



**OFFICE OF THE
CITY AUDITOR**

**SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT
ON ALL OUTSTANDING AUDIT RECOMMENDATIONS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

**A REPORT TO THE
SAN JOSÉ CITY COUNCIL
PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE**

May 5, 2008

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

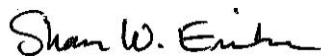
Transmitted herewith is the *Semi-Annual Follow-Up Report On All Outstanding Audit Recommendations For The Six Months Ended December 31, 2007*.

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 Public Safety, Finance and Strategic Support Committee attention and report on the status of all open recommendations.

I will present this report to the Public Safety, Finance and Strategic Support Committee at its May 15, 2008 meeting. Should you have any questions or need additional information in the interim, please let me know.

Respectfully submitted,



Sharon W. Erickson
City Auditor

SE:bh
Dec07

cc: City Manager's Office
and affected departments

EXECUTIVE SUMMARY

In accordance with the City Auditor's approved 2007-08 Workplan, we have prepared a report of the status of open recommendations for the six months ending December 31, 2007. To prepare this report, we met with department staff, reviewed department assessments of audit status, and reviewed documentation provided by departments. The City Auditor's Office would like to thank the City Manager's Office and the Airport, Environmental Services, Finance, Fire, PBCE (Planning, Building and Code Enforcement), Police, PRNS (Parks, Recreation and Neighborhood Services), Public Works, and Transportation Departments for their assistance in compiling this report.

IMPLEMENTATION STATUS OF OPEN RECOMMENDATIONS

During the semi-annual period covering July 1 through December 31, 2007, there were seventy (70) outstanding recommendations. This included 46 recommendations that were outstanding after our last status report as of June 30, 2007, and 24 new recommendations that the City Council approved during this semi-annual period. Of the 70 outstanding recommendations:

- 29 recommendations were implemented;
- 37 recommendations were partly implemented;
- 3 recommendations were not implemented; and
- 1 recommendation was deferred

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

TABLE I
STATUS OF OPEN RECOMMENDATIONS BY AUDIT REPORT ENDING DECEMBER 31, 2007

Report #	Audit Report	Implemented	Partly Implemented	Not Implemented	Deferred	Dropped
88-03	An Audit Of The Police Department Overtime Controls		1			
96-07	An Audit Of The City Of San Jose's Open Purchase Order Process			1		
97-01	An Audit Of The City Of San Jose's Utility Billing System		1			
00-04	An Audit Of The City Of San Jose Building Division's Building Permit Fee Process		1			
01-01	An Audit Of The Property Appraisal Process Of The Department Of Public Works—Real Estate Division	1	1			
01-02	An Audit Of The City Of San Jose Fire Department's Overtime Expenditures	1	3			
01-05	An Audit of the City of San Jose Fire Department's Strategic Plan Regarding Proposed Fire Stations		2			
02-03	An Audit Of The Property Management Operations Of The City Of San José's Department Of Public Works – Real Estate Division		1			
03-04	An Audit Of The Airport Neighborhood Services Group		1			
03-10	An Audit of The San José Fire Department's Bureau of Fire Prevention		4		1	
04-01	An Audit Of The Concentrated Code Enforcement Program	1				
04-06	A Review Of The Request For Proposal For The New Civic Center Converged Network System	1				
04-08	An Audit Of San José Family Camp		2			
04-09	An Audit Of The City Manager's Reforms		1			
05-01	An Audit Of The Public Art Program		2			
05-02	An Audit Of The Agreements Between The City And The Filipino American Senior Opportunities Development Council	2	1			
05-03	An Audit Of The Environmental Services Department's Laboratory		1			
06-01	An Audit Of Citywide Grant Oversight		2			
06-02	An Audit Of The San Jose Municipal Water System Fire Hydrant Maintenance And Repair Program			1		
06-04	The 2004-05 Annual Performance Audit Of Team San Jose, Inc.		7			
07-01	Review Of The Mexican Heritage Corporation	4	1			
07-02	Municipal Water System Consolidated Water Utility Fund		1			
07-03	An Audit Of the Traffic Calming Program	13	2	1		
07-04	An Audit Of DOT's Efforts To Secure Federal Highway Bridge Replacement And Rehabilitation (HBRR) Funds	6	2			
	Totals	29	37	3	1	0

As of December 31, 2007, the distribution of the forty one (41) recommendations which remain open are as follows:

1	Airport	1	Planning, Building, and Code Enforcement
8	City Administration/City Council	1	Police Department
2	Economic Development	3	Parks, Recreation, and Neighborhood Services
2	Environmental Services Department	3	Public Works Department
2	Finance Department	5	Team San Jose
10	Fire Department	3	Transportation

Of the forty one (41) recommendations which remain open:

- 0 recommendations are Priority 1;
- 8 recommendations are Priority 2; and
- 33 recommendations are Priority 3.

Of the three (3) recommendations which are “not implemented”:

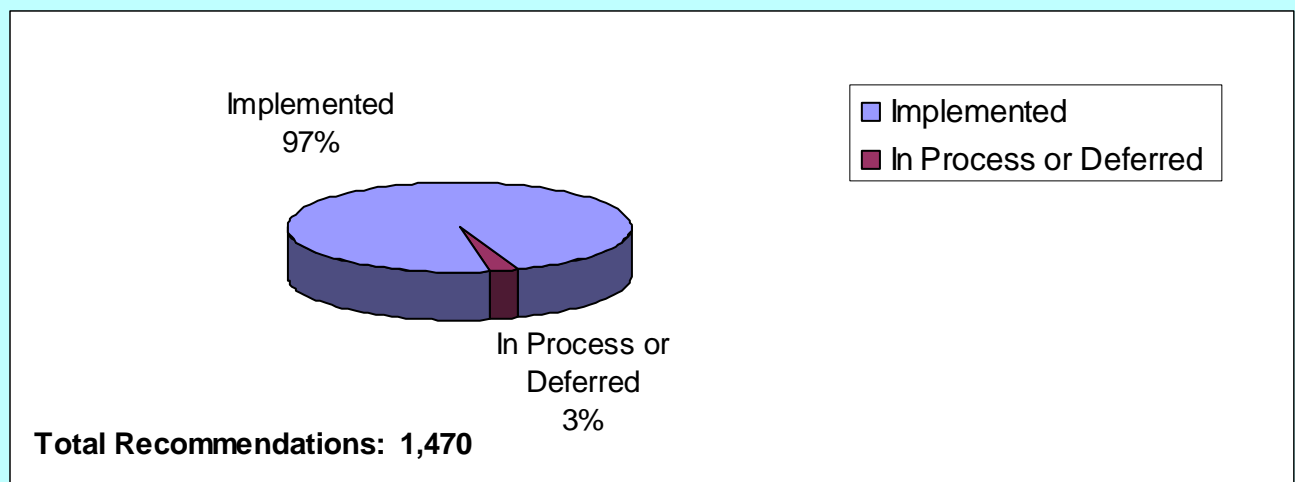
- 0 recommendations are Priority 1;
- 1 recommendations is Priority 2; and
- 2 recommendations are Priority 3.

One Priority 2 recommendation is “deferred.”

Graph I shows the number of City Auditor recommendations made and implemented from May 1985 through December 2007.

GRAPH I

RECOMMENDATIONS IMPLEMENTED May 1985 through December 2007



RECOMMENDATIONS REQUIRING PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT 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. Any recommendations with budget implications are also tracked as part of each year's budget process.

Of the 9 recommendations highlighted below, 8 have budget implications and one (07-03, #12) is an item that we recommend be dropped.

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

#8 (San José Fire Department/GM) - 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. Such options include developing and implementing a proactive sick leave policy and identifying possible problem areas at the fire station level. Target date: 7-08.

COST SAVINGS: TBD.

#9 (San José Fire Department/GM) - 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 SJFD requested the addition of a Wellness Coordinator as part of the 2008-09 budget process to restore services previously eliminated due to a budget reduction in 2001-02. The Wellness Coordinator would coordinate wellness assessments; provide health, fitness, and wellness training programs for all Fire Department personnel to minimize injuries, health risks and improve quality of life; and work with the Department Safety Officer to maximize effectiveness of all safety programs. This proposal was not recommended in the 2008-09 budget. However, the proposed 2008-09 budget does include funding for a Citywide health risk mitigation program. Target date: 7-08.

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 San Jose Fire Department (SJFD) has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in April 2008; 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 Emergency Medical Services (EMS) Agreement with the County requires that the SJFD respond on all 911 calls received. Under the Priority Dispatch Omega protocol, the 911 call receives an alternate response, such as medical advice over the phone from a nurse. The County has approved the County EMS contract extension for three years and the SJFD followed up with data collection through June 2007. Furthermore, the SJFD was successful in obtaining County EMS Agency authorization to respond to lower-priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. However, a retrospective review of patient care data by the SJFD identified data integrity issues that must be resolved prior to response modification. The SJFD is confident that data integrity features specifications of the Records Management System, that it is in the process of implementing, will ensure its future ability to determine which Omega calls could safely receive an alternate response. The Records Management System implementation is scheduled to be operational in July 2008. Target date: 12-08.

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 SJFD intends to collect data to determine the appropriateness of this strategy. The Fire Department plans to alternatively staff a unit to independently respond to lower-priority medical calls and service requests with the redeployment of Station 2's resources. Station 2's resources will be redeployed during its construction from July 2008 to June 2009. During this period, the SJFD will collect patient care, and unit availability and location data regarding this deployment model with the incident-reporting module of the Records Management System and Mobile Data Computer. Target date: 6-08.

REQUIRES FUNDING: TBD.

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

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

PARTLY IMPLEMENTED. According to Department of Public Works (DPW) Administration, progress to implement this audit recommendation has been made through meetings with the member departments of the City's Property Acquisition and Disposition Committee. The Committee has determined a three-tiered oversight model will be utilized as follows:

1. Existing leases directly related to the Mission of a department will continue to be negotiated and administered by that department - for example, an Agreement for Operation of a municipal parking lot by the Department of Transportation, or a lease to an art or dance instructor at a community center by Parks, Recreation and Neighborhood Services.
2. The second tier/category will have the Public Works Real Estate Division (PWRE) acting as a consultant to assist client departments in negotiating and drafting lease agreements that the client department will administer.
3. The third tier/category includes leases that are not directly related to a department's mission. These leases will be transferred to PWRE for future administration and negotiation – for example, a lease for retail space use within a parking structure.

According to the DPW, due to competing workload demands, implementing this model is dependent upon receiving additional staff support; however, no additional resources were recommended in the 2008-09 Proposed Budget. Target date: TBD.

REQUIRES FUNDING: TBD.

06-04: THE 2004-05 ANNUAL PERFORMANCE AUDIT OF TEAM SAN JOSE, INC

#16 (Team San Jose/CH) – Develop and implement a workplan to correct ADA noncompliant items and notify the City accordingly. (Priority 3)

PARTLY IMPLEMENTED. The Management Agreement between the City and TSJ states, “Operator shall be solely and fully responsible for complying with the Americans with Disabilities Act of 1990 (“ADA”) in connection with: (a) any use of the facilities by guests or services provided by Operator to Customers; and (b) modifying its policies, practices, and procedures to comply with the ADA. Operator shall develop a work plan to correct or avoid any violations or non-compliance with the ADA. Operator shall perform an assessment of Facilities for ADA compliance and notify City of any compliance issues...” TSJ has assessed the Convention and Cultural Facilities for ADA compliance. In general, the Convention and Cultural Facilities are ADA compliant; however, a more comprehensive study is required to identify all non-compliant items and the associated cost of bringing the

facilities into compliance. Funding for this study is recommended in the Proposed 2008-09 Budget. Once the study is complete, funding strategies will need to be developed to correct the non-compliant items. The Administration intends to allocate funds from the repair and maintenance reserve to begin making the necessary improvements. Target date: 12-08.

REQUIRES FUNDING: TBD.

07-03: AN AUDIT OF THE TRAFFIC CALMING PROGRAM

#12 (Department of Transportation/RM) - Formalize its procedures to guide staff in the effective deployment of NASCOP resources. (Priority 3)

NOT IMPLEMENTED. The NAS COP program was eliminated during the FY 2007-08 budget process. Therefore, we request that this recommendation be dropped.

REQUIRES COUNCIL ATTENTION: We request that this recommendation be dropped.

07-04: AN AUDIT OF DEPARTMENT OF TRANSPORTATION'S EFFORTS TO SECURE FEDERAL HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION (HBRR) FUNDS

#2 (Department of Transportation/GE) - Prepare and submit an indirect cost rate proposal to CALTRANS for approval. (Priority 3)

PARTLY IMPLEMENTED. Staff is still in the process of implementing this proposal. DOT staff is currently working with the City's Finance Department to establish an indirect cost rate to be used for future grant projects. Target date: 9-08.

POTENTIAL BUDGET IMPACT: TBD.

#8 (Department of Public Works/GE) - Establish procedures to bill the Santa Clara Valley Water District for reimbursement of project costs within the timeframe as specified in the cost-sharing agreements. (Priority 2)

PARTLY IMPLEMENTED. This requirement is included in DOT's grant procedures manual. In addition, quarterly grant inventory meetings are held to ensure compliance with this recommendation. DPW is developing new procedures and anticipates new bridge replacement at King Road, which will include a Water District cost-sharing agreement. The cost-sharing agreement will be developed in 2008-09.

POTENTIAL BUDGET IMPACT: TBD.

**COMPLETE LISTING OF THE STATUS
OF OPEN AUDIT RECOMMENDATIONS
AS OF DECEMBER 31, 2007**

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

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

PARTLY IMPLEMENTED. In 2005, the City Auditor and members of the Police Department met with the Rules Committee to discuss this recommendation. As a result, it was agreed that the City Auditor would conduct a “controls review” of the Police overtime. In January 2006, the Police Department requested that the City Auditor’s Office delay the review because it was in the process of deploying a new scheduling software package, TeleStaff, which would give the Police Department the ability to run various analytical reports on a daily, weekly, monthly, bi-monthly, or annual basis.

According to Police Department, since this audit recommendation was made in 1988, it has implemented additional controls to document, justify, and authorize overtime. Specifically, the Police Department has in place overtime controls and documenting processes that include (1) all overtime is pre-approved, (2) pre-approved overtime reported in PeopleSoft the current software package, is reviewed again prior to final approval and signature by a supervisor, and (3) overtime expenses are monitored and compared to budget on a bi-weekly basis.

The TeleStaff project is now on hold because of software problems. However, the Police Department sworn officers’ timekeeping was upgraded to PeopleSoft in May 2007. According to the Police Department, the City Auditor can now proceed with the controls review because of the implementation of the electronic timekeeping. Target date: 5-08.

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

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

NOT IMPLEMENTED. The Finance Department hired an Accounts Payable Section Supervisor in July 2007. The supervisor will finalize revisions to the Finance Administrative Manual Accounts Payable Section. Target date: 12-08.

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

#20 (Finance/Environmental Services Department/RO) - 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 Integrated Billing System (IBS) went live in July 2006. According to City Administration, in converting to the new system, the IBS project team implemented steps to correct, clean, and convert information in the database. Automated system features identify billing exceptions and IBS staff has now documented and implemented policies and procedures, authorizing changes from active to inactive records. In addition, the new system has an advanced query capability, being used to meet a goal to produce cleaner data. Some standard reports to maximize billing efficiencies and minimize errors have been developed, with additional reports and procedures currently under development. Once complete, the City Auditor's Office will review controls to ensure that the reliability of the database information is properly maintained. Target date: 6-08.

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

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

PARTLY IMPLEMENTED. Staff has completed development of the Financial Consulting Group's model which recommended a sinking fund to pay for long-term capital asset acquisitions. Currently, the Division is in the process of conducting an inventory of assets in order to populate the model with data. Target date: 6-08.

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

#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)

IMPLEMENTED. The Acquiring Property Rights Procedures Manual was approved and executed December 10, 2007 by the Director, Department of Public Works. The Manual includes six chapters: 1) Executive Summary; 2) Initiating the Process – Receipt of Request for Real Estate Services – Due Diligence – Appraisal"; 3) Acquiring Property Rights – Making the Offer to Purchase Through completing Site Delivery"; 4) Closing Out the File; 5) Tax Cancellation and 6) Preparing Files for Archival Storage. Each chapter of the Manual includes Gantt and flow charts. The manual additionally includes as attachments over 70 forms and documents and a glossary providing hyperlink definitions to over 40 terms.

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

PARTLY IMPLEMENTED. This recommendation will be implemented in two ways:

1. Completed: the Property Acquisition Log and Status Report [form 100.2.3] tracks initial target date, revised target dates and actual completion dates for each task within the Real Estate Acquisition Process. Form 100.2.3 is part of the Acquiring Property Rights Procedures Manual approved and executed December 10, 2007 by the Director, Department of Public Works.
2. Partly implemented. The Initial, Revised and Actual dates for specified major Property Acquisition milestones will be recorded in the Real Estate Module of the Capital Project Management System database currently under development. Target date: 6-08.

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

#6 (San José Fire Department/GM) - 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)

IMPLEMENTED. The Fire Department presented its 2006-07 Final Report of Fire Department Vacancy and Absence Rates And Their Impact On Overtime report to the Public Safety, Finance, and Strategic Support Committee. The Department has committed to provide, on an annual basis, a report on staffing levels, absence and vacancy rates, and a forecast of short-term and long-term vacancies. As a result of these actions we consider this recommendation implemented.

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

PARTLY IMPLEMENTED. The SJFD has agreed pursue various options to track sick leave usage. According to the Administrative Analyst, the department will discuss this with Senior Staff and the Personal Services Analyst to review how this can be done at an individual station level. Target date: 7-08.

#8 (San José Fire Department/GM) - 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. Such options include developing and implementing a proactive sick leave policy and identifying possible problem areas at the fire station level. Target date: 7-08.

COST SAVINGS: TBD.

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

PARTLY IMPLEMENTED. The SJFD requested the addition of a Wellness Coordinator as part of the 2008-09 budget process to restore services previously eliminated due to a budget reduction in 2001-02. The Wellness Coordinator would coordinate wellness assessments; provide health, fitness, and wellness training programs for all Fire Department personnel to minimize injuries, health risks and improve quality of life; and work with the Department Safety Officer to maximize effectiveness of all safety programs. This proposal was not recommended in the 2008-09 budget. However, the proposed 2008-09 budget does include funding for a Citywide health risk mitigation program. Target date: 7-08.

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 San Jose Fire Department (SJFD) has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in April 2008; 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 Emergency Medical Services (EMS) Agreement with the County requires that the SJFD respond on all 911 calls received. Under the Priority Dispatch Omega protocol, the 911 call receives an alternate response, such as medical advice over the phone from a nurse. The County has approved the County EMS contract extension for three years and the SJFD followed up with data collection through June 2007. Furthermore, the SJFD was successful in

obtaining County EMS Agency authorization to respond to lower-priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. However, a retrospective review of patient care data by the SJFD identified data integrity issues that must be resolved prior to response modification. The SJFD is confident that data integrity features specifications of the Records Management System, that it is in the process of implementing, will ensure its future ability to determine which Omega calls could safely receive an alternate response. The Records Management System implementation is scheduled to be operational in July 2008. Target date: 12-08.

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 SJFD intends to collect data to determine the appropriateness of this strategy. The Fire Department plans to alternatively staff a unit to independently respond to lower-priority medical calls and service requests with the redeployment of Station 2's resources. Station 2's resources will be redeployed during its construction from July 2008 to June 2009. During this period, the SJFD will collect patient care, and unit availability and location data regarding this deployment model with the incident-reporting module of the Records Management System and Mobile Data Computer. Target date: 6-08.

REQUIRES FUNDING: TBD.

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

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

PARTLY IMPLEMENTED. According to Department of Public Works (DPW) Administration, progress to implement this audit recommendation has been made through meetings with the member departments of the City's Property Acquisition and Disposition Committee. The Committee has determined a three-tiered oversight model will be utilized as follows:

1. Existing leases directly related to the Mission of a department will continue to be negotiated and administered by that department - for example, an Agreement for Operation of a municipal parking lot by the Department of Transportation, or a lease to an art or dance instructor at a community center by Parks, Recreation and Neighborhood Services.

2. The second tier/category will have the Public Works Real Estate Division (PWRE) acting as a consultant to assist client departments in negotiating and drafting lease agreements that the client department will administer.
3. The third tier/category includes leases that are not directly related to a department's mission. These leases will be transferred to PWRE for future administration and negotiation – for example, a lease for retail space use within a parking structure.

According to the DPW, due to competing workload demands, implementing this model is dependent upon receiving additional staff support; however, no additional resources were recommended in the 2008-09 Proposed Budget. Target date: TBD.

REQUIRES FUNDING: TBD.

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

#1 (Airport Neighborhood Services Group/RM) - 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 Airport continues to track constituent concerns and complaints with an Excel worksheet, documenting and tracking information about each complaint or concern. The Airport Customer Service Director and the Airport Ombudsperson are working with Airport Technology Services to evaluate, select, and purchase a software package to electronically standardize and track action related to constituent complaints and inquiries. The Airport plans to have a complaint queue as part of the Service Desk application. The Airport RFP document has been posted and responses to the RFP are due in April 2008. Purchasing approval is estimated for late Summer or Fall 2008. Target date: 10-08.

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

#2 (San José Fire Department/RO) - If Recommendation #1 results in a significant number of facilities being added to the Fire Inspection Billing System (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. According to San Jose Fire Department (SJFD) Administration, the City Council awarded a contract for the SJFD's Records Management System (RMS) which will help with the automation process. The City's Information Technology (IT) Department was to transfer the SJFD fire prevention inspection database from the City's VAX system to the SJFD's AMANDA system; implementation was expected by the end of 2007. However, according to SJFD Administration, there has been an ongoing delay in migrating their database off the

VAX system as IT has been unable to move it onto the AMANDA system. Subsequently, the SJFD recently decided to pursue a separate path and move the fire prevention inspection database onto the RMS system instead. Target date: 12-08.

#3 (San José Fire Department/RO) - 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 San Jose Fire Department (SJFD) is finalizing its Fire Prevention Business Plan, which addresses outstanding audit recommendations. Relative to this recommendation, the SJFD developed an RFP for a Records Management System (RMS) and the City Council has approved a contract for the system. There is an ongoing delay in migrating the SJFD fire prevention inspection database off of the VAX system, as the City's IT Department has been unable to move it onto SJFD's AMANDA system. The SJFD has recently decided to pursue a separate path and move the database into the RMS system. This project may be accomplished by the end of 2008. The SJFD goal is to use the RMS to better capture business license data and to have it link to the FIBS system. At this time, however, the estimated completion date of this project is unknown. Deferral date: 12-08.

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

PARTLY IMPLEMENTED. The San Jose Fire Department (SJFD) has written a Fire Prevention Business Plan, which includes a risk analysis/assessment model for Fire Inspection Frequency. A draft of the Business Plan has been completed. The SJFD is working with a consultant that has been selected to develop a methodology that will validate the risk assessment model; the scope of the work has not been finalized at this date. The Business Plan will use the methodology to rank facilities needing inspections in priority order. Target date: 6-08.

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

PARTLY IMPLEMENTED. The San Jose Fire Department (SJFD) has written a draft Fire Prevention Business Plan, now under final review, that recommends inspection frequencies based on a risk analysis and assessment model, and includes an analysis of Inspector time and inspection workload. The SJFD is currently working with a consultant to develop a methodology that will validate the risk assessment model; the scope of work has not been finalized at this date. The consultant will also identify "best practices" for fire inspection activities, which the SJFD will use to determine its inspection staff needs. Target date: 6-08.

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

PARTLY IMPLEMENTED. The San Jose Fire Department (SJFD) has received City Council approval to update the Administrative Citation Schedule of Fines, which includes fines for failing to maintain an updated Hazardous Materials Management Plan. In addition, as the SJFD finalizes implementation of its RMS system, including integrating the fire prevention inspection database, this will finally allow electronic data tracking of facilities' inspections to confirm that HMBP is in place.

Target date: 12-08.

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

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

IMPLEMENTED. Code Enforcement quarterly presents to the Neighborhood Services and Education Committee performance measures for the Blight Busters Program. Previously, Code Enforcement reported their Driveway Team performs proactive blight sweeps within the Strong Neighborhood Initiative (SNI) Project areas and responds to resident complaints of blighted conditions within the SNI areas.

These proactive sweeps consist of a systematic area-by-area survey and identification of blighted conditions and follow-up to eliminate the identified conditions.

According to Code Enforcement, the Driveway Team completes a full sweep of all SNI Project areas annually. They maintain detailed records of the blight identified and addressed in each area, broken down by violation.

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

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

IMPLEMENTED. Finance has developed comprehensive procedures on evaluation of minimum qualification requirements which sufficiently address this recommendation. According to the Purchasing Division Manger, these procedures will be incorporated in Finance's internal procedures manual and training will be provided to its buyers.

04-08 AN AUDIT OF SAN JOSÉ FAMILY CAMP

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

PARTLY IMPLEMENTED. According to PRNS, work on completing the staff housing improvement is in its final stages and is scheduled for completion in time for the 2008 Family Camp summer session. Target date: 6-08.

#5 (Parks, Recreation, And Neighborhood Services/CC) - 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. According to PRNS, staff has had continued discussion with U.S. Forest Service representatives to discuss camp operations. The current U.S. forest Service permit expired in December 2007. PRNS staff reports they submitted permit application materials that included the additional tent platforms in December but the Forest Service was unable to process the City's application due to staff shortages. The Forest Service authorized a one-year extension of the current permit. PRNS will return to the City Council to request approval to execute the new twenty year permit. Target date: 12-08.

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

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

PARTLY IMPLEMENTED. Finance has developed a security matrix that defines access profiles to the Financial Management System (FMS). The profiles (3 digit numbers) are assigned varying levels of security within each module which are: General Ledger, Cash Collection, Purchase Orders, and Accounts Payable. The Accounts Payable and Purchasing Divisions will document procedural controls beyond the FMS security matrix in conjunction with the updating of the Finance Administrative Manual. Target date: 6-08.

05-01: AN AUDIT OF THE PUBLIC ART PROGRAM

#4 (Office of Economic Development/CC) - Require departments to coordinate with the Public Art Program Director prior to proposing any public art allocation reductions. (Priority 3)

PARTLY IMPLEMENTED. According to the City Manager's Office, a new formula for Capital Improvement Projects was used for the 2007-08 Capital Budget. City Administration is working with the City Attorney's Office on ordinances and resolutions that will go forward to the City Council. Target date: 6-08.

#6 (Office of Economic Development/CC) - 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. According to the Office of Economic Development (OED), OED completed tracking of public art projects through the City's Capital Project Management System. OED will incorporate the tracking into the Five-Year Public Art Work Plan. Target date: 6-08.

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

#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)

IMPLEMENTED. The City Auditor's Office met with PRNS Grants Staff in December 2007 and reviewed the updated monitoring process, forms, and sample files. We noted that the new forms and processes provide additional controls to implement the recommendation. For example, during the Initial Visit Monitoring Worksheet requires PRNS Grants Staff to observe the program in action, and to review the organization's intake forms and other documentation to verify the program activities required under the grant agreements. It also requires signatures from both PRNS Grants Staff and an Agency Representative to help ensure accountability.

#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)

IMPLEMENTED. The City Auditor's Office met with PRNS Grants Staff in December 2007 and reviewed the updated monitoring process, forms, and sample files. According to PRNS, the Grants Program Manager is reviewing back-up documentation prior to approving financial disbursement requests. We also noted that the PRNS Grants Staff updated the monitoring process and forms for the second site visit. During the second site visit, staff will check the organization's financial reports to help ensure that project expenditures are properly allocated to the grant.

#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. PRNS has implemented additional controls to track the expiration of existing operating and lease agreements within the department's responsibilities. Most recently, PRNS developed procedures to guide the use of community center facilities for events and programmatic uses. Short-term users and

long-term programmatic users must complete a facility use application. According to PRNS staff, PRNS is using the RFP (Request for Proposal) process to select long-term facility operators and this process culminates in an operating agreement for the specific facility. PRNS is currently developing a facility re-use strategy to select community center operators through an RFS (Request for Services) process which will also culminate in an operating agreement for each facility identified in the re-use strategy. The recommendation follow-up has not addressed City facilities leased to other City departments. The City Auditor's Office has initiated an audit of CBO Financial Reporting and Accountability which will further explore this issue for other city departments. Target date: deferred until the issuance of the CBO Financial Reporting and Accountability Audit.

05-03: AN AUDIT OF THE ENVIRONMENTAL SERVICES DEPARTMENT'S LABORATORY

#1 (Environmental Services Department's Laboratory/LB) –

- *Continue to develop the procedures and controls to mitigate the threats we identified.*
- *Revisit its workload analysis and resource allocation after the new Laboratory Information Management System (LIMS) is fully operational. (Priority 2)*

PARTLY IMPLEMENTED. Since the last follow-up review, ESD completed acceptance of the new Laboratory Information Management system (LIMS) and has developed controls for the majority of the threats identified in the audit report. Three of the twenty-nine threats identified in the audit report appear to be outstanding. These outstanding threats pertain to identifying the benefits and actual costs of special projects (T-16, 20 and 29). Audit staff has communicated these outstanding issues to ESD and anticipates the department will be able to incorporate controls for these threats into their new procedure on special projects. Target date: 6-08.

06-01: AN AUDIT OF CITYWIDE GRANT OVERSIGHT

#1 (City Departments/GM) – Develop a procedures manual to formally document the City's policies and procedures regarding grant oversight. (Priority 3)

PARTLY IMPLEMENTED. The City Manager's Office has continued to work on developing a comprehensive procedures manual to formally document the City's grant oversight policies and procedures and expects that the manual will be fully completed by May 2008. Target date: 5-08.

#2 (Administration/GM) – Develop a Citywide grant database to provide comprehensive grant information, facilitate better grant awarding decisions and grantee monitoring, and help ensure grantee compliance with grant requirements. (Priority 3)

PARTLY IMPLEMENTED. The City Manager's Office is in the process of finalizing options for a comprehensive Citywide grants database. Staff is reviewing alternatives such as utilizing the Housing Department's database and purchasing off-the-shelf grant management software. The City Manager's Office expects staff to make final recommendations by June 2008. Target date: 6-08.

06-02: AN AUDIT OF THE SAN JOSE MUNICIPAL WATER SYSTEM FIRE HYDRANT MAINTENANCE AND REPAIR PROGRAM

#5 (City/RO) – Negotiate the ownership, maintenance, and replacement of about 13,500 fire hydrants with the private water companies in San Jose service areas. (Priority 2)

NOT IMPLEMENTED. The City Manager's Office will work with the Environmental Services Department to implement a process to contact private water companies and inquire about their interest in purchasing, maintaining, and replacing the 13,500 fire hydrants in the San Jose service areas. Target date: 12-08.

06-04: THE 2004-05 ANNUAL PERFORMANCE AUDIT OF TEAM SAN JOSE, INC

#2 (Team San Jose/CH) – Develop a new Economic Impact Performance Measure Target based on factors such as historical data, the capacity of the Facilities, and the potential for future growth and amend the Management Agreement accordingly. This target should also include the actual number of room nights booked for events held in the Facilities. (Priority 3)

PARTLY IMPLEMENTED. The new measure will be included in the Management Agreement. The City Council reviewed the performance of Team San Jose during a study session in December 2007. The Council directed City Administration to negotiate an extension of the operating agreement with Team San Jose for an additional five year period starting June 2009. Included in the negotiations will be the development of a new Economic Impact Performance Measure Target that will be based on factors such as historical data, the capacity of facilities, room nights, hotel occupancy and the potential for future growth. The Management Agreement will be modified accordingly. Target date: 6-08.

#5 (City Administration & Team San Jose/CH) – Develop a clearer and more specific Customer Service Results Performance Measure Target and amend the Management Agreement accordingly. (Priority 3)

PARTLY IMPLEMENTED. The City Council reviewed the performance of Team San Jose during a study session in December 2007. The Council directed City Administration to negotiate an extension of the operating agreement with Team

San Jose for an additional five-year period starting June 2009. Included in those negotiations will be the development of a revised customer service performance measure. The Management Agreement will be modified accordingly.
Target date: 6-08.

#11 (Team San Jose/CH) – Include in its annual report to the City Manager a clear comparison of its actual performance to the Management Agreement Performance Measure Targets. (Priority 3)

PARTLY IMPLEMENTED. As noted in the 2005-06 and 2006-07 Annual Performance Audit of Team San Jose, Inc., we reviewed TSJ's June 2007 year-end report to the City Manager and found that it did not provide a clear comparison demonstrating the extent to which it has met the Management Agreement Performance Measure Targets as required by the Management Agreement. Also, no written analysis has been provided to detail the extent to which TSJ has met the Performance Measures. Therefore, in our opinion, TSJ's year-end report "Executive Summary Performance Measures Year-to-Date" should 1) mirror the performance measures stated in Section 4.8 of the Management Agreement, 2) compare performance to the Management Agreement Performance Targets only, removing actual to budget comparisons, and 3) provide a clearly written analysis comparing TSJ's actual performance to each performance measure's Management Agreement Targets. The Administration concurs with the City Auditor's update. The Administration will work with TSJ to modify its year-end report to provide the information described in points 1, 2, and 3. Target date: 7-08.

#12 (City Administration/CH) – Review and present TSJ's year-end report, along with any analysis, to the City Council. The City Administration's analysis should include TSJ's performance as contrasted with its Management Agreement Performance Measure Targets. (Priority 3)

PARTLY IMPLEMENTED. According to the Management Agreement (Agreement), Team San Jose (TSJ) shall present a year-end report to the City Manager demonstrating the extent to which it has met its Agreement Performance Measures no later than July 31st of each year of the term of the Agreement and the City Manager shall review and present the report together with any comment or analysis by City staff to the City Council. TSJ presented an "Update on Team San Jose" to the Community and Economic Development Committee on March 19, 2007. The Administration provided to the City Council and the community a detailed analysis of revenues, net loss, attendance, and customer service results in comparison to the Management Agreement performance measure targets as part of the Council study session on Team San Jose and the possibility of extending the Management Agreement. Analysis recommended by the Auditor will be completed with this year's report. Target date: 7-08.

#14 (Team San Jose/CH) – Work with the Office of Equality Assurance and provide required documentation in order to fully meet the City’s Living Wage and Prevailing Wage Policies as required in the Management Agreement. (Priority 3)

PARTLY IMPLEMENTED. As of October 1, 2007, TSJ provided a listing of the companies with which Team San Jose contracts and the services these companies provide to the Office of Equality Assurance. However, according to the Office of Equality Assurance, in order to determine if TSJ is in compliance with the City’s Living Wage and Prevailing Wage Policies, additional information, such as the terms of these contracts, copies of the contracts, and what TSJ does to ensure that compliance has been achieved, is required. TSJ will also need to provide information regarding its employees. Additional coordination is needed between Team San Jose and the Office of Equality Assurance to ensure adequate information is being provided by TSJ for the analysis to be completed. Target date: 6-08.

#15 (Team San Jose/CH) – Work with the City to amend the Management Agreement to allow TSJ to store and use any hazardous materials that are needed to operate and maintain the facilities. (Priority 3)

PARTLY IMPLEMENTED. In operating and maintaining the Convention and Cultural Facilities (Facilities), TSJ stores and uses chemicals and materials that are classified as hazardous materials. TSJ has provided the City with a list of hazardous materials it stores and uses at the Facilities. In addition, TSJ has developed a written procedure to notify the City and other appropriate public agencies should an accidental hazardous materials release occur. While the City has detailed its understanding that TSJ requires authorization to store hazardous materials needed to operate and maintain the Facilities, the Management Agreement has not yet been amended to reflect this understanding. In the interim, TSJ developed a Hazardous Materials Business Plan that is on file with the San Jose Fire Department. The Management Agreement will need to be amended accordingly. Target date: 6-08.

#16 (Team San Jose/CH) – Develop and implement a workplan to correct ADA noncompliant items and notify the City accordingly. (Priority 3)

PARTLY IMPLEMENTED. The Management Agreement between the City and TSJ states, “*Operator shall be solely and fully responsible for complying with the Americans with Disabilities Act of 1990 (“ADA”) in connection with: (a) any use of the facilities by guests or services provided by Operator to Customers; and (b) modifying its policies, practices, and procedures to comply with the ADA. Operator shall develop a work plan to correct or avoid any violations or non-compliance with the ADA. Operator shall perform an assessment of Facilities for ADA compliance and notify City of any compliance issues...*” TSJ has assessed the Convention and Cultural Facilities for ADA compliance. In general, the Convention and Cultural Facilities are ADA compliant; however, a more comprehensive study is required to identify all non-compliant items and the associated cost of bringing the facilities into compliance. Funding for this study is recommended in the Proposed 2008-09 Budget. Once the study is complete, funding strategies will need to be

developed to correct the non-compliant items. The Administration intends to allocate funds from the repair and maintenance reserve to begin making the necessary improvements. Target date: 12-08.

REQUIRES FUNDING: TBD.

07-01: A REVIEW OF THE MEXICAN HERITAGE CORPORATION'S ABILITY TO OPERATE AND MAINTAIN THE MEXICAN HERITAGE PLAZA

#1 (San Jose Redevelopment Agency/GM) - Amend its agreement with the Mexican Heritage Corporation (MHC) and work with the MHC to use State funding for the \$530,000 Heating, Ventilation, and Cooling (HVAC) work at the Mexican Heritage Plaza (MHP). (Priority 2)

IMPLEMENTED. The Redevelopment Agency (Agency) Board and City Council approved the Amended Restated Cooperation Agreement. Per the Agreement, the Agency entered into contracts and encumbered the total amount of \$545,585, which would be reimbursed by the MHC with State grant funds for the HVAC work. The Agency received a check in the amount of \$488,300 from the MHC in June, 2007. In January, 2008 the MHC sent the Agency another check for \$56,375. Agency staff will follow-up to determine the status of the remaining \$910.

#2 (City Administration/Mexican Heritage Corporation/GM) - Revisit its agreement with the Resident Art Partners (RAPs) to maximize the MHC's use of the MHP. (Priority 2)

IMPLEMENTED. The City hired two external consultants to conduct an assessment of the MHP's optimal use and the Mexican Heritage Corporation's organizational capacity. The report regarding the highest and best use of the MHP was presented to the Rules Committee in January 2008. As a result of this report, Administration will provide support to establish an interim Membership-Based Advisory Committee, then a Steering Committee comprised of key external constituents that will, with the help of an Independent Convening Institution, develop a sustainable business plan for the operations, programming and funding of the MHP. The MHC will no longer run the MHP but become a RAP itself. Furthermore, the General Services Department (GSD) will take over programming and maintenance of the MHP. According to the Director of the GSD, staff anticipates having new RAP agreements in place by July 1, 2008. Since the MHC is no longer running the MHP, and there will be future changes to the RAP agreements, we consider this recommendation implemented.

#3 (City Administration/GM) - Revisit its agreement with the MHC and review whether it should revise or cancel its agreement regarding the Neighborhood Development Center (NDC)'s use of space at the MHC's facility. (Priority 2)

IMPLEMENTED: On March 18, 2008, the City Council authorized various actions related to transitioning the MHC into a new role as a Resident Art Partner (RAP) while it stabilizes its financial situation. According to the Deputy Director at the

Office of Economic Development in charge of the MHC transition, the NDC is not currently using space at the MHP and the new loan amendment will not include the NDC. Therefore, we consider this recommendation implemented.

#4 (City Administration/GM) - Monitor and ensure compliance with the terms of the \$650,000 loan agreement. (Priority 2)

PARTLY IMPLEMENTED. At its May 22, 2007 meeting, the San Jose City Council directed the City Administration to allow the MHC to defer repayment of its loan until fiscal year 2008-09. In addition, on March 18, 2008 the City Council authorized the City Manager to negotiate and execute an amendment to the loan agreement and promissory note with the MHC in order to incorporate a challenge grant to give the MHC an opportunity to reduce the outstanding balance owed on its loan with the City, which is currently \$500,000, by two dollars for each dollar raised by the MHC between April 1 and December 1, 2008 and subsequently by one dollar for each dollar raised thereafter. We will review this recommendation when staff revisits the loan agreement. Target date: 6-08.

#5 (City Council/GM) - Consider the following options regarding the MHC and operation and maintenance of the MHP. These options include but are not limited to the City:

- *Providing the MHC with its requested subsidy and financial support;*
- *Providing one-time financial relief to the MHC to allow it time to develop a strategic plan or business model for City review and approval;*
- *Assuming responsibility for the operation and maintenance of the MHP while allowing the MHC to remain at the MHP as a tenant; and*
- *Hiring a consultant to do an in-depth organizational and structural assessment of the MHP and report back to the City Council with recommendations regarding the highest and best use of the facility. (Priority 2)*

IMPLEMENTED. The City hired two consultants to do an in-depth organizational and structural assessment of the MHP. The consultant report was presented to the Rules Committee in January 2008. In March 2008, Council approved City Manager recommended actions for the City to take over the maintenance, utilities and facility leasing event services at the MHP. Furthermore, the MHC will transition to being a Resident Art Partner. Finally, the City will also provide the MHC with transitional funding to help it stabilize its financial situation. As a result of the above City Council actions we consider this recommendation fully implemented.

07-02: AN AUDIT OF THE SAN JOSE MUNICIPAL WATER SYSTEM CONSOLIDATED WATER UTILITY FUND TRANSFERS

#1 (City Council/RO) - Adopt a policy regarding the use and replenishment of the System Rehabilitation/Replacement Reserve Fund and the Rate Stabilization Reserve Fund. (Priority 3)

PARTLY IMPLEMENTED. Municipal Water System staff has contacted other agencies and jurisdictions and is conducting an analysis and review of their policies. A draft policy for the San Jose Municipal Water System Utility Fund was developed in January 2008 and is under discussion. Target date: 6-08.

07-03: AN AUDIT OF THE TRAFFIC CALMING PROGRAM

#1 (Department of Transportation/RM) - Develop written procedures to assess whether comprehensive traffic calming projects are warranted. These procedures should include how to assess if specific streets experience traffic volumes, speeds, or crashes in excess of 10 percent above the City averages and how to assess if specific streets qualify for traffic calming based on unusual conditions, such as limited visibility of pedestrians, irregular roadway design features, or indications of unreported crashes. (Priority 3)

IMPLEMENTED. The Department of Transportation (DOT) has developed written procedures to guide staff in determining when comprehensive traffic calming projects are warranted. These procedures are contained within the Traffic Calming Procedures Manual. The procedures include a form to complete through the various stages of a project and require Division Manager approval. According to the DOT, it has provided training to staff on the procedures.

#2 (Department of Transportation/RM) - Develop written procedures to ensure that the project files for all comprehensive traffic calming projects document any studies performed and resulting analyses, a statement of the existing adverse condition that needs to be addressed, the estimated impact or objective of the project, the estimated cost of the project, and the approving official. (Priority 3)

IMPLEMENTED. DOT has developed written procedures to guide staff in determining when comprehensive traffic calming projects are warranted. These procedures are contained within the Traffic Calming Procedures Manual. The procedures include a form to complete through the various stages of a project and require Division Manager approval. The form requires staff to document any studies performed, basic traffic calming measures used, petition efforts and results, the estimated cost of the project, a description of the project, the impact of the project, and results of customer satisfaction survey. According to the DOT, it has provided training to staff on the procedures.

#3 (Department of Transportation/RM) - Develop written procedures that clarify the DOT's process for approving comprehensive traffic calming projects. (Priority 3)

IMPLEMENTED. The DOT has developed written procedures to guide staff in determining when comprehensive traffic calming projects are warranted. These procedures are contained within the Traffic Calming Procedures Manual. The procedures include a form to complete through the various stages of a project and require Division Manager approval.

#4 (City Council/RM) - Revisit its Traffic Calming Policy regarding project prioritization such that it funds larger comprehensive traffic calming projects on a priority ranking system basis. (Priority 3)

PARTLY IMPLEMENTED. On September 18, 2007 the City Council approved a series of Residential Traffic Calming Community Meetings. The DOT provided a status report to the Transportation and Environment Committee in December 2007 regarding input received at the community meetings. The DOT provided another status report to Transportation and Environment Committee in March 2008 regarding proposed changes to the Traffic Calming Policy and will return to the Transportation and Environment Committee in May 2008 with recommended modifications to the City Council on Policy 5-6 Residential Traffic Calming.

The DOT and Police Department's status report presented in March 2008 to the Transportation and Environment Committee stated the following regarding project prioritization, *"Modifying Council Policy 5-6 to consider cumulative traffic impacts and other factors was a high priority for residents as evidenced by the meeting and Web survey respondents. The consideration of cumulative impacts is also a recommendation identified by the City Auditor's Office in their 2007 report on the Audit of the Traffic Calming Program and a factor of the prioritization process used by approximately half of the other cities benchmarked. As stated in the audit, and by many of the other cities, having a methodology to prioritize warranted projects is necessary when resources are limited. Given that the City is entering its 7th consecutive year of budget reductions, and a majority of residents support the concept of cumulative impacts, it is recommended that modifications to the traffic calming policy include a process to prioritize the installation of physical traffic calming projects using City funds."* Target date: 5-08.

#5 (Department of Transportation/RM) - Develop and implement written procedures to ensure timely staff follow-up, study, analysis, and written conclusions as to whether comprehensive traffic calming projects meet their intended objectives. (Priority 3)

IMPLEMENTED. The DOT has developed written procedures to guide staff in determining when comprehensive traffic calming projects are warranted. These procedures are contained within the Traffic Calming Procedures Manual. The procedures include a form to complete through the various stages of a project. The form includes a section on a description of the project's pilot project, and a section with a summary of the pilot project results which includes data collection and field

observations. The procedures and the completion of the form help DOT to ensure timely staff follow-up, and that staff study, analyze, and prepare written conclusions as to whether comprehensive traffic calming projects meet their intended objectives.

#6 ((Department of Transportation/RM) - Formalize the Annual Collision Review process. (Priority 3)

IMPLEMENTED. The DOT has developed written procedures formalizing the Annual Collision Review planning process. These procedures include the staff roles and responsibilities, a description of the Annual Collision Review database, and the annual timeline. The procedures are contained within the Traffic Calming Procedures Manual.

#7 (Department of Transportation/RM) – Work with the San Jose Police Department to generate date, time, and location reports for residential speeding traffic citations reports by location using the E-Cite System and non-injury accidents for which the SJPD did not prepare a traffic accident report. (Priority 3)

IMPLEMENTED. The DOT worked with the Police Department to develop the residential speeding traffic citations and the non-injury accidents reports. The Police Department has developed and generated a report for use by the DOT that highlights the date, time and location of non-injury crashes for which an officer was not dispatched to the crash location. The Police Department will provide this report to the DOT on an annual basis. Regarding the residential speeding traffic citations report, the DOT found that the Police Department’s E-Cite System does not produce adequate location information. Therefore, the Police Department could not generate the traffic citations report.

#8 (Department of Transportation/RM) - Develop procedures to identify traffic complaints that are not resolved in a timely manner and require staff to document the reason for lengthy delays. (Priority 3)

IMPLEMENTED. On a monthly basis, DOT generates reports on completed and open basic level projects for each Council District, and reviews progress and actions required for any projects that are not completed. The DOT Traffic Calming Program Manager has also developed reports to specifically track basic level projects that have been open for over 30 days as an additional tool to improve timeliness in responding to customer concerns.

#9 (Department of Transportation/RM) - Establish a system for prioritizing complaints based on severity of the traffic complaints. (Priority 3)

IMPLEMENTED. The DOT has a system for prioritizing complaints based on the severity of the complaint, with immediate safety concerns having a 24-hour target. The majority of other concerns, such as basic signs and markings, have a 21-day installation target. The DOT has developed automated process improvements to reduce the amount of time attributable to processing of work orders by as much as 7

to 10 days, and expects to achieve a slight improvement in its timeliness performance this year. The DOT will continue to identify those issues that are immediate safety concerns and prioritize for completion within 24 hours.

#10 (Department of Transportation/RM) - Complete the Traffic Calming Procedures Manual to help ensure that staff take appropriate and consistent actions and comply with policies and regulations. (Priority 3)

IMPLEMENTED. The DOT has developed and completed the Traffic Calming Procedures Manual. This manual provides for policies, procedures and forms that guide staff in the analysis and completion of a variety of traffic related studies. According to the DOT, training has been provided to staff on the procedures contained with the manual.

#11 (Department of Transportation/RM) - Develop a performance measure to monitor the three Traffic Enforcement Unit officers that replaced the NASCOP program. (Priority 3) [Revised at 6/21/07 PSFSS Committee meeting]

PARTLY IMPLEMENTED. The NASCOP program was eliminated during the FY2007-08 budget process. However, it should be noted that the City Council designated 3 of the 15 sworn officers added in 2007-08 as Traffic Enforcement Unit (TEU) officers to replace NASCOP. The Police Department intends to have the three TEU officers recruited, trained and fully operational by January 2009. The Police Department has proposed two new performance measures for 2008-09 as part of the new Neighborhood Traffic Enforcement Program. These measures reflect the actual number of neighborhood enforcement operations conducted and the total number of requests received which are captured within the chronic areas identified. These measures are "Percentage of chronic neighborhood traffic enforcement areas worked (# worked/ # areas identified) and "Percentage of traffic requests included in the chronic areas". Target date: 6-08.

#12 (Department of Transportation/RM) - Formalize its procedures to guide staff in the effective deployment of NASCOP resources. (Priority 3)

NOT IMPLEMENTED. The NAS COP program was eliminated during the FY2007-08 budget process. Therefore, we request that this recommendation be dropped.

REQUIRES COUNCIL ATTENTION: We request that this recommendation be dropped.

#13 (San Jose Police Department/RM) - Develop written procedures to ensure that it accurately reports on the percentage of traffic complaints responded to within two weeks and the level of customer satisfaction. (Priority 3)

IMPLEMENTED. The Police Department developed written procedures to ensure accurate reporting of traffic complaints responded to within 2 weeks and the level of customer satisfaction. Since then, the Police Department has proposed eliminating this measure, nonetheless we consider this recommendation implemented.

#14 (Department of Transportation/RM) - Review its road bump re-striping guidelines to ensure that they are re-striped often enough to ensure that road bumps are adequately visible to drivers. In addition, we recommend that the DOT explore using Thermo thin line plastic or high build paint markings for road bumps. (Priority 3)

IMPLEMENTED. According to the DOT, its crews utilize hi-build paint markings on all road humps. Also, the DOT reviewed the re-striping guidelines for road humps and determined that a three-year re-striping cycle — similar to other residential street pavement striping — will provide adequate visibility to drivers. According to the DOT, additional funding for overtime is helping DOT to achieve a three-year re-striping cycle. The DOT performs maintenance sooner if it is reported and determined that the markings are faded. According to the DOT, in addition to the roadway markings, road hump installations include raised reflective pavement markers that are visible at night and reflective road hump warning signs that are visible night and day.

#15 (Department of Transportation/RM) - Provide guidelines, training, and equipment to volunteers who maintain street projects not attached to sidewalks under the City's Adopt-A-Street Program. (Priority 3)

IMPLEMENTED. The City's Adopt-a-Street Program provides guidelines, training and equipment to volunteers that maintain street projects. According to the DOT, the neighborhoods that maintain landscaping within traffic calming devices in the public right-of-way are required to participate in the Adopt-a-Street Program.

#16 (Department of Transportation/RM) - Develop written procedures to ensure that 1) all comprehensive traffic calming projects receive the appropriate maintenance; 2) individual comprehensive traffic calming project files document the responsible party for each traffic calming device requiring landscaping; and 3) processes are in place in the event that neighborhood residents do not maintain agreed-upon landscaping. (Priority 3)

IMPLEMENTED. The DOT has maintenance guidelines for streetscape within the public right-of-way. The landscaped traffic calming devices are maintained consistent with other streetscape throughout the City. The DOT maintains a database that identifies which maintenance section is responsible for maintaining various landscaped areas within the City. The neighborhoods that maintain landscaping within traffic calming devices in the public right-of-way are required to participate in

the City's Adopt-a-Street Program. The Adopt-a-Street program procedures allow for the City to terminate an Adopt-a-Street agreement in the event that neighborhood residents do not maintain agreed upon landscaping.

07-04: AN AUDIT OF DEPARTMENT OF TRANSPORTATION'S EFFORTS TO SECURE FEDERAL HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION (HBRR) FUNDS

#1 (Department of Transportation/GE) – Develop procedures to ensure that its preliminary engineering and construction engineering cost estimates are based on the maximum Federal reimbursement allowed for these cost items. (Priority 2)

IMPLEMENTED. DOT grant procedures now require project managers to utilize the Public Works Department guidelines for cost estimates and require the maximum Federal reimbursement allowed for these cost items. Also, if an estimate needs to be increased, project managers are required to request an increase from CALTRAN'S Office of Local Assistance even if it exceeds the maximum reimbursement amount.

#2 (Department of Transportation/GE) - Prepare and submit an indirect cost rate proposal to CALTRANS for approval. (Priority 3)

PARTLY IMPLEMENTED. Staff is still in the process of implementing this proposal. DOT staff is currently working with the City's Finance Department to establish an indirect cost rate to be used for future grant projects. Target date: 9-08.

POTENTIAL BUDGET IMPACT: TBD.

#3 (Department of Transportation/GE) - Include environmental mitigation costs in its estimates when applying for Federal funds. (Priority 2)

IMPLEMENTED. DOT grant procedures require project managers to include environmental mitigation costs, if needed, in estimates when applying for Federal funds.

#4 (Department of Transportation/GE) - Seek guidance from CALTRANS on how best to estimate, account for, and obtain reimbursement for environmental mitigation costs. (Priority 2)

IMPLEMENTED. CALTRANS Local Assistance has been consulted and these requirements have been included in DOT grant procedures manual.

#5 (Department of Transportation/GE) - Follow CALTRANS' prescribed process for obtaining reimbursement for construction contract change orders. (Priority 2)

IMPLEMENTED. DOT grant procedures require that project managers submit requests to CALTRANS for additional funding for construction contract change orders with substantial amounts.

#6 (Department of Transportation/GE) - Submit a revised E-76 form and finance letter to CALTRANS if the award amount is significantly less than the anticipated project costs. (Priority 2)

IMPLEMENTED. This is now part of the DOT grant procedures manual. An additional award amount has been successfully obtained for the Willow Glen Way Bridge Project using these new procedures.

#7 (Department of Transportation/GE) - Establish procedures to bill CALTRANS for reimbursement of project costs on a monthly basis. (Priority 2)

IMPLEMENTED. Project managers have been trained to bill CALTRANS for reimbursement of project costs on a monthly basis, or as soon as a substantial amount of costs has been incurred. This requirement is included in DOT's grant procedures manual. In addition, quarterly grant inventory meetings are held to ensure compliance with this requirement.

#8 (Department of Public Works/GE) - Establish procedures to bill the Santa Clara Valley Water District for reimbursement of project costs within the timeframe as specified in the cost-sharing agreements. (Priority 2)

PARTLY IMPLEMENTED. This requirement is included in DOT's grant procedures manual. In addition, quarterly grant inventory meetings are held to ensure compliance with this recommendation. DPW is developing new procedures and anticipates new bridge replacement at King Road, which will include a Water District cost-sharing agreement. The cost-sharing agreement will be developed in 2008-09.

POTENTIAL BUDGET IMPACT: TBD.

APPENDIX A

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Administration Manual (CAM) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class ¹	Description	Implementation Category	Implementation Action ³
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. ²	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. ²	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

¹ The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number. (CAM 196.4)

² For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens. (CAM 196.4)

³ The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration. (CAM 196.4)