target date: 6-06.

#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 further delayed completion of this project. Target date: 6-06.

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

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

> Partly implemented. In November 2004, the City Council approved the selection of BearingPoint/PeopleSoft to implement an integrated billing, customer service, and partner management system (CUSP) that would have the capability to issue combined sewer, storm, and garbage bills. The project implementation and initial operation is expected to take about 18-24 months. The project anticipates a consolidated billing system, integrating Recycle Plus, Water, Sewer, and Storm Drain fees into one system, one bill. Target date: 12-06.
>
> INCREASES REVENUE: $350,000.   REDUCES COSTS: $350,000.

#20 (Finance/Environmental Services Department/ME) - 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. The Consolidated UBS project team has been executing the implementation plan for correcting/cleaning legacy billing system data and determining which data will be converted in the new system. Conversion of corrected data from the legacy systems will occur as a part of go-live activities in summer of 2006. Staff is working with BearingPoint to develop procedures for ongoing maintenance in the new system. In the new system, account status is determined (active or inactive) with changes in service and does not require a separate process or authorization. The new system will also provide queries, e.g. reports on rate code exceptions as required for review and management. Target date: 12-06.

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

#2 (Environmental Services Department/DM) - Document its methodology for estimating sewer flow and its criteria for granting water loss adjustments. In addition, the Envriomental Services Department 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)

Implemented. The Environmental Services Department (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. For the remaining institutional, commercial, and industrial customers, ESD plans to focus its review resources on 1) those customers that use the largest amounts of water and 2) those customers with the largest water loss adjustment factors. In addition, any new customers coming to Planning and Building will be asked to provide information on their requested water loss factor adjustments. The ESD developed a workplan to evaluate water loss factors for the customers listed above and ESD staff has begun this review process. The ESD plans to review all parcel categories except schools by the end of 2008 and proposes to use a consultant to review water uses and losses within school operations.

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

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

> Partly implemented. Staff has received training on the Police Department's patrol staffing software purchased in early 2003. According to the Police Department, shift change time-modifications will require an extended study and analysis using the patrol staffing software for a minimum of at least two full shift change periods. Police and IT departments' staff worked with the software vendor to resolve the previously stated concerns related to the transition to the new Intergraph CAD system. As a result, six months worth of call for service data from March through September 2005 were utilized for the upcoming March 2006 shift change. The results of this first phase better positions the Police Department to consider optimal resource deployment as part of a comprehensive public safety planning process that best combines quantitative assessments with practitioner experience, thereby maximizing officer and public safety in the most cost-effective and practical manner. Target date: 9-07.

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

#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)

> Deferred. 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. The department considers the establishment of an enterprise fund or a special revenue fund with a fully funded works-in-progress reserve to be unlikely in the current economic climate as significantly larger reserves would be required than are currently available. Planning, Building, and Code Enforcement staff and the other development service partners will use the methodology to calculate the City's works-in-progress liability for development fees, report the result to the development community, and reconsider the implementation of this item in 2006 when increased activity and higher reserve levels might make it more feasible. Since full implementation is delayed by the fiscal recovery of the economy, the City Council approved deferring this recommendation at its April 27, 2004 meeting. Target date: 6-06.

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

Deferred. The Building Division received a final report from the Financial Consulting Group recommending a sinking fund to pay for long-term capital asset acquisitions. Long-term assets in the program consist primarily of inspector vehicles and the Integrated Development Tracking System (IDTS). Vehicle fleet adds are charged directly to the fee program when purchased and the cost of replacement vehicles is recovered through the overhead rate on the basis of a depreciation schedule determined by the Finance Department. Funding for the IDTS was accumulated through the implementation of a 2 percent automation surcharge on development fees. This surcharge was discontinued after three years and the ongoing maintenance costs of the system are included as overhead in the cost of permits. Since full implementation is delayed by the fiscal recovery of the economy, the City Council approved deferring this recommendation at its April 27, 2004 meeting. Target date: 6-06.

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

#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. Without the use of consultant services, the Real Estate Division and General Services are working on how best to implement this recommendation. Staff reduction in the FY 04-05 budget has slowed progress and draft recommendations will be delayed. However, an initial assessment has been conducted and recommended options will be tested. Target date: 7-06.

#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: 7-06.

#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)

Partly implemented. A draft Property Acquisition Manual was completed in September, 2005. We reviewed and approved this draft for consistent formatting with the requirements of this audit finding. Public Works staff is currently working with the Office of the City Attorney to finalize the manual. As soon as the Office of

the City Attorney completes their review, this recommendation will be implemented. Target date: 6-06.

#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)

Not implemented. Staff has developed a provisional in-house tracking system; however, this system does not comply with their own level of detail requirements. The aim of the recommendation is to identify improvements in the storage and access to information for increased productivity and streamlining of work effort. To meet this aim, the Department is exploring consolidating Real Estate project tracking with the Capital Project Management System (CPMS). The CPMS is a comprehensive capital project database, which can establish baseline schedule and budget by project phases, and also can track actual dates and costs by phases. This integration approach is preferable over a stand alone database and will allow CPMS users to track land acquisition milestone and actual project status in terms of project delivery schedule. Target date: 12-06.

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

#5 (San José Fire Deparment/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)

Implemented. The Fire Department presented staffing reports to the Making Government Work Better Committee in September 2004, February 2005, March 2005, and January 2006. The reports included a detailed analysis of staffing levels by rank, and projected long-term and short-term vacancies. The Fire Department has a process for collecting the required data and reporting this information to the Making Government Work Better Committee on an annual basis (approximately December of each calendar year).

#6 (San José Fire Deparment/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 Fire Department has a process in place for obtaining and reviewing staffing-related information in order to identify overtime and relief staffing levels. The Fire Department has completed a trend analysis of this information for the last two fiscal years. Upon completion of the current fiscal year (2005-06), the Fire Department with have the required data to make relief staffing-level adjustment recommendations. The Fire Department anticipates that it may include relief staffing

recommendations as part of its annual report to the Making Government Work Better Committee. If necessary, the Fire Department will include recommended staffing level changes as part of the 2007-08 budget process. Target date: 6-07.

#7 (San José Fire Deparment/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 Fire Department continues to pursue options for implementing a program to address the concerns highlighted in this recommendation. The Department is collecting data to identify the "drivers" of sick leave and identify patterns and their impact. Through the meet and confer process, the Department has commenced a discussion with Local 230 to work together to address sick leave usage. Target date: 12-06.

#8 (San José Fire Department/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 Fire Department continues to pursue options for implementing a program to address the concerns highlighted in this recommendation. The Department is collecting data to identify the "drivers" of sick leave and identify patterns and their impact. Through the meet and confer process, the Department has commenced a discussion with Local 230 to work together to address sick leave usage. Target date: 12-06.

#9 (San José Fire Department/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 Fire Department is currently evaluating the requirements to implement a comprehensive wellness program. The City Safety Officer is working with the Department Safety Officer and Department Safety Committee to formulate a Master Health and Safety Plan, which includes the implementation of the Wellness-Fitness Initiative Program. Full implementation is pending the outcome of contract negotiations with IAFF Local 230. Target date: 12-06.

COUNCIL ATTENTION REQUIRED: Requires funding TBD.

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 SJFD has completed some of the prerequisites necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in February 2005; it implemented the new CAD system necessary to integrate ProQA software necessary for the Priority Dispatch Omega protocol; and it has begun using the ProQA software. However, the current EMS Agreement with the County requires that the SJFD respond on all 911 calls received. Under the Priority Dispatch Omega protocol, the 911 call is referred to an appropriate alternate site rather than requiring a response. The Fire Department has participated in a series of EMS stakeholder group meetings, sponsored by the Santa Clara County Local EMS Agency, since October to make recommendations regarding EMS contract changes. These recommendations have focused on changes to clinical and response requirements tied to Countywide response prioritization. This is the first step of many needed to complete this process and moves the Department closer to using the Omega protocol as a resource management tool. In addition to working with the County, the Department has initiated a retrospective study that will analyze data found in its patient care report database to determine which Omega determinants could safely receive an alternate response. The result of this study will be used to propose an alternate response to 911 requests for services. The outcome of Department efforts to change County EMS contract language are under consideration by the County. The Fire Department will also need to evaluate advice program options and projected costs as well as coordinate with Priority Dispatch Corporation and American Medical Response Corporation to develop a comprehensive Omega protocol system for the City. Target date: 7-06.
>
> REQUIRES FUNDING: TBD.

#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)

> Partly implemented. According to FY 2005-06 Manager's Budget Addendum #10, temporary redeployments of existing fire companies are proposed to minimize the General Fund operating costs on a year-by-year basis for the next three years. The Fire Department intends to collect data to determine the appropriateness of this strategy beginning with the first temporary redeployment of an existing fire company, originally scheduled to defer operating costs associated with the opening of Fire Station 33. However, because of the delay in opening Station 33, it will open at the same time as Fire Stations 34 and 35. As a result, the Fire Department is working with the Budget Office to identify a funding strategy and redeployment options that

would permit the initiation of the pilot study of the feasibility of using the
Tender/Light Unit to respond to lower priority medical calls. The Fire Department
will have more information on the feasibility of a potential alternative pilot test site
following completion of the Budget development cycle. The implementation of the
Fire Department's Fire/EMS records management system will enable the Fire
Department to gather and analyze operational and clinical data on the effectiveness of
alternative deployment options. Target date: 7-07.

REQUIRES FUNDING: TBD.

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. Procedures have been drafted and will be used in analyzing
annual Arena fee payments and estimating revenues. The procedures will then be
reviewed and updated as required and then finalized. Target date: 12-06.

#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. A mutually agreeable delivery schedule has not yet been
finalized. Target date: 12-06.

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

Partly implemented. Arena Management did not file the required reports, partially
due to the National Hockey League labor dispute. City staff is working actively with
Arena Management to resolve this issue and other related issues. Target date: 12-06.

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)

Partly implemented. The General Services Department, through the Property
Acquisition and Disposition Committee, is in the process of revising City Council
Policy 7-1 (Below Market Rental Use of City-Owned Land and Buildings by Non-
profit or Charitable Organizations for Governmental or other Public Purposes). The

Department expects to present the revised policy to the City Council for their consideration in Spring 2006. Target date: 6-06.

#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. The General Services Department, through the Property Acquisition and Disposition Committee, is in the process of revising City Council Policy 7-1 (Below Market Rental Use of City-Owned Land and Buildings by Non-profit or Charitable Organizations for Governmental or other Public Purposes). The Department expects to present the revised policy to the City Council for their consideration in Spring 2006. Lease and property criteria, eligibility, terms of tenancy and annual review requirements criteria will be included as elements of a revised policy. Target date: 6-06.

#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. The General Services Department, through the Property Acquisition and Disposition Committee, is in the process of revising City Council Policy 7-1 (Below Market Rental Use of City-Owned Land and Buildings by Non-profit or Charitable Organizations for Governmental or other Public Purposes). The Department expects to present the revised policy to the City Council for their consideration in Spring 2006.   A formal application process for non-profit leases and submission of key non-profit information will be addressed in the revised policy. Target date: 6-06.

#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. The General Services Department's two Real Property Agents have assumed the responsibility of providing consultant services on the development and negotiation of leases of City-owned property. Individual departments continue to oversee leases of City-owned property. The Department is in the process of obtaining updated information from City departments regarding leases of City-owned property. The Department will use this information in overseeing and providing guidance over leases of City-owned property. Target date: 6-06.

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

#3 (City Administration/EL) - 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)

> Implemented. In December 2005, the City and the San Jose Police Officers' Association (POA) established a Memorandum of Agreement (March 1, 2004 to June 30, 2008) regarding wages, hours, and other terms and conditions of employees represented by the POA. During labor negotiations, the Administration researched and considered the feasibility of designing a Regular Deferred Retirement Option Plan, but did not recommend this option.

03-01: AN AUDIT OF THE TARGETED NEIGHBORHOOD CLEAN-UP PROGRAM

#1 (Code Enforcement/CC) - Report to the City Council on its assessment of ways to reduce overtime costs and increase targeted Clean-up areas to accommodate an average of 22 bins per Clean-up event,

Work with the City Council to establish a City Council Office-Directed Community Grant Program to provide for two small neighborhood Clean-ups per year per City Council District, and

Develop written standards regarding the form, content, and timing for Clean-up event flyers and use funds budgeted for Clean-up event bins to cover the costs to mail the flyers. (Priority 3)

> Partly implemented. According to Code Enforcement, the average number of bins per clean-up increased from 20 in 2004-05 to 22 in 2005-06. Code Enforcement is recruiting for a pool of 80 part-time, unbenefitted Regional Park Aides to assist Code Enforcement with monitoring bins and other work required during clean-up events. Code Enforcement anticipates the positions will be filled by late April 2006. Code Enforcement needs to continue their efforts to identify funding for a City Council Office-Directed Community Grant Program. Target date: 6-06.

#5 (Code Enforcement/CC) - Report to the City Council on the extent of coordination efforts with other City services and community-based organizations. (Priority 3)

> Partly implemented. Code Enforcement distributed a letter and clean-up schedule to community-based organizations in February 2005. Code Enforcement will distribute this information and calendar to the organizations on an annual basis. Code Enforcement indicates that they will apprise the City Council on the extent of this coordination in an information memo. Target date: 6-06.

03-03: AN AUDIT OF THE FLEET MANAGEMENT DIVISION OF THE GENERAL SERVICES DEPARTMENT'S VEHICLE REPLACEMENT PROGRAM

#6 *(Fleet Management Division/JO) - Consistently follow its vehicle replacement policy for all vehicle purchases regardless of the funding source. (Priority 2)*

Partly implemented. The Fleet Management Division (FMD) has finalized their replacement policy and procedures. However, due to the current freeze on vehicle replacements, the General Services Department has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. We will follow up on this recommendation after the FMD has had an opportunity to implement the new procedures. Target date: 6-06.

#8 *(City Manager/JO) - Establish and implement a Citywide replacement policy for transport vehicles that incorporates vehicle mileage, years in service, accurate repair costs, and comprehensive mechanical assessments. (Priority 2)*

Partly implemented. The Fleet Management Division (FMD) has finalized their replacement policy. However, due to the current vehicle freeze, the FMD has not had an opportunity to demonstrate consistency in its implementation of the replacement policy. We will follow up on this recommendation after the FMD has had an opportunity to implement the new procedures. Target date: 6-06.

#12 *(Fleet Management Division/JO) – Review the database information to ensure it is accurate and complete. (Priority 3)*

Partly implemented. The Fleet Management Division (FMD) is currently undergoing an additional software upgrade. A full set of audit procedures has been developed to ensure data integrity. The FMD is also incorporating the Federal GAO guidelines for database management and system auditing into their policies and procedures. In order to fully implement this recommendation, we will review the database and test the accuracy of the information. Target date: 6-06.

#14 *(Fleet Management Division or Budget Office/JO) - Develop a process to subject all department requests for vehicles to a standardized review process to ensure that departments are using similar vehicles for similar purposes. (Priority 2)*

Partly implemented. The Fleet Management Division (FMD) has finalized a Citywide replacement policy. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. We will review this recommendation during the next follow-up to ensure the procedures are in place to be implemented as soon as the freeze is lifted. Target date: 6-06.

03-04: AN AUDIT OF THE AIRPORT NEIGHBORHOOD SERVICES GROUP

#1 (Airport Neighborhood Services Group/JC) - Develop a standardized constituent complaint form to document the nature of the complaint, how the issue was resolved, any follow-up action taken, and how long it took to resolve the complaint. (Priority 3)

> Partly implemented. The division is currently tracking constituent concerns and complaints with an existing system of Excel worksheets, enabling staff to document necessary information. The Airport Business Development and Community Relations Division is currently working with Airport Technology Services to examine software which will utilize an electronic standardized constituent complaint document. Target date: 6-06.

03-07: AN AUDIT OF THE NEIGHBORHOOD DEVELOPMENT CENTER OF THE DEPARTMENT OF PARKS, RECREATION, AND NEIGHBORHOOD SERVICES

#2 (Department of Parks, Recreation, And Neighborhood Services/GM) - Develop a comprehensive budget for the Project Blossom Program, a formal Project Blossom workplan for each Project Blossom site, and establish guidelines and better supervisory review. (Priority 2)

> Partly implemented. The NDC and Code Enforcement are in the process of developing a comprehensive budget for the Property Owners training. According to the Code Enforcement Analyst, she is working with the NDC to receive updated staffing information for NDC's Project Blossom staff. Target date: 6-06.

#6 (Department of Parks, Recreation, And Neighborhood Services/GM) - Make full use of the grant management oversight clause in its agreement with the Community Foundation Silicon Valley. (Priority 3)

> Partly implemented. PRNS has selected The Volunteer Center of Silicon Valley as the new fiscal agent to distribute CAP grant funds. An agreement with The Volunteer Center will be executed by March 2006. Once the agreement has been formalized, the Auditor's Office will review it for the agent's responsibilities. Finally, we will also review the fiscal agent's reports to PRNS on executed responsibilities at the end of the next CAP grant funding cycle. Target date: 6-06.

03-10: AN AUDIT OF THE SAN JOSÉ FIRE DEPARTMENT'S BUREAU OF FIRE PREVENTION

#2 (San José Fire Department/ME) - If Recommendation #1 results in a significant number of facilities being added to the FIBS database, follow up on the remaining manufacturing facilities in the Business License database that did not have a FIBS number. (Priority 2)

> Partly implemented. SJFD Fire Inspectors continue to visit facilities in the Business License database that do not have a FIBS number. This has been slowed down by

staffing vacancies and increased focus on mandatory inspections. The SJFD has written a Business Plan for Fire Prevention, which addresses outstanding audit recommendations. Addressing this recommendation, the department is adding language to an RFP currently under development for a Records Management System that will help automate this process. Target date: 12-06.

#3 (San José Fire Department/ME) - Periodically compare the FIBS database with the Business License database using the SIC Codes that are most likely to require a fire safety inspection. (Priority 2)

Deferred. The SJFD has written a Business Plan for Fire Prevention, which addresses outstanding audit recommendations. Relative to this recommendation, the SJFD is also developing an RFP for a Records Management System. Within that RFP the department is exploring ways to better capture business license data and to have automated linking to the FIBS system. Estimated completion of this project is unknown. This option will be explored as part of the department RMS Project. Deferral date: 6-07.

#10 (San José Fire Department/ME) - Develop a risk assessment methodology to assign facility inspection frequencies. (Priority 3)

Partly implemented. The SJFD has written a Business Plan for Fire Prevention, which includes a more thorough risk analysis for Fire Inspection Frequency. The Business Plan then ranks facilities needing inspections in priority order. The Business Plan also recommends performing additional research and benchmarking studies to refine the risk analysis. The City Auditor's Office will continue to work with the SJFD to further the risk assessment. Target date: 12-06.

#12 (San José Fire Department/ME) - Develop a workload analysis to determine its inspection staff needs to achieve its inspection goals and objectives. (Priority 3)

Partly implemented. The SJFD has written a Business Plan for Fire Prevention that recommends inspection frequencies based on a risk analysis, and includes an analysis of Inspector time and inspection workload. Results of that analysis have increased the number of facilities requiring fire permits and inspections. However, the facility inspection workload also requires updating as the department improves its ability to identify new and existing facilities requiring fire permits. Target date: 12-06.

#16 (San José Fire Department/ME) - Develop procedures and controls to reduce the number of times inspectors return to facilities to confirm that an HMBP is in place and to ensure that facilities submit their HMBP in a timely manner. (Priority 3)

Partly implemented. The SJFD has developed a draft Administrative Enforcement Policy which includes fines for failing to maintain an updated Hazardous Materials Management Plan. The SJFD plans to discuss this policy with the community before submitting it to the City Council for approval. Target date: 12-06.

03-11: AN AUDIT OF THE UTILIZATION AND REPLACEMENT OF THE CITY'S METERED EQUIPMENT

#2 (Fleet Management Division/JO) - Develop and consistently implement cost-effective utilization standards for the City's fleet of metered equipment. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) has incorporated replacement criteria into their replacement policy. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in implementing the vehicle replacement policy. In order to implement this recommendation, we will review the policy and procedures and verify that they are consistently implemented. Target date: 6-06.

#3 (Fleet Management Division/JO) - Ensure the City has complete and current utilization information for all of the equipment in its inventory. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) is providing utilization data to all departments on a semi-annual basis. According to the FMD, they are also planning to establish an intranet site for all user departments to access utilization reports as needed. However, due to the FMD undergoing an additional software upgrade for their database, we cannot at this time verify the accuracy of the database information. We will re-evaluate the implementation status of this recommendation upon the completion of the software update. Target date: 6-06.

#6 (Fleet Management Division/JO) - Establish an equipment pool to address the needs of the City's low-use equipment and develop a formal policy for using and maintaining such a pool. (Priority 2)

> Partly implemented. According to the Fleet Management Division (FMD), it has received approval to establish and manage a metered equipment pool. In addition, the FMD has finalized equipment pool policy and procedures. In order to implement this recommendation, we need to review and verify the consistent implementation of the policy and procedures for the equipment pool. Target date: 6-06.

#7 (Fleet Management Division/JO) - In conjunction with the City Manager's Office and City departments analyze the City's fleet of metered equipment to determine the optimal cost-effective fleet size. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) is currently in the process of consolidating and establishing a metered equipment pool. We will revisit this recommendation after the FMD has concluded their consolidation efforts. Target date: 6-06.

#9 (Fleet Management Division/JO) - Include metered equipment, regardless of funding source, in its current efforts to develop and consistently implement a cost-effective replacement policy for transport vehicles, which incorporates repair costs and a minimum useful life. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) has incorporated replacement standards for metered equipment into its policies and procedures. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. In order to fully implement this recommendation, we will review the policies and procedures and verify that they are consistently implemented. Target date: 6-06.

04-01: AN AUDIT OF THE CONCENTRATED CODE ENFORCEMENT PROGRAM

#2 (Parks, Recreation, and Neighborhood Services/CC) - Ensure that the CCEP is in full compliance with OMB A-87 documentation requirements. (Priority 2)

> Partly implemented. According to PRNS, staff developed draft personnel documentation forms for CCEP personnel working on HUD projects. HUD accepted the form for CCEP personnel working 100 percent of their time on HUD projects and the use of that form has been implemented. PRNS has collected data based on a HUD request which must be compiled and discussed with HUD. The next steps will be to develop a reporting format for CCEP personnel working less than 100 percent of their time on HUD projects. Target date: 8-06.

#3 (Parks, Recreation, and Neighborhood Services/CC) - Develop a comprehensive and up-to-date checklist of required CCEP documentation and the location where documentation should be retained. (Priority 3)

> Implemented. According to PRNS, PRNS developed a draft checklist for CCEP documentation to be retained in the PRNS Office. Code Enforcement developed a checklist of required documentation for retention at Code Enforcement. The Memorandum of Participation for the CCEP Program is complete and in place. Code Enforcement and PRNS developed the Code Enforcement documentation checklist for monitoring. PRNS included the semiannual OMB A-87 staff certification and the Monitoring Checklists on the file checklists in November 2005.

#4 (Parks, Recreation, and Neighborhood Services/CC) - Conduct a general review of its monitoring process and establish appropriate controls to improve its ability to evaluate grant subrecipients. (Priority 2)

> Implemented. PRNS conducted a Grants Monitoring Training on September 29, 2005. According to PRNS, the training included general monitoring processes and guidelines. CDBG staff met to revise the monitoring form and training presentation

in November 2005. PRNS will provide additional training in this area. The Auditor's Office issued a report on Citywide Grant Oversight in March 2006 which included broader guidance regarding monitoring for all City grants.

#5 (Code Enforcement/CC) - Conduct a comprehensive blight survey of SNI areas every five years beginning in 2007. (Priority 3)

Not implemented. According to Code Enforcement, Code Enforcement conducted a comprehensive blight survey in 1999 in an effort to support the legal basis for establishing the Strong Neighborhoods Initiative areas. This survey was completed utilizing five Code Enforcement Inspectors full time for a period of approximately four months, along with PRNS and Redevelopment Agency staff. The Code Enforcement SNI Driveway Team, not funded through the Redevelopment Agency, has conducted blight sweeps in the SNI areas since August 2001. These sweeps, which include a survey component, have resulted in a significant reduction of blight conditions in these neighborhoods. Since 2001-02, 92,711 parcels have been inspected and approximately 14,400 blight violations have been resolved.

Code Enforcement indicates that inspector staffing does not support the recommendation of conducting a comprehensive blight survey as completed in 1999. We recommend that Code Enforcement provide an assessment of the cost and service implications of this recommendation and provide cost effective alternatives to accomplish the intent of this recommendation. Target date: 12-07.

#6 (Code Enforcement/CC) - Continue to improve its internal controls to address identified program threats. (Priority 3)

Partly implemented. According to Code Enforcement, Code Enforcement is finalizing a written procedure for the CDBG Grant Application process, which will include the process for documentation of matching funds. Target date: 6-06.

#7 (Code Enforcement/CC) -
- **Update CES census tract information,**
- **Include the CCEP as a program designation in the CES, and**
- **Maintain written documentation showing CCEP work conducted in CDBG-eligible areas. (Priority 3)**

Implemented. IT updates the CES system by using County property information to update census tract information. The AMANDA database property tables are updated on a monthly basis and have the most current property data information available. Code Enforcement uses a CDBG designation instead of CCEP to track work conducted in CDBG-eligible areas, as the division has multiple projects in CDBG areas.

04-02: AN AUDIT OF THE CROSSING GUARD PROGRAM

#2 (Department of Transportation/RM) - Re-calculate the intersections that have not qualified for an adult crossing guard during the past three years using the revised safety index formula and submit the results to the School Pedestrian Safety Committee. (Priority 3)

> Implemented. The Building Better Transportation Committee and the City Council approved the revisions to the safety index formula in March 2005. The Building Better Transportation Committee directed staff to re-calculate the safety index for denied locations over the calendar years 2002, 2003, and 2004 using the new formula and to provide the budgetary implications at the May 2, 2005 Building Better Transportation Committee meeting. DOT completed the analysis of 39 intersections that did not warrant guards for calendar years 2002, 2003, and 2004 using the new formula. A total of six intersections that had previously failed were found to have a qualifying safety index to warrant a guard. These six intersections were reviewed by the School Pedestrian Safety Committee at their November 17, 2005 meeting and all six were approved for guards. The Police Department currently has 17 intersections on the waiting list, including the six intersections approved in November 2005. The intersections on the list are prioritized by safety index score. According to the Police Department, it has the funds for the additional guards. However, the Police Department does not have enough funds in the budget for an additional supervisor it needs to supervise the additional crossing guards.

04-04: AN AUDIT OF THE UTILIZATION AND REPLACEMENT OF THE CITY'S TRANSPORT VEHICLES

#3 (City Departments/JO) - When appropriate, assign employees to park at the remote parking locations that are nearest to the employees' primary work areas and ensure that employees are parking assigned City vehicles at authorized remote parking locations. (Priority 1)

> Partly implemented. The revised City Policy Manual, Section 13.01 states, "All City provided vehicles must be parked, when not in use, in the City parking lot designated by the Department…Departments may authorize remote parking locations, however, employees must use the remote parking location nearest their primary work area. Employees are prohibited from parking a City vehicle in other than the Department's approved location in order to park closer to the employee's home…Departments will be required to maintain a list of each vehicle and the vehicle's designated parking area. This list will be made available to the Fleet Management Division." We will review this recommendation during the next follow-up to ensure the policy is consistently implemented. Target date: 6-06.

#4 (City Manager's Office/JO) - Implement the City's policy to track 24-hour vehicle assignments and provide a complete list of authorized vehicles and employees to appropriate departments. (Priority 2)

> Partly implemented. According to the City Manager's Office, information on 24-hour vehicle assignments has been provided, but the City Manager's Office has not yet completed its determinations regarding approval of these vehicles. Target date: 6-06.

#5 (City Manager's Office/JO) - Improve controls over the mileage reimbursement program to help ensure that mileage reimbursement forms are properly completed and contain accurate mileage. (Priority 2)

> Partly implemented. The updated City Policy Manual Section 1.8.3 addresses mileage reimbursement issues. We will sample mileage reimbursement requests during the next follow-up to ensure the policy is consistently implemented. Target date: 6-06.

#7 (Fleet Management Division/JO) - Periodically conduct a transport vehicle break-even analysis to identify the annual mileage at which the City should provide a vehicle instead of mileage reimbursement. (Priority 2)

> Implemented. Fleet Management has revised its break-even formula and will conduct a break-even analysis at lease once per year, or if there are significant changes to the variables that go into the break-even formula.

#9 (Fleet Management Division/JO) - Review the City's fleet of specialized vehicles to determine the most cost-effective complement of vehicles. (Priority 2)

> Partly implemented. The updated City Policy Manual Section 1.8 addresses specialized vehicles. We will review this recommendation during the next follow-up to ensure the policy is consistently implemented. Target date: 6-06.

#10 (Fleet Management Division/JO) - Remove from the City's fleet and sell at auction those transport vehicles that do not meet the City's annual mileage criteria and do not serve a special purpose or are otherwise not exempt. (Priority 2)

> Partly implemented. The Fleet Management Division (FMD) is in the process of identifying underutilized vehicles as defined by the updated vehicle policy. According to the FMD, vehicles that are not candidates for re-deployment will be removed from the City's fleet and sold at auction. We will revisit this recommendation upon completion of the auction process. Target date: 6-06.

#12 (San José Fire Department/JO) - Implement a transport vehicle rotation program to balance usage and reduce the number of vehicles with low mileage. (Priority 2)

> Partly implemented. In February 2005, the Fire Department began Phase I of a Vehicle Mileage Balancing program that will utilize vehicle mileage information to facilitate a "swap" mechanism that will move lower mileage vehicles to higher usage assignments and rotate higher mileage vehicles into assignments where data indicates lower usage. Every four months, the vehicles' mileage will be evaluated and a rotation process will take place according to the mileage and years of service differential. Target date: 6-06.

6/2/04: MEMORANDUM OF THE AVIS RENT A CAR AUDIT

#1 (San José Int'l Airport/JC) –
- ***Provide a written demand to Avis for payment of $1,247.59 in understated Customer Transportation Fee and interest for the period July 2002 to May 2003.***
- ***Review Customer Transportation Fee payments for the previous three years and verify that Avis correctly reported the number of customer contracts and the Customer Transportation Fee.***
- ***In accordance with the terms of the agreement, recover costs of this audit. (Priority 2)***

> Implemented. The Airport and Avis have resolved the interest and audit costs and Avis is now processing payment for the understated Customer Transportation Fees.

#3 (San José Int'l Airport/JC) – Require Avis to implement controls to track the amount of gas returned in cars when customers purchase the gas service option and include this amount in its gross revenue calculations. (Priority 3)

> Not implemented. Revisions to the implementation of the Airport Master Plan approved on November 15, 2005 have moved forward and development of a rental car garage may modify the date that new rental car agreements are developed. The Airport will carefully review and consider the audit recommended definitions, as well as other terms and conditions to be included and negotiated in any new rental car concession agreement. Target date: 6-07.

#4 (San José Int'l Airport/JC) – Renegotiate the terms of its agreement with Avis to eliminate several exclusions from future gross revenue calculations with a countervailing concession fee percentage reduction. (Priority 3)

> Not implemented. Revisions to the implementation of the Airport Master Plan approved on November 15, 2005 have moved forward and development of a rental car garage may modify the date that new rental car agreements are developed. The Airport will carefully review and consider the audit recommended definitions, as well as other terms and conditions to be included and negotiated in any new rental car concession agreement. Target date: 6-07.

04-05: A REVIEW OF THE CUSP REQUEST FOR PROPOSAL PROCESS

#1 (City Manager/JC) - The City require consultants to complete a conflict of interest questionnaire affirming that he or she has no actual or apparent financial or other conflicts of interest related to any specific project. (Priority 1)

> Partly implemented. On December 6, 2005, Council approved a set of comprehensive Procurement Reforms, which include the direction to return to Council with a policy titled "Conflict of Interest in Procurement Process." Target date: 6-06.

#2 (City Manager/JC) - The City require all City personnel who participate in an evaluation process to complete a similar questionnaire. (Priority 1)

> Partly implemented. On December 6, 2005, Council approved a set of comprehensive Procurement Reforms, which include the direction to return to Council with a policy titled "Conflict of Interest in Procurement Process." Target date: 6-06.

#3 (City Manager/JC) - City staff should immediately request a formal City Attorney opinion when any conflict of interest issues arise. (Priority 1)

> Partly implemented. On December 6, 2005, Council approved a set of comprehensive Procurement Reforms, which include the direction to return to Council with a policy titled "Conflict of Interest in Procurement Process." Incorporated in this policy will be direction to consult with and obtain from the City Attorney an opinion on any conflict of interest issues that arise. Target date: 6-06.

#4 (City Manager/JC) - City staff level future vendor cost proposals only for budgeting purposes and after the City has selected a vendor. (Priority 3)

> Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#5 (City Manager/JC) - The City develop a formal policy regarding when it is appropriate for City staff to question and/or communicate with respondents to City RFPs. (Priority 3)

> Partly implemented. On December 6, 2005, Council approved a set of comprehensive Procurement Reforms, which include the direction to return to Council with a policy titled "Conflict of Interest in Procurement Process." This policy will contain direction to City staff regarding communication with respondents to City RFPs. Target date: 6-06.

#6 (City Manager/JC) - The General Services Purchasing Division should be the City's primary point of contact and the manager of the RFP process for all RFPs in which general services and commodities are being procured. (Priority 3)

> Partly implemented. On December 6, 2005, Council approved a set of comprehensive Procurement Reforms, which include the centralization of professional services with Finance/Purchasing. Finance expects to present the related ordinance changes to Council in the current fiscal year. Target date: 6-06.

#7 (City Manager/JC) - When the City uses a consensus scoring system it should document why the team members gave specific scores. (Priority 3)

> Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#8 (City Manager/JC) - The City should retain all individual scoring cards and note sheets. (Priority 3)

> Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#9 (City Manager/JC) - City Evaluation Teams and Committees should keep attendance records and minutes. (Priority 3)

> Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#10 (City Manager/JC) - The City should structure its RFPs to facilitate the scoring of responses. (Priority 3)

> Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#11 (City Manager/JC) - Evaluation Teams or Committees should score all of the vendors that make product demonstrations. (Priority 3)

>Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#12 (City Manager/JC) - Evaluation Teams and Committees should comply with the City's Request For Proposal Procedures Manual. (Priority 3)

>Partly implemented. With the transfer of purchasing functions to the Finance Department and the appointment of a Chief Purchasing Officer, new policies and procedures are in the process of being developed regarding awareness of and compliance with the City's RFP Procedures Manual. The Manual is in the process of being revised and staff will undergo additional training upon its completion to ensure greater organizational awareness and compliance. Target date: 6-06.

#13 (City Manager/JC) - The City should implement procedures to insure that City staff or consultants compile comparative vendor cost information that is complete and accurate. (Priority 3)

>Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#15 (City Manager/JC) - The City ensure that City staff adequately check proposer references for future RFPs. (Priority 3)

>Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

04-06: A REVIEW OF THE REQUEST FOR PROPOSAL FOR THE NEW CIVIC CENTER CONVERGED NETWORK SYSTEM

#2 (Administration/JC) - Develop a policy to require a formal contract with scope of service and nondisclosure provisions for non-compensated outside parties who are providing technical or specialized assistance to the City. (Priority 3)

>Partly implemented. On December 6, 2005, Council approved a set of comprehensive Procurement Reforms which include direction to return to Council with a policy titled "Conflict of Interest in Procurement Process." Target date: 6-06.

#3 (City/JC) - Structure its RFPs to facilitate the evaluations of minimum qualifications requirements. (Priority 3)

> Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#4 (City/JC) - Include in its RFPs the relative importance of price and other factors and subfactors. (Priority 3)

> Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#5 (General Services Department/JC) - Work with the City Attorney to look for ways to improve how the City evaluates and scores responses to RFPs and considers price relative to other evaluative factors. (Priority 3)

> Not implemented. In prioritizing their work on the RFP process improvements, staff identified the priority order for projects as conflict of interest issues, standardization, and scoring and methodology. Staff is currently working on the development of policies regarding scoring and methodology. Target date: 6-06.

#6 (City/JC) - San José Municipal Code Section 4.13.010 be amended to clarify that the request for proposal method of procurement is authorized where the provision of services and the purchase of equipment are integral to each other in accomplishing the purpose of the project and the services are not merely incidental to the equipment purchase. (Priority 3)

> Partly implemented. Staff has proposed several modifications to the Municipal Code sections relating to the City's procurement practices. Staff's report on these changes was scheduled to be presented to the Making Government Work Better (MGWB) Committee in September 2005 but was delayed. Input from the MGWB Committee will be used to finalize the proposed changes. Target date: 6-06.

<u>**04-07: AN AUDIT OF THE CITY'S CELLULAR PHONE PROGRAM**</u>

#1 (City Administration and Departments/CC) –
- ***Develop and use a universal written cellular phone authorization form that incorporates the elements of the City's Wireless Telephone Policy,***
- ***Conduct a reauthorization review to identify unnecessary cellular phones and appropriately authorize necessary cellular phones, and***
- ***Amend the City's existing Wireless Telephone Policy to require departments to regularly review cellular phone usage. (Priority 1)***

Partly implemented. According to City Administration, all departments complied with the cellular phone reauthorization except for one. This department did submit their forms, however, the forms had to be returned for proper signatures.
Target date: 6-06.

#2 (City Administration and Departments/CC) -
- ***Develop a process to guide departments in identifying cellular phone abuse and***
- ***Review exisiting City-issued cellular phones to identify users'/departments' ownership and update vendor records to include current information. (Priority 2)***

Partly implemented. According to City Administration, all departments have been asked to update vendor records to include current information including the department name, the cell phone user's name and the cell phone number. Several departments have completed this task and the rest are in the process of working with the vendor.

The City requires employees to review telephone bills and identify/reimburse personal calls. The City has not developed a process to guide departments in efficiently and effectively reviewing electronic usage information to identify abuse. Departments continue to rely on employees self-reporting personal call information. The Auditor's Office will provide assistance to Employee Relations in developing this process. Target date: 6-06.

#3 (Departments/CC) –
- ***Properly document that employee reimbursements for personal use of City-issued cellular phones are made, received, and posted to the City financial records. (Priority 2)***

Partly implemented. The City's new City Cellular Telephone Policy (revised January 2005) establishes procedures and forms to be used to ensure that any employee reimbursements are made, received, and posted. Our review of a small sample of records indicates that departments are completing this form. However, reimbursement forms were not available for all departments. Target date: 6-06.

#5 (*City Administration/CC*) –
- *Consider changing the reimbursement rate for personal use of City-issued cellular phones to reflect the actual cost of cellular phone usage and*
- *Consider alternatives to reduce personal call subsidies and Cellular Phone Program administration costs. (Priority 1)*

Partly implemented. According to Finance, Finance believes that cellular phone stipends implemented in January 2005 operate well. Finance reports that there are 193 participants in the program and the total amount paid out in 2005 for cellular phone stipends to City employees was $51,967.43 for the period from January through November.

The City has not fully considered pooling all cellular phone plans into one large pooled plan in order to maximize the use of available minutes and limit overage charges caused by users exceeding their allowed minutes in individual plans. Finance believes additional work is necessary to study a pooled plan as the plan may have some adverse impacts on some departments. A current cellular phone provider is studying the issue. Target date: 6-06.

#6 (*City Administration/CC*) –
- *Update the City's Wireless Telephone Policy to reflect new information and reflect Recommendations 1 to 5 in this report. (Priority 3)*

Partly implemented. The City revised the City's Cellular Telephone Policy in January 2005. We will continue to monitor the City's update of the policy to reflect the implementation of Recommendations 1 through 5. Target date: 6-06.

04-08 AN AUDIT OF SAN JOSÉ FAMILY CAMP

#2 (*Parks, Recreation, And Neighborhood Services/EL*) - Upgrade camp staff housing. (Priority 3)

Partly implemented. Staff housing consists of 22 soft-sided tents and five hard-sided cabins. PRNS has upgraded five hard-sided cabins and four soft-sided tents. Without additional funding, PRNS plans to upgrade four staff tents or cabins per year and expects to complete upgrading staff housing by June 2011. Unit cost of tent upgrades has increased to $3,500 per unit. Target date: 6-11.

COUNCIL ATTENTION REQUIRED: $63,000 funding required to repair 18 tent platforms.

#4 *(Parks, Recreation, And Neighborhood Services/EL) - Develop budget estimate for repairing deck railings, water tanks, and amphitheatre. (Priority 3)*

> Partly implemented. PRNS staff and volunteers repaired six tent platforms between March and May 2005. According to PRNS staff, the water tank liner and reconditioning project was deferred after consultation with the local Health Department and vendor. PRNS originally planned to use volunteers to implement this project, but instead will rely on professional installers plans to protect City warranty rights. This project will be completed in two phases to retain potable water service at all times. The first tank repair is scheduled for Spring 2006 and the second repair scheduled for Fall 2006. The amphitheatre seating was repaired and reconditioned. Additional work remaining includes repairing amphitheatre erosion at an estimated cost of $8,000. The project will entail redirecting winter rain water and will be completed as funds are identified in 2006-07. Target date: 6-07.

> COUNCIL ATTENTION REQUIRED: $8,000 funding required to repair erosion.

#5 *(Parks, Recreation, And Neighborhood Services/EL) - Reconcile permitted camp tent platforms with U.S. Forest Service Permit. Remove non-permitted tent platforms or obtain permit amendment to allow additional platforms. (Priority 3)*

> Partly implemented. PRNS staff met with a U.S. Forest Supervisor in September and November 2004 to initiate discussions regarding camp operations. An additional meeting was held in February 2005. A U.S. Forest Service representative advised a PRNS manager that existing structures may remain in place until a new agreement is reached with the U.S. Forest Service. The current U.S. Forest Service permit expires in December 2007. PRNS plans to begin the permit renewal process in Spring 2006, which will include conducting environmental surveys, which will determine if changes are necessary in the renewed permit. Target date: 12-07.

#6 *(Parks, Recreation, And Neighborhood Services/EL) - Make good faith effort to reach an agreement or memorandum of understanding with Friends of San José Family Camp to determine the appropriate role of organization. (Priority 3)*

> Partly implemented. PRNS staff is still discussing with the Friends of San Jose Family Camp an appropriate support role for the organization in camp operations. On-going cooperative projects (work parties) are being approved on a case-by-case basis. The City's goals are to focus the group's role towards fundraising to fund specific multi-year projects and purchase unfunded equipment. In accordance with City policies, the Family Camp Manager will approve volunteers and volunteer projects. Target date: 6-06.

04-09: AN AUDIT OF THE CITY MANAGER'S REFORMS

#1 (Finance/JC) - Establish policies and procedures to ensure that the Purchasing function is adequately segregated from the Accounts Payable function. (Priority 3)

>Partly implemented. The Finance Department has hired a Chief Purchasing Manager (Deputy Director of Finance) to oversee and operate the Purchasing function. The Chief Purchasing Manager is working with the Accounting Division to review internal controls and assure proper segregation of duties between Purchasing and Accounts Payable. Target date: 6-06.

#2 (City Administration/JC) - Develop a detailed project staffing plan for its complex RFP projects that would identify the required staff, their estimated time commitments, and when they will be needed for the project. (Priority 3)

>Partly implemented. On December 6, 2005, Council approved a set of comprehensive Procurement Reforms which included direction to develop a City Policy titled "Source Selection Plan."   The Purchasing Division is in the process of developing a Source Selection Plan which outlines the procurement method, scope of work, the vendor outreach, the estimated dollar value of the procurement, staff allocation, estimated staff commitment, evaluation factors and method, list of evaluators, major milestones, and departmental approval. Target date: 6-06.

05-01: AN AUDIT OF THE PUBLIC ART PROGRAM

#1 (City Manager's Office/EL) - Notify the Arts Commission when eligible construction projects do not receive a public art allocation. (Priority 3)

>Partly implemented. The City Manager's Office provided the Office of Cultural Affairs with the list of eligible and ineligible projects in May 2005 and it was distributed to the Arts Commission at its June meeting. The San Jose Redevelopment Agency is currently completing its list that will also be delivered to the Arts Commission. These lists will be created and distributed to the Arts Commission every year. It is anticipated that the City Manager's Office and the San Jose Redevelopment Agency will continue to submit this information annually in the Capital Improvement Budget. Target date: 6-06.

#2 (Administration/EL) - Better define public visibility and eligible capital projects for purposes of identifying all construction projects that should receive a two percent art allocation. (Priority 3)

>Partly implemented. The Public Art Program staff, through the use of consultants, is updating the Public Art Master Plan. The Public Art Master Planners are charged with refining the definition of public visibility and eligible capital construction for the purpose of the percent for art set-aside. Target date: 12-06.

#3 (Program Staff/EL) - Submit for City Council consideration a proposal to allow art allocations to be increased in the event of increased project budgets beyond a specific percentage or dollar amount. (Priority 3)

> Partly implemented. The Office of Cultural Affairs has discussed with the City Manager's Office and the City Service Areas the issue of defining public visibility and eligible capital projects for purposes of identifying all construction projects that should receive a two percent art allocation. Additionally, the Public Art Program staff, through the use of consultants, is updating the Public Art Master Plan. The Public Art Master Planners are expected to address the issue of increasing art allocations. Target date: 12-06.

#4 (City Manager's Office/EL) - Require departments to coordinate with the Public Art Program Director prior to proposing any public art allocation reductions. (Priority 3)

> Partly implemented. The Administration has made changes to the City's budget process that require project teams to enter the reasons into the budget preparation database for any project for which an exception is being proposed. The Administration expects the project team to coordinate any changes with the City's Public Art Director. The Administration needs to formally document the process for proposing any public art allocation reductions. Target date: 12-06.

#5 (Program/EL) - Develop a means to track and monitor administrative cost information for each individual public art project. (Priority 3)

> Partly implemented. The Office of Cultural Affairs Analyst is in the process of developing new systems to track and monitor administrative cost information for each individual public art project. Target date: 6-06.

#6 (Program Staff/EL) - Track and report information on pooled public art project funds to the City Council and the City Manager's Budget Office. (Priority 3)

> Partly implemented. The Office of Cultural Affairs Analyst is in the process of developing new systems to track and report information on pooled public art project funds for the City Council and the City Manager's Budget Office. Target date: 6-06.

#8 (Program/EL) - Establish guidelines for community members in the public art process and communicate those guidelines to potential and current Public Art Task Force members. (Priority 3)

> Partly implemented. Formal guidelines for community involvement in the public art process will be developed in the context of the new Public Art Master Plan. Program staff have solicited feedback from community members and Public Art Committee members on community involvement guidelines. Target date: 12-06.

#10 (Program/EL) - Develop a benchmark for community participation and develop a strategy to improve community participation. (Priority 3)

Partly implemented. The Office of Cultural Affairs has reassigned Community Development staff and initiated new processes to establish a benchmark for community participation and a strategy to improve community participation. Rather than relying on mailed notifications, staff is focusing on more direct outreach efforts. Public Art outreach is being directly integrated into community meetings convened by City departments leading capital construction projects, and staff is also bolstering its relationships with existing community and neighborhood groups. Staff will work with the Public Art Master Plan team to establish benchmarks for outreach efforts. Target date: 12-06.

05-02: AN AUDIT OF THE AGREEMENTS BETWEEN THE CITY AND THE FILIPINO AMERICAN SENIOR OPPORTUNITIES DEVELOPMENT COUNCIL (FIL-AM SODC)

#1 (Parks, Recreation, And Neighborhood Services/LB) - Work with the City Attorney's Office to take appropriate action and address the Fil-Am SODC's use of City grant funds on ineligible activities that we identified for 2002-03 and 2003-04. (Priority 1)

Not implemented. PRNS has been working with the Attorney's Office and the Auditor's Office to provide additional information on Fil-Am SODC's operations to the MGWB Committee. PRNS is currently waiting for direction from the City Attorney's Office in regards to how the City will address Fil-Am SODC's use of City grant funds on ineligible activities during 2002-03 and 2003-04. Target date: 6-06.

#2 (Parks, Recreation, And Neighborhood Services/LB) - Review the City's 2004-05 and subsequent funding of Fil-Am SODC to ensure that it is not continuing to use City funds on ineligible activities. (Priority 2)

Partly implemented. PRNS has not determined whether Fil-Am SODC used 2004-05 City funds on ineligible activities. However, based on rating criteria, PRNS did not award Fil-Am SODC CDBG funding for 2005 through 2007. The status of the 2005-06 HNVF agreement with Fil-Am SODC is still pending Committee direction. Fil-Am SODC did not apply for 2006-07 HNVF funding. Target date: 12-06.

#3 (Parks, Recreation, And Neighborhood Services/LB) - Work with the Fil-Am SODC and provide training on appropriate Board of Director oversight and implementation of organization policies and procedures. (Priority 3)

Partly implemented. According to PRNS, it met with Fil-Am SODC and requested information on the organization's existing policies and procedures. However, at this time, the City has not determined whether it will enter into any future agreements with Fil-Am SODC. We will revisit this recommendation when PRNS determines whether it will enter into any agreements with Fil-Am SODC. Target date: 6-06.

#4 (Parks, Recreation, And Neighborhood Services/LB) - Work with Fil-Am SODC to ensure that its performance measurement reporting is appropriate, accurate and does not include duplication of other services, programs and grants. (Priority 2)

> Partly implemented. PRNS staff has discussed appropriate reporting calculations with Fil-Am SODC. In response, Fil-Am SODC corrected its activity reports for January through June, 2005. The City awarded Fil-Am SODC approximately $173,000 in 2005-06 HNVF grant funds. When Fil-Am SODC provides the documentation required for this grant, PRNS will review the information and ensure that it is appropriate, accurate, and does not include duplication of services. We will evaluate the implementation of this recommendation at the conclusion of this process. Target date: 6-06.

#5 (Parks, Recreation, And Neighborhood Services/LB) - Ensure that Fil-Am SODC's performance measurement reporting distinguishes between community uses of the Community Center and those activities qualifying as grant agreement activities. (Priority 2)

> Partly implemented. PRNS staff has discussed appropriate reporting calculations with Fil-Am SODC. In response, Fil-Am SODC corrected its activity reports for January through June, 2005. The City awarded Fil-Am SODC approximately $173,000 in 2005-06 HNVF grant funds. When Fil-Am SODC provides the documentation required for this grant, PRNS will review the information and ensure that it is appropriate, accurate, and does not include duplication of services. We will evaluate the implementation of this recommendation at the conclusion of this process. Target date: 6-06.

#6 (Parks, Recreation, And Neighborhood Services/LB) - Amend its grant agreements to require organizations to disclose non-City grant sources of funding and identify all sources of funding for City-funded activities. (Priority 3)

> Partly implemented. According to PRNS, all CDBG and HNVF agreements were updated in July 2005 to include an audit requirement for a "Schedule of Government Financial Assistance which identifies the gross amounts of grants obtained from the City and other governmental sources and shows the amount received and disbursed under each grant during the audited fiscal year." For 2006-07, all PRNS grant agreements should include a requirement for agencies to disclose all non-City grant sources of funding and identify all sources of funding for City-funded activities. Target date: 12-06.

#7 (Parks, Recreation, And Neighborhood Services/LB) - Consolidate HNVF-funded tutoring programs at Independence High School and ensure there are no additional funding overlaps at other schools. (Priority 3)

> Partly implemented. According to PRNS, they have developed a matrix to identify funding overlaps. HNVF staff is also discussing measures with San Jose After School staff to ensure that duplicate funding does not occur. In order to implement this recommendation, we will review the matrix and any other controls that were put in place to ensure that future overlaps do not occur. Target date: 6-06.

#8 (Parks, Recreation, And Neighborhood Services/LB) - Require grant recipients to provide a list of the activities and units of service performed under their grant agreements with the City, and compare these lists to recipients' quarterly reports to the City to verify that reported participants are eligible. (Priority 3)

> Partly implemented. According to PRNS, CDBG, HNVF, and B.E.S.T quarterly reports included a list of activities. Reports are reviewed by staff to ensure goals are being met. Eligibility is verified during monitoring visits by comparing intake forms and sign up lists to reported numbers in activity reports. In order to implement this recommendation, we will sample the activity reports and supporting list of activities to verify that the reported figures are accurate and that PRNS has procedures in place to identify errors in agencies reports. Target date: 6-06.

#9 (Parks, Recreation, And Neighborhood Services/LB) - Enforce the requirement that grant recipients submit a cost allocation plan and that grant recipients also request prior PRNS approval of any changes or shifts in funding or budgeted amounts. (Priority 3)

> Partly implemented. According to PRNS, all Grants Unit analysts have been instructed to adhere to this requirement. Agencies have been advised that if they do not obtain prior approval, expenses will not be reimbursed. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 6-06.

#10 (Parks, Recreation, And Neighborhood Services/LB) - Develop a monitoring process and appropriate documentation to review audited financial statements and compliance audits. (Priority 3)

> Partly implemented. The City Auditor's Office provided a training session for PRNS staff on March 14, 2006. The Grants Unit audit checklist will be updated to include information from the training. Additionally, PRNS staff will be working with the Finance Department to identify additional resources for assisting in the review of audits. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 6-06.

#11 (Parks, Recreation, And Neighborhood Services/LB) - Provide training to those staff responsible for grant recipient monitoring and oversight to help detect irregularities or identify potential problems indicated in the audited financial statements. (Priority 3)

> Partly implemented. The City Auditor's Office provided a training session for PRNS staff on March 14, 2006. The Grants Unit audit checklist will be updated to include information from the training. Additionally, PRNS staff will be working with the Finance Department to identify additional resources for assisting in the review of audits. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 6-06.

#12 (Parks, Recreation, And Neighborhood Services/LB) - Develop and implement procedures that incorporate the City's total support of an organization, including free rent and payment of utilities as part of the grant review process. (Priority 3)

> Partly implemented. According to PRNS, a matrix has been developed that all applicants will be required to complete identifying all City sources of funding for their agency, whether direct or in-kind. This matrix will be incorporated into the applications released in the Fall of 2006 for CDBG and HNVF. This table will also be incorporated into the B.E.S.T and San Jose After School application process in February 2007. We will review this matrix and sample grant applications to verify that the appropriate controls are implemented during our next follow-up process. Target date: 6-07.

#13 (Parks, Recreation, And Neighborhood Services/LB) - Work with the City Attorney's Office and City Manager's Office to develop and implement procedures to ensure organizations do not occupy City facilities without the benefit and protection of a current operating or facility use agreement. (Priority 2)

> Partly implemented. According to PRNS, the City Administration is reviewing use agreements to verify if they are current. Agreements that were unclear or expired are in the process of being updated. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 6-06.

#14 (Parks, Recreation, And Neighborhood Services/LB) - Implement a Request for Qualifications process or use City staff to operate the City-owned Jacinto "Tony" Siquig Northside Community Center. (Priority 2)

> Partly implemented. PRNS issued a RFP in March 2006 and is in the process of identifying a new operator for the Northside Community Center. Target date: 6-06.

05-04: AN AUDIT OF THE WORKERS' COMPENSATION PROGRAM CLAIMS LIABILITY

#1 (Employee Services/RO) – Follow the City Auditor-recommended and City Council-approved policy to estimate the annual outstanding workers' compensation claims liability. (Priority 2)

> Implemented. Employee Services implemented this recommendation, following the City Auditor-recommended and City Council-approved policy to estimate the City's annual outstanding workers' compensation claims liability as of June 30, 2005. Employee Services will continue to utilize this method each year to estimate the City's outstanding liability for workers' compensation claims.

#2 (City Council/RO) – Direct the City Auditor to conduct an annual claims administration audit to ensure accuracy and objectivity as part of a quality assurance program regarding the integrity of the workers' compensation database. (Priority 2)

> Implemented. The City Council directed the City Auditor to conduct an annual claims administration audit of the workers' compensation database and added the assignment to the City Auditor's Annual Workplan. The first claims administration audit will be conducted during 2006-2007.