



GERALD A. SILVA  
City Auditor

# CITY OF SAN JOSÉ, CALIFORNIA

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October 15, 2001

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

Transmitted herewith is the *Semi-Annual Follow-Up Report On All Outstanding Audit Recommendations For The Six Months Ended June 30, 2001*.

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

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

I will present this report to the Finance and Infrastructure Committee at the October 24 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  
June01

cc: City Manager's Office  
and affected departments

## **EXECUTIVE SUMMARY**

In accordance with the City Auditor's approved 2000-01 Workplan, we have prepared a report of the status of open recommendations for the first six months of 2001 ending June 30, 2001. 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 January 1, 2001 through June 30, 2001, there were one hundred eighteen (118) outstanding recommendations of which:

- 28 recommendations were implemented;
- 62 recommendations were partly implemented;
- 25 recommendations were not implemented; and
- 3 recommendations were deferred.

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

<b>TABLE I</b>						
<b>STATUS OF OPEN RECOMMENDATIONS BY AUDIT REPORT ENDING JUNE 30, 2001</b>						
<b>Report #</b>	<b>Audit Report</b>	<b>Implemented</b>	<b>Partly Implemented</b>	<b>Not Implemented</b>	<b>Deferred</b>	<b>Dropped</b>
88-03	An Audit Of The Police Department Overtime Controls	0	1	0	0	0
92-09	An Audit Of The San Jose Police Department Property And Evidence Unit	0	2	0	0	0
93-04	An Audit Of The Fire Department--Hazardous Materials Storage Permit Fees	0	0	0	1	0
93-05	An Audit Of The Department Of General Services/Vehicle Maintenance Division--Police Vehicles	0	1	0	0	0
95-04	An Audit Of The City Of San Jose Retirement Plans' Investment Program	1	0	0	0	0
95-06	An Audit Of The San Jose Arena Management Agreement	0	2	0	1	0
96-06	An Audit Of The City Of San Jose's Business Tax Collection Process	0	0	0	1	0
96-07	An Audit Of The City Of San Jose's Open Purchase Order Process	0	1	1	0	0
97-01	An Audit of the City of San Jose's Utility Billing System	0	3	0	0	0
97-05	An Audit of the Department of Public Works Engineering & Inspection Costs	0	0	1	0	0
98-03	An Audit of the City of San Jose's Towing Service Contract	1	0	0	0	0
98-04	An Audit of the Multiple Housing Roster Maintained by the Code Enforcement Division of the Department of Planning, Building and Code Enforcement	0	1	0	0	0
98-05	An Audit of the City of San Jose's Sewer Billing Services	1	1	0	0	0
99-03	An Audit of the Multiple Housing Inspection Program	1	1	0	0	0
99-04	An Audit of the Sewer Fund Expenditures	7	3	0	0	0
99-05	An Audit of the Building Code Compliance Program	0	0	2	0	0
00-01	An Audit of the Police Department - Bureau of Field Operations Patrol Division's Staffing and Deployment	0	2	1	0	0
00-02	An Audit of the City of San Jose's Master Vendor File	0	1	0	0	0
00-04	An Audit of the City of San Jose Building Division's Building Permit Fee Process	0	1	3	0	0
00-05	An Audit of the San Jose's-Santa Clara Water Pollution Control Plant's Progress Toward Meeting Effluent Limitations	3	1	0	0	0
00-07	An Audit of the Watershed Protection Division's Industrial and Commercial Inspection Program	1	9	0	0	0
00-08	An Audit Of The City of San Jose Building-Related Fees and Taxes	3	6	0	0	0
00-09	A Review of the Recommended Contractors for the Recycle Plus 2002 Program	1	5	0	0	0
1-Jan	An Audit of the Property Appraisal Process of the Department of Public Works--Real Estate Division	1	9	4	0	0
2-Jan	An Audit Of The City of San Jose Fire Department's Overtime Expenditures	0	4	5	0	0
3-Jan	An Audit of the Pretreatment Source Control Program	3	7	8	0	0
4-Jan	An Audit of the City of San Jose Building Division's Cash Handling and Refund Process	5	1	0	0	0
	<b>Totals</b>	<b>28</b>	<b>62</b>	<b>25</b>	<b>3</b>	<b>0</b>

**EXECUTIVE SUMMARY - continued**

As of June 30, 2001, the distribution of the ninety (90) recommendations which remain are as follows:

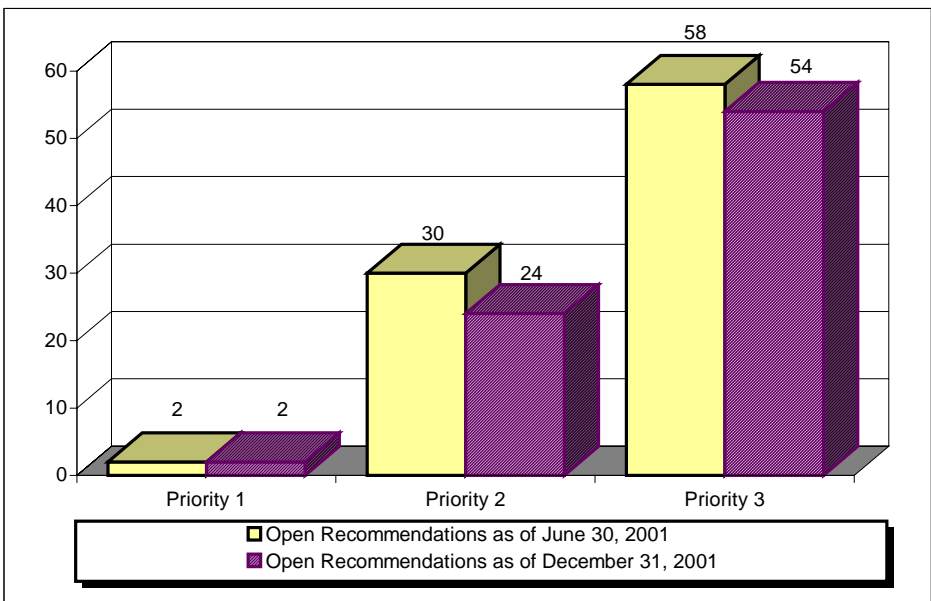
13	Planning, Building, and Code Enforcement	3	Finance Department
6	City Manager's Office	6	Police Department
33	Environmental Services Department	1	General Services
14	Public Works Department	3	San Jose Arena Management
10	Fire Department	1	Information Technology

Of the ninety (90) recommendations which remain open:

- 2 recommendations are Priority 1;
- 30 recommendations are Priority 2; and
- 58 recommendations are Priority 3.

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

**GRAPH 1**  
**PRIORITY STATUS OF REMAINING OPEN AUDIT RECOMMENDATIONS**

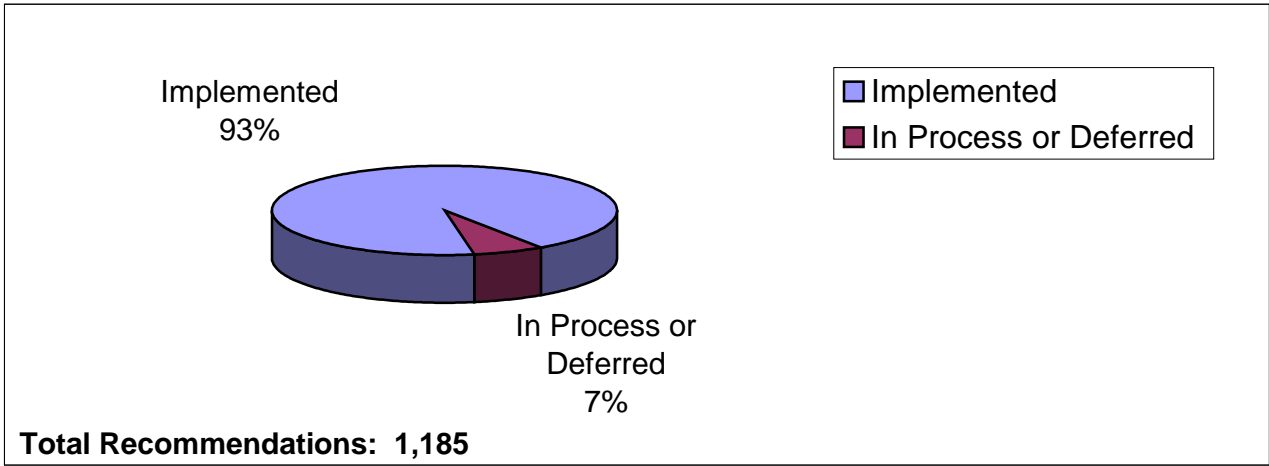


**EXECUTIVE SUMMARY – continued**

During this semi-annual period the City Council approved 46 new recommendations and the Administration implemented 28 recommendations. We thank the departments for their efforts in implementing these 28 recommendations and toward implementing those 90 recommendations still outstanding.

Graph II shows the number of City Auditor recommendations made and implemented from May 1985 through June 30, 2001.

**GRAPH II**  
**RECOMMENDATIONS IMPLEMENTED**  
**May 1985 through June 2001**



**RECOMMENDATIONS REQUIRING FINANCE AND INFRASTRUCTURE COMMITTEE ATTENTION**

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

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

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

Deferred. Fire Department staff re-looked at developing a fee for the Hazardous Materials Program, which included recovering the HIT Program costs during the 2001-2002 budget development process. This was discussed and reviewed with the City Manager's Office and a decision was made not to implement the new fee structure during the 2001-2002 budget process. The City Manager's Office will re-examine this recommendation during the 2002-2003 budget process.

Target date: 6-02.

INCREASES REVENUE: \$1,170,000.

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

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

Deferred. For the fiscal year 2001-02, the City and the Arena Authority (AA) will not be requesting from San Jose Arena Management (SJAM) a submittal of the program operating budget. The information that is contained in the program operating budget is not required at this time for any immediate purpose by the City, the AA, or SJAM. The City and the AA reserve the right for future considerations for the submittal of the program operating budget. Target date: 6-02.

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

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

Not implemented. The Department of *Public Works’ Budget Off the Top (BOTT) two-year pilot program in the Sanitary Sewer and Storm Drain Programs ended in June 2000. In January 1998, it was determined that implementing BOTT citywide would require some reprogramming of both the City’s computerized payroll and FMS systems, with no estimate of when this task could be undertaken or how long it would take to complete. In order to implement BOTT in 1998, the DPW agreed to run the pilot program in-house, dedicating staff to manually back out and separate budget estimates and actual expenditures to segregate DPW staff costs from construction costs charged to capital projects. Specifically, the BOTT method reflects Citywide overhead and DPW Administration expenses as separate appropriations, which are reported at the fund level rather than at the project level. Although the DPW in-house BOTT pilot program was completed, the capability to separate and report the expenditures captured in the BOTT pilot program is still available using FMS and Public Report Manager. Now that the pilot program has ended, fiscal information using BOTT will need to be reviewed by the Department of Public Works, the City Manager, the City Auditor, and the Budget Office to determine the feasibility and future direction of BOTT. The Department is awaiting further instruction from the City Manager’s Office, the City Auditor’s Office, and the Budget Office. Target date: TBD.*

REQUIRES FINANCE AND INFRASTRUCTURE COMMITTEE ATTENTION.

## **00-02: AN AUDIT OF THE CITY OF SAN JOSE’S MASTER VENDOR FILE**

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

Not implemented. During the previous budget process, a budget proposal was submitted to address specific vendor file issues and other financial issues. System enhancements related to FMS were included in this proposal. However, the proposal was not funded.

Target date: None.

**92-09: AN AUDIT OF THE SAN JOSE POLICE DEPARTMENT PROPERTY AND EVIDENCE UNIT**

*#6 (Police/NB) - Maintain one set of records but ascertain that controls are in place to ensure accuracy and completeness of the records. Establish input controls to ensure that all the information on the Property Form is entered into the EVITRAX Property Tracking System correctly. (Priority 3)*

Implemented. On October 31, 2001, the RMS component went “live.” We reviewed the system with the supervisor at the Police Property and Evidence Unit. She confirmed that the staff have received training and are currently using the system. According to the Police Department, all records and property controls are now in place with the new system.

**96-06: AN AUDIT OF THE CITY OF SAN JOSE’S BUSINESS TAX COLLECTION PROCESS**

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

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

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

**97-01: AN AUDIT OF THE CITY OF SAN JOSE’S UTILITY BILLING SYSTEM**

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



Partly implemented. The Treasury Division of the Finance Department processes annual sewer and storm drain assessments, and forwards these assessments to the County for inclusion on property tax bills. The County charges the City more than \$700,000 per year to collect sewer and storm drain assessments and remit them to the City. Our audit found that if the City billed these assessments bi-monthly through the UBS system, we could save more than \$700,000 in County collection fees and earn an additional \$870,000 in interest, in return for a small increase in bill-printing fees. Subsequently, the Administration issued an RFP for a new utility billing system. However, there were delays in implementing the new billing system software. The system implementation effort was cancelled and ESD is in the process of developing a new RFP to look for a replacement system for the current billing system. ESD plans to issue the new RFP in the summer of 2002 with this audit recommendation re-examined as the effort is underway in order to include these billing items and to determine the feasibility of including them in a consolidated billing. Target date: 9-03.

INCREASES REVENUE: \$870,000. REDUCES COST: \$700,000.

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

Partly implemented. In December of 2001, the Council approved the Administration's recommendation to issue another RFP for an integrated service solution for Recycle Plus billing, customer service, and performance monitoring. A component of the RFP will be to hire a database administrator. ESD anticipates that the new billing system will be up and running within the next 18 months. Target date: 9-03.

REQUIRES FUNDING: TBD.

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

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

Partly implemented. The Police Department selected the Computer Aided Dispatch (CAD) system consultant for the new CAD system in December 2000, with an approximate CAD start date of 10/02. The evaluation of staffing/deployment software has been completed. The Department has narrowed consideration to one vendor and is now conducting further evaluation relative to City and Department systems. Considerations being evaluated include specific application components and limitations. The City Council appropriated \$45,000 in April 2001 for a mapping/deployment software program, and these funds have been carried *over*. An

*additional \$25,000 will be submitted for approval to the City Council in April 2002 as part of a California Law Enforcement Equipment Services grant, and together with the previously appropriated \$45,000, is expected to cover the total cost of the software. Target Date: 7-03.*

REQUIRES FUNDING: \$25,000.

**COMPLETE LISTING OF THE STATUS  
OF OPEN AUDIT RECOMMENDATIONS  
AS OF JUNE 30, 2001**

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

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

Partly implemented. The Police Department has been unable to implement an exception-based payroll system that would have assisted it in implementing this recommendation. During the next six months, the City Auditor's Office will assess whether the other controls the Police Department has implemented since the 1988 audit are sufficient to allow this recommendation to be dropped. Target date: 6-02.

**92-09: AN AUDIT OF THE SAN JOSE POLICE DEPARTMENT PROPERTY AND EVIDENCE UNIT**

*#3 (Police/NB) - Have employees trained in the proper use of the archival system and have all inactive records in the EVITRAX Property Tracking System database archived. (Priority 3)*

Implemented. On October 31, 2001, the RMS component went "live." We reviewed the system with the supervisor at the Police Property and Evidence Unit. She confirmed that the staff have received training and are currently using the system. With regard to the archival procedures, she indicated that these might not be needed as the new system can handle over 15 years of data.

*#6 (Police/NB) - Maintain one set of records but ascertain that controls are in place to ensure accuracy and completeness of the records. Establish input controls to ensure that all the information on the Property Form is entered into the EVITRAX Property Tracking System correctly. (Priority 3)*

Implemented. On October 31, 2001, the RMS component went "live." We reviewed the system with the supervisor at the Police Property and Evidence Unit. She confirmed that the staff have received training and are currently using the system. According to the Police Department, all records and property controls are now in place with the new system.

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

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

Deferred. Fire Department staff re-looked at developing a fee for the Hazardous Materials Program, which included recovering the HIT Program costs during the 2001-2002 budget development process. This was discussed and reviewed with the City Manager's Office and a decision was made not to implement the new fee structure during the 2001-2002 budget process. The City Manager's Office will re-examine this recommendation during the 2002-2003 budget process.  
Target date: 6-02.

INCREASES REVENUE: \$1,170,000.

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

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

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

**95-04: AN AUDIT OF THE CITY OF SAN JOSE RETIREMENT PLANS' INVESTMENT PROGRAM**

***#14 (Budget Office/Finance/SE) - Prepare an estimate of City expenses attributable to the Retirement Program and allocate those expenses to the retirement funds. (Priority 1)***

Implemented. During the 2001-02 budget process, the City Council decided not to proceed further with this approach.

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

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

Deferred. For the fiscal year 2001-02, the City and the Arena Authority (AA) will not be requesting from San Jose Arena Management (SJAM) a submittal of the program operating budget. The information that is contained in the program operating budget is not required at this time for any immediate purpose by the City, the AA, or SJAM. The City and the AA reserve the right for future considerations for the submittal of the program operating budget. Target date: 6-02.

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

Partly implemented. SJAM has provided the AA with the 1995-96 detailed programmatic maintenance budget and has prepared a detailed maintenance performance audit on the previous fiscal years' maintenance budget, as stated in section 4.08 of the Management Agreement. However, SJAM needs to provide the AA with explanations of the major differences between budget and actual for the programmatic maintenance budget. This issue will be addressed further in the audit of Luxury Suite Net Revenues. Target date: 6-02.

***#11 (SJ Arena Management Corporation/ME) - Adequately document its system of internal controls and procedures that impact the City-related accounts in order to facilitate the City's right to have access to, review, and verify the financial information that supports the City-related accounts. (Priority 2)***

Partly implemented. SJAM has developed a written document describing the procedures followed for activities that affect the City-related accounts. This document adequately addresses many of the issues raised in the audit report. However, the written document describing the procedures needs some refinement regarding the Luxury Suite Net Revenues. The City Auditor's Office is currently performing a separate audit of the Luxury Suite Net Revenues and will continue to work with Arena Management to ensure that this recommendation is properly implemented. Target date: 4-02.

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

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

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

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

## **96-07: AN AUDIT OF THE CITY OF SAN JOSE'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. Target date: FY 2001-02.

***#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. Target date: FY 2001-02.

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

Partly implemented. The Treasury Division of the Finance Department processes annual sewer and storm drain assessments, and forwards these assessments to the County for inclusion on property tax bills. The County charges the City more than \$700,000 per year to collect sewer and storm drain assessments and remit them to the City. Our audit found that if the City billed these assessments bi-monthly through the UBS system, we could save more than \$700,000 in County collection fees and earn an additional \$870,000 in interest, in return for a small increase in bill-printing fees. Subsequently, the Administration issued an RFP for a new utility billing system. However, there were delays in implementing the new billing system software. The system implementation effort was cancelled and ESD is in the process of developing a new RFP to look for a replacement system for the current billing system. ESD plans to issue the new RFP in the summer of 2002 with this audit recommendation re-examined as the effort is underway in order to include these billing items and to determine the feasibility of including them in a consolidated billing. Target date: 9-03.

INCREASES REVENUE: \$870,000. REDUCES COST: \$700,000.

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

Partly implemented. In December of 2001, the Council approved the Administration's recommendation to issue another RFP for an integrated service solution for Recycle Plus billing, customer service, and performance monitoring. A component of the RFP will be to hire a database administrator. ESD anticipates that the new billing system will be up and running within the next 18 months. Target date: 9-03.

REQUIRES FUNDING: TBD.

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

Partly implemented. Procedures for scanning for errors and correcting customer data in the database have been incorporated within the procedures developed to identify write-offs. Procedures for routinely reviewing monthly reports for rate code exceptions have been included in revenue recording procedures. UBS has drafted procedures to authorize changes in account status from active to inactive and will be developing procedures for purging unnecessary data once the new billing system is

installed. Due to difficulties implementing the new billing system software, the new target date for purging unnecessary data is September 2003. Target date: 9-03.

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

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

Not implemented. The Department of *Public Works' Budget Off the Top (BOTT) two-year pilot program in the Sanitary Sewer and Storm Drain Programs ended in June 2000. In January 1998, it was determined that implementing BOTT citywide would require some reprogramming of both the City's computerized payroll and FMS systems, with no estimate of when this task could be undertaken or how long it would take to complete. In order to implement BOTT in 1998, the DPW agreed to run the pilot program in-house, dedicating staff to manually back out and separate budget estimates and actual expenditures to segregate DPW staff costs from construction costs charged to capital projects. Specifically, the BOTT method reflects Citywide overhead and DPW Administration expenses as separate appropriations, which are reported at the fund level rather than at the project level. Although the DPW in-house BOTT pilot program was completed, the capability to separate and report the expenditures captured in the BOTT pilot program is still available using FMS and Public Report Manager. Now that the pilot program has ended, fiscal information using BOTT will need to be reviewed by the Department of Public Works, the City Manager, the City Auditor, and the Budget Office to determine the feasibility and future direction of BOTT. The Department is awaiting further instruction from the City Manager's Office, the City Auditor's Office, and the Budget Office. Target date: TBD.*

REQUIRES FINANCE AND INFRASTRUCTURE COMMITTEE ATTENTION.

## **98-03: AN AUDIT OF THE CITY OF SAN JOSE'S TOWING SERVICE AGREEMENTS**

***#7 (Tow Companies/ME) - Revise the remittances submitted to the City to include all the information the Agreements require. (Priority 2)***

Implemented. The tow companies have purchased and implemented the software that includes information that addresses the recommendation on their quarterly reports. Code Enforcement reviews each tow company quarterly report to ensure that the tow companies submit all the required information on their quarterly report.



**98-04: AN AUDIT OF THE MULTIPLE HOUSING ROSTER MAINTAINED BY THE CODE ENFORCEMENT DIVISION OF THE DEPARTMENT OF PLANNING, BUILDING, AND CODE ENFORCEMENT**

***#6 (City Council/EL) - Consider modifying the Multiple Housing Program to include other types of rental properties. (Priority 2)***

Partly implemented. Code Enforcement delayed action on this recommendation until pending litigation in Los Angeles was resolved. The case was settled by the Supreme Court and the ruling was favorable to the Los Angeles program. Staff need to re-evaluate potential options for modifying the program, such as including duplexes, and reviewing proposals with the City Attorney's Office and appropriate community stakeholders. Target date: 6-02.

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

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

Partly implemented. 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 ESD will review. ESD procedures also require that industrial customers submit an engineering report to substantiate disputed water loss adjustments. ESD staff agreed that the Department would include a review of the water loss factors for all other industries in the analysis of the sewer rate structure that is planned in the next two to three years. Target date: 9-03

***#14 (Treasury/SE) - File suit in Small Claims Court for past due Sewer Bills up to \$5,000, refer to the City Attorney any past due Sewer Bills over \$5,000, and write-off uncollectable Sewer Bills in accordance with the City's Administrative Manual. (Priority 2)***

Implemented. Treasury staff has reviewed the status of delinquent sewer invoices, and has taken the appropriate action per the City's Administrative Manual.

**99-03: AN AUDIT OF THE MULTIPLE HOUSING INSPECTION PROGRAM**

***#3 (Code Enforcement/EL) - Use its San Jose Code Enforcement System to produce a report to remind Inspectors at a specified time prior to the Compliance Date that a reinspection is due. (Priority 3)***

Implemented. Code Enforcement developed a procedure to utilize the Outlook Task Manager function to notify inspectors when reinspections are due. Inspectors have been trained and are utilizing this feature to generate reminders when a reinspection is due.

**#4 (Code Enforcement/EL) - Develop a routine inspection checklist and instructions to document for Inspectors their inspection responsibilities and items to be inspected. (Priority 3)**

Implemented. Code Enforcement developed and implemented a comprehensive inspection checklist, including inspection responsibilities.

**99-04: AN AUDIT OF SEWER FUND EXPENDITURES**

**#2 (Administration/ESD/SE) - Retain funds in excess of adopted fund reserve guidelines in the wastewater fund that initially received the revenue. (Priority 3)**

Partly implemented. The Environmental Services Department has drawn down balances and is matching fund transfers to proposed expenditures in all wastewater expenditure funds except for Fund 545, which is managed by the Public Works Department. Public Works has begun to take similar action to implement this recommendation with regard to Fund 545. We will review the implementation of *this recommendation during our next follow-up report. Target date: 6-02.*

**#3 (Administration/ESD/SE) - Implement a policy to draw down excess undesignated fund balances and verify that transferred amounts are directly related to proposed expenditures less excess undesignated fund balances. (Priority 3)**

Partly implemented. The Environmental Services Department has drawn down balances and is matching fund transfers to proposed expenditures in all wastewater expenditure funds except for Fund 545, which is managed by the Public Works Department. Public Works is in the process of developing written policy to implement this recommendation with regard to Fund 545. We will review the *implementation of this recommendation in the next follow-up report. Target date: 6-02.*

**#5 (City Attorney/Administration/ESD/SE) - Assess the feasibility of paying \$4.6 million from the Treatment Plant Operating Fund to the General Fund for in-lieu fees from 1993-94 to 1996-97. (Priority 2)**

Implemented. The ESD proposed changes to the 2001-02 Plant budget to implement this recommendation. The Treatment Plant Advisory Committee did not approve these changes to the budget.

**#6 (City Attorney/Administration/ESD/SE) - Assess the feasibility of 1) paying an additional \$2.6 million from the Treatment Plant Operating Fund to the General Fund for in-lieu fees for 1997-98 and 1998-99; 2) increasing the annual in-lieu fee payment from the Treatment Plant Operating Fund to the General Fund by \$1.3 million; and 3) charging the other tributary agencies a portion of the in-lieu fee. (Priority 2)**

Implemented. The ESD proposed changes to the 2001-02 Plant budget to implement this recommendation. The Treatment Plant Advisory Committee did not approve these changes to the budget.

***#8 (Administration/ESD/City Attorney /SE) - Approach the City of Santa Clara about amending the current agreement to eliminate the Treatment Plant Income Fund (Fund 514) in 1999-2000. (Priority 3)***

Implemented. The Environmental Services Department has discussed this issue with the City of Santa Clara. The City of Santa Clara has indicated a reluctance to reopen discussions of the terms of the 1959 Agreement. The ESD and City Attorney's office will however continue to discuss potential strategies regarding this issue.

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

***Partly implemented. The Environmental Services Department is developing a guide for program managers that explains the purpose of each of the wastewater funds and what types of charges are appropriate in each fund. This guide is targeted for completion in April 2002. However, it is expected that the wastewater chart of accounts will be restructured to align to core services over the next 12-18 months. Target date: 6-02.***

***#12 (Administration/ESD/City Attorney/SE) - Research the feasibility of transferring interest from pre-Proposition 218 SSUC operating and capital fund balances to the General Fund. (Priority 2)***

Implemented. The Environmental Services Department transferred \$2.1 million to the General Fund as part of the 2001-02 Adopted Operating Budget.

***#13 (City Council/Attorney/ESD/SE) - Research the applicability of Proposition 218 to Sewer Service and Use Charge (SSUC) fees, if the City were to separate the collection of those fees from property tax bills. (Priority 2)***

Implemented. The City Attorney's Office concluded that the method of collecting fees is immaterial to the determination of whether fees are considered to be property-based under the provisions of Proposition 218.

***#14 (Administration/ESD/Finance/SE) - Depending on the outcome of these discussions, the Administration should accelerate its analysis of consolidated SSUC billing with Recycle Plus bills. (Priority 2)***

Implemented. The City Attorney's Office concluded that the method of collecting fees is immaterial to the determination of whether fees are considered to be property-based under the provisions of Proposition 218.

**#15 (Administration/ESD/City Attorney/SE) - Include in any discussion with the City of Santa Clara about updating and amending the 1959 Sewage Treatment Plant Agreement calculating WPCP user fees on estimated usage. (Priority 2)**

Implemented. The Environmental Services Department has discussed this issue with the City of Santa Clara. The City of Santa Clara has indicated a reluctance to reopen discussions of the terms of the 1959 Agreement. The ESD and City Attorney's office will however continue to discuss potential strategies regarding this issue.

### **99-05: AN AUDIT OF THE BUILDING CODE COMPLIANCE PROGRAM**

**#11 (Planning, Building, and Code Enforcement Department/DM) - Fully identify all Code Enforcement costs that support Planning and Building Division fee-based programs. (Priority 2)**

*Implemented. According to the Planning, Building and Code Enforcement Department all appropriate Code Enforcement costs were included in its fee-based budgets.*

**#12 (City Council/City Attorney/DM) - Research the feasibility of including those costs identified in Recommendation #11 in Building Fees, Planning Fees, or other non-General Fund sources. (Priority 2)**

Implemented. This issue was reviewed by the City Attorney's Office. The City Attorney's Office responded to this recommendation with an informational memo to the City Council on February 7, 2002.

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

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

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

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

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

*Partly implemented. The Police Department has received input from the community and the Department and has held a series of meetings. The*

*Department has completed the final draft of its strategic five-year plan entitled, "Neighborhood Policing Operations Plan." The Department plans to present the strategic plan report to the City Manager's Office and City Council for final review and approval prior to final professional printing. Target date: 6-02.*

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

Partly implemented. The Police Department selected the Computer Aided Dispatch (CAD) system consultant for the new CAD system in December 2000, with an approximate CAD start date of 10/02. The evaluation of staffing/deployment software has been completed. The Department has narrowed consideration to one vendor and is now conducting further evaluation relative to City and Department systems. Considerations being evaluated include specific application components and limitations. The City Council appropriated \$45,000 in April 2001 for a mapping/deployment software program, and these funds have been carried *over*. *An additional \$25,000 will be submitted for approval to the City Council in April 2002 as part of a California Law Enforcement Equipment Services grant, and together with the previously appropriated \$45,000, is expected to cover the total cost of the software. Target Date: 7-03.*

REQUIRES FUNDING: \$25,000.

#### **00-02: AN AUDIT OF THE CITY OF SAN JOSE'S MASTER VENDOR FILE**

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

Not implemented. During the previous budget process, a budget proposal was submitted to address specific vendor file issues and other financial issues. System enhancements related to FMS were included in this proposal. However, the proposal was not funded.

Target date: None.

REQUIRES FUNDING: TBD.

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

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

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

Partly implemented. The Division hired a consultant to conduct a comprehensive cost of service study to address the above issues. In May 2001, the consultant submitted a study that addressed all three bullet points and recommended a fee structure that calculates the cost of providing building services based on project type and square footage, as compared to the existing fee structure based on valuation. During this fiscal year, the Department will assess the cost recovery potential of the recommended fee structure by utilizing data from current year transactions to test projected revenue from the fee structure. Following this testing and analysis, the Department plans to recommend to the City Council during the 2002-03 budget process either to revise the current fee structure or to adopt a new fee structure. The Department needs to develop a written policy to document their plan to conduct cost of service studies every three years. Target date: 6-02.

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

Not implemented. The consultant recommended a model to calculate service fees based on project type and square footage. The Building Division will collect data during 2001-02 to test the validity of the time allocations in the model and assess its impact on revenue collection and fee burden in each revenue category. Following this testing and analysis, the Department plans to recommend to the City Council during the 2002-03 budget process either to revise the current fee structure or to adopt a new fee structure. Target date: 6-02.

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

Partly implemented. The Division has made great strides toward implementing this recommendation. The Division hired the Financial Consulting Group to develop policies and procedures for matching the revenue and expenses associated with works-in-progress. The consultants presented their findings and recommendations before Division management and the Budget Office on January 8, 2002. The consultants developed a specific methodology and procedures to calculate the required reserve for works-in-progress on an annual basis. Division staff need to be instructed on the types of statistics to collect in order to match revenues and costs on an ongoing basis. This recommendation will be considered implemented

when works-in-progress revenues are set aside for the next fiscal year. Target date: 6-02.

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

Not implemented. The Division plans to work with the City Attorney's Office and the Budget Office to develop a policy and process to pay for long-term capital or asset acquisitions. The Division plans to utilize input from the consultant hired for the works-in-progress study in the decision making process for this policy.  
Target date: 6-02.

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

***#3 (ESD/SE) - Provide the City Council with comprehensive historical and current information regarding SBWRP capital and operating costs, revenue, actual and projected benefits, and an updated economic analysis as part of the master plan process. (Priority 3)***

Implemented. The Environmental Services Department completed a report containing the required information entitled, "Status Report and Assessment of the Revised South Bay Action Plan Programs," and presented it to the City Council on June 19, 2001.

***#4 (ESD/SE) - Provide the City Council with information on alternative flow-reduction strategies before proceeding with a proposed expansion of the South Bay Water Recycling Project. (Priority 3)***

Implemented. The Environmental Services Department completed a report containing the required information entitled, "Status Report and Assessment of the Revised South Bay Action Plan Programs," and presented it to the City Council on June 19, 2001.

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

Partly implemented. The Environmental Services Department is modifying existing tracking mechanisms and implementing new tracking procedures to fully implement this recommendation during the 2001-2002 budget year. Target date: 6-02.

***#6 (ESD/SE) - Include a cost-benefit and environmental-benefit analysis of South Bay Action Plan alternatives in its annual reports to the City Council including (1) budgeted costs, (2) actual costs to date, (3) projected remaining costs, (4) projected diversion in mgd, (5) actual diversion in mgd to date, (6) projected remaining diversion capacity in mgd, (7) budgeted costs per mgd, (8) actual costs per mgd, and (9) projected final cost per mgd. (Priority 3)***

Implemented. The Environmental Services Department completed a report containing the required information entitled, "Status Report and Assessment of the Revised South Bay Action Plan Programs," and presented it to the City Council on June 19, 2001.

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

***#1 (ESD/LB) - Establish specific data management procedures to ensure that the Industrial Facilities Database:***

- *Is routinely updated, utilizing the business license number as a primary identifier,*
- *Contains all appropriate facilities located in the City of San Jose,*
- *Includes facilities that have filed an NOI with the State Board, and*
- *Contains all Pretreatment and Zero-Discharge facilities. (Priority 3)*

Partly implemented. We will review the recommendation after ESD issues another RFP and acquires a new data system. *Target date: 6-02.*

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

Partly implemented. According to the Department's response, ESD will re-issue an RFP/RFQ in April 2002. Target date: 6-02.

***#3 (ESD/LB) - Schedule inspections to balance the workload throughout the year and develop periodic reports allowing managers and supervisors to assess progress in meeting inspection goals. (Priority 3)***

Partly implemented. We will review the recommendation after ESD acquires a new data system. Target date: 6-03.

***#4 (ESD/LB) - Transfer \$120,000 from the Treatment Plant Operating Fund (Fund 513) to the Storm Sewer Operating Fund (Fund 446) to reimburse the Program for Source Control inspection services it did not receive in 1999-00 and develop a procedure to pay for Source Control services based upon actual inspections conducted. (Priority 2)***

Implemented. According to ESD's memo to the Finance & Infrastructure Committee dated 12/1/00, ESD transferred \$120,015 from Fund 513 to Fund 446. According to ESD, the Labor Distribution Reports have been corrected and there will be no further need to reimburse Source Control services for the Industrial and Commercial Inspection Program.

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

Partly implemented. We will review the recommendation after ESD acquires a new data system. Target date: 6-03.



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

Partly implemented. We will review the recommendation after ESD acquires a new data system. Target date: 6-03.

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

Partly implemented. ESD is in the process of developing an Enforcement Response Plan to assist inspectors in providing consistent compliance dates. According to ESD, *the Enforcement Response Plan will be completed by 6-02. Target date: 6-02.*

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

Partly implemented.

**#9 (ESD/LB) - Develop written procedures that ensure adequate management review and oversight of the inspectors' activities and reports to improve Program efficiency and effectiveness and ensure inspector compliance with Program procedures. (Priority 3)**

Partly implemented. We will review the recommendation after ESD acquires a new data system. Target date: 12-02.

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

Partly implemented. According to the Department, ESD has mapped the Program's processes to assist in the *development of a new database. The database will play an integral role in helping the Program identify its workload, effectiveness, and efficiency. We will review the recommendation after the Program changes are completed and the database acquired. Target date: 6-03.*

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

**#3 (Building Division/GM) - Require staff to document how it calculated plan check fees on the comments section of the permit application. (Priority 2)**

Partly implemented. The Division has taken strides toward documenting how plan check fees are calculated. This recommendation will be resolved with the implementation of the new IDTS system in mid July 2001. Target date: 12-01.

**#4 (Building Division/GM) - Ensure that Division staff retroactively assess commercial rates if the initial use is not a designated industrial use. (Priority 2)**

Implemented. The Building Division has developed a policy on assessing development taxes, (SJMC 4.46 and 4.54-1-99) effective 9-1-99. Further, the Division developed a policy to clarify the collection of back taxes on shell permits.

**#5 (Building Division/GM) - Provide training to its staff on its new policies and also clarify when building plan check fees can be calculated either on a square footage basis or a per inspection basis. (Priority 2)**

Implemented. The Division has developed a policy clarifying when plan check fees can be calculated on a square footage basis and when on a per inspection basis. Further, the Division has provided a series of training sessions on fee-related policies. The recently implemented AMANDA computer system uses programming logic to calculate plan check fees.

**#6 (Building Division/GM) - Develop a formal quality assurance process for the assessment and collection of all building-related permit fees (Priority 2)**

Partly implemented. The Building Division has made plans to hire a Permit Specialist to focus on quality control. The Division plans to develop a formal quality assurance program and will clarify the role of Permit Specialists, plan checkers, Permit Center Supervisors, and Permit Center Manager. It is expected that the permit specialist will report errors to Permit Center Supervisors, who will ensure that appropriate training is done. Target date: 12-01.

**#8 (Building Division/GM) - Designate technically qualified staff members for those permit applications that require looking at actual maps to determine if a property is in an exempt location. (Priority 3)**

Partly implemented. The Division has designated a staff person to help with looking at actual maps. Division staff told us that this staff person reviews almost all applications to verify that addresses have been accurately classified. Division officials reported that after implementation of IDTS, high quality GIS data will be available and a more precise determination can be made at that time. It is expected that this feature will eliminate uncertainties regarding property location. Target date: 12-01.

**#10 (Building Division/GM) - Develop a form that 1) itemizes specific building uses such as manufacturing, research and development, and administrative office space and 2) includes a statement for applicants to sign regarding penalties for providing false information on the permit application form. (Priority 2)**

Implemented. The Division developed and distributed an Industrial Use Designation form. Staff were trained on the use of the form and are utilizing the form.

***#11 (Building Division/GM) - Develop a follow-up process to verify that applicants actually use buildings for the stated purpose when an industrial designation is involved. (Priority 2)***

Partly implemented. The Division is still in the process of developing a follow-up process to verify industrial use designation. Division officials expect that the implementation of the new computer system will allow the Building Division to detect any change in initial use if the property owner or user comes back for a second permit. Target date: 12-01.

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

Partly implemented. The Division has developed a policy SJMC 4.46, 4.47 and 4.54-1-99 which has been in existence since 9-1-99. The Division is in the process of working with the City Attorney's Office and the Office of Economic Development to further clarify the issue. Target date: 12-01.

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

Partly implemented. Building Division officials reported that they designated the Office of Economic Development (OED) to serve as the authoritative entity to decide industrial/commercial use. Division staff are supposed to refer to the OED when the structure use is unclear or complex. The Division is holding discussions with the City Attorney's Office and Office of Economic Development on how to best implement this policy. Target date: 12-01.

**00-09: A REVIEW OF THE RECOMMENDED CONTRACTORS FOR THE RECYCLE PLUS 2002 PROGRAM**

***#1 (ESD/SE) - Submit to the City Council a revised cost and revenue estimate for Recycle Plus 2002 together with a Source and Use of Funds statement for the IWM Fund through the year 2006-07. (Priority 3)***

Partly implemented. The Environmental Services Department presented this information to the City Council as part of the Recycle Plus Study Session in September of 2001. ESD was directed to return to the Council with rate recommendations as a part of the FY 2002-2003 budget process. Target date: 6-02.

***#2 (ESD/SE) - Analyze and report to the City Council on the revenue, cost, and programmatic implications of potential City Council pricing decisions regarding Multi-Family Dwelling rates, Yard Trimmings cart subscription fees, and 20-gallon garbage container rates. (Priority 3)***

Partly implemented. The Environmental Services Department presented this information to the City Council as part of the Recycle Plus Study Session in September of 2001. The Council adopted rates for 20-gallon garbage containers and the yard trimmings cart subscription fees. ESD was directed to return to the Council as a part of the FY 2002-2003 budget process with rate recommendations for Multi-family Dwelling rates. Target date: 6-02.

***#3 (City Council/SE) - Wait until the ESD reports on its revenue and cost analyses on any City Council pricing decisions before adding services or revising rates for Recycle Plus 2002. (Priority 3)***

Partly implemented. The Environmental Services Department presented this information to the City Council as part of the Recycle Plus Study Session in September of 2001. ESD was directed to return to ***the Council with rate recommendations as a part of the FY 2002-2003 budget process. Target date: 6-02.***

***#4 (ESD/SE) - Develop a contingency plan to mitigate the consequences of Norcal not succeeding in its attempt to acquire a suitable property and required permits for its Headquarters by July 1, 2001. (Priority 3)***

Partly implemented. According to the Environmental Services Department, Norcal has secured property for its headquarters and corporation yard and will begin construction. ESD staff will monitor the permitting process and develop contingencies as needed. Target date: 6-02.

***#5 (ESD/SE) - Monitor Norcal's progress toward meeting its MRF timeline as proposed in its response to the Recycle Plus 2002 RFP, and develop a contingency plan to mitigate the consequences of Norcal not being able to meet its MRF timeline. (Priority 3)***

Partly implemented. According to the Environmental Services Department, Norcal continues to work with California Waste Solutions to develop their MRF. The Condition Use Permit for this facility is in the permitting process. The application received one protest and will be heard ***by the Planning Commission at its February, 2002 hearing. ESD staff will monitor the permitting process and develop contingencies as needed. Target date: 6-02.***

***#6 (ESD/SE) - Require the proposed contractors to (1) submit preliminary workday, travel time, and equipment estimates by July 1, 2001, for ESD analysis and written comment, and (2) respond in writing to any ESD written comments within thirty (30) days of receipt. (Priority 3)***

Implemented. The Environmental Services Department requested and received the required information from the proposed contractors. ESD reviewed and commented on the information submitted as appropriate.

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

***#1 (Public Works Real Estate/RK) - Implement staff assignment and monitoring procedures to ensure that staff adhere to the ten-business days requirement to complete appraisal reviews. (Priority 3)***

Implemented. According to Real Estate Division management, the procedure to adhere to a ten-business days requirement to complete appraisal reviews in-house is in place and staff is aware of the procedure. However, Real Estate Division management also stated that staff has not performed a single appraisal report review in-house since this audit was issued in March 2001; all appraisal report reviews have been contracted out. Furthermore, Real Estate Division management agreed that, in the event that Real Estate Division staff perform appraisal report reviews in-house in the future, staff assignment ***and monitoring procedures will be employed to ensure adherence to the ten-business days requirement for completion.***

***#2 (Public Works Real Estate/RK) - Specify the expected completion date for the entire appraisal review and approval process in the Work Request form. (Priority 3)***

Partly implemented. According to Real Estate Division management, the Acquisition Agent assigns the completion date for the appraisal review and approval process and informs the Appraisal Section. The due date is recorded on the Work Request form. If a due date cannot be determined, 90 days from the date of the Work Request should be used as the due date. The Notice to Proceed sent to the appraisers and reviewers with whom the City contracts contains a required completion date. Real Estate Division procedures still need to be revised to include the completion date requirement on the Work Request form. Target date: 6-02.

***#3 (Public Works Real Estate/RK) - Establish a competitive process for selecting independent appraisers for future property appraisal Master Agreements. (Priority 3)***

Implemented. According to Real Estate Division management, the Division has established a competitive process for selecting independent appraisers for future property appraisal Master Agreements. Specifically, the Division is now following current Department of Public Works' procedures and guidelines for competitive bidding. The Division advertised Request for Qualification (RFQ) ***on December 7<sup>th</sup>, 8<sup>th</sup>, and 10<sup>th</sup>, 2001, and provided certified independent appraisers with RFQ materials.***

***#4 (Public Works Real Estate/RK) - Establish procedures that require staff to (a) take at least two quotes when letting out an appraisal project to an independent appraiser; (b) document individual quotes for appraisal projects; and (c) justify in writing the selection of an independent appraiser other than the low bidder. (Priority 3)***

Partly implemented. The Real Estate Division has created the Appraisal-Valuation Project Status Report. According to Department management the Appraisal-Valuation Project Status Report requires information on the appraisers' names, bids, and other relevant information needed for each project. Although required use of the

report for each project began in May 2001, the Real Estate Division is still revising and improving the report format. In addition, procedures still need to be revised to include *the Appraisal-Valuation Project Status Report and explain its use. Target date: 6-02.*

**#5 (Public Works Real Estate/RK) - Ascertain that the appraisal reviewers comply with the requirement to complete the appraisal review checklists for all appraisal reviews. (Priority 3)**

Implemented. According to Department Administration, appraisal reviewers have been instructed to complete the appraisal review checklist and return the checklist with each completed review.

**#6 (Public Works Real Estate/RK) - Require the appraisal staff to keep a Parcel Diary for each appraisal and to file it with the appraisal report and appraisal review. (Priority 3)**

Partly implemented. The Real Estate Division has developed the Appraisal-Valuation Project Status Report. According to staff, a section of this report serves as a Parcel Diary for the appraisal portion of the project. Although required use of the report for each project began in May 2001, the Real Estate Division is still revising and *improving the report format. In addition, Real Estate Division procedures still need to be revised to include the Appraisal-Valuation Project Status Report and explain its use. Target date: 6-02.*

**#7 (Public Works Real Estate/RK) - Require the staff to document in the appraisal files how the staff resolves the appraisal reviewer's findings. (Priority 3)**

Partly implemented. According to Real Estate Division management, notes are now made on the diary page and a memorandum to the Supervising Property Agent explains how staff resolves the appraiser and appraisal reviewer findings. The Appraisal-Valuation Project Status Report the Real Estate Division developed contains a section for comments/notes and can serve as a diary. Although required use of the report for each project began in May 2001, the Real Estate Division *is still revising and improving the report format. In addition, Real Estate Division procedures still need to be revised to include the Appraisal-Valuation Project Status Report and explain its use. Target date: 6-02.*

**#8 (Public Works Real Estate/RK) - Complete the missing or incomplete entries in the Appraisal Inventory spreadsheet. (Priority 3)**

Partly implemented. The Real Estate Division is in the process of completing the missing or incomplete entries in the Appraisal Inventory spreadsheet. Target *date: 6-02.*

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

Partly implemented. On January 17, 2002, all Real Property Agent IIs attended a training session focused on *ordering title reports and processing payments*. A handout, *“Ordering Title Reports”*, was distributed at this training session. However, (a) performance criteria and staff qualifications to perform title services have not yet been established, (b) title services procedures have not been formally written, and (c) backup staff has not yet been assigned to perform title services. According to Department Administration, complete implementation of this recommendation is contingent upon the Real Estate Division securing a full time Analyst II position. The Division’s 2001-2002 operating budget proposal to fund this position was denied.

REQUIRES FUNDING. \$70,000. Target date: 12-02.

**#10 (Public Works Real Estate/RK) - Periodically survey local title companies and attempt to expand the list of qualified title insurance companies the City can use. (Priority 3)**

Implemented. According to Division management, Real Estate staff contacted all major title companies with offices within Santa Clara County in an attempt to expand the list of two title companies the Real Estate Division was using at the time of our audit. As a result, beginning in November 2001, a third title company agreed to provide services to the City.

**#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)**

Not implemented. The Department of Public Works – Real Estate Division included within its operating budget proposal for FY 2001-02 a one-time General Fund request for contractual services for a consultant’s evaluation of the current File Locator Database Program or make recommendations for an improved system. However, the budget proposal was denied. The consultant duties include (1) a complete analysis of how information is stored and accessed by staff and customers, (2) to evaluate compatibility with the City’s over-all records management strategy and systems currently under development, and (3) determine the extent the system allows for the physical purging of documents that are no longer needed. Successful implementation of a reliable and efficient records retention and retrieval system will expedite searches for documents, prevent loss of historical records, and enable staff to provide a higher quality level of service to the Division’s customers. Target Date: 6-02.

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

Not implemented. Implementation of this recommendation depends on the implementation of Recommendation # 11. Target date: 6-02.

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

Not implemented. Public Works - Real Estate Division included within its operating budget proposal for FY 2001-02 an on-going capital-funded full time Analyst II position. However, the budget proposal was denied. This proposal stated that a staff analyst or equivalent position will allow the Division to maintain existing service levels and implement a variety of process improvements in maximizing resource utilization and productivity. According to the Division, without the addition of the requested resource, development and maintenance of written procedures to ensure consistent delivery of Real Estate services will remain unanalyzed and unwritten. Target date: 6-02.

REQUIRES FUNDING: \$70,000.

***#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. Currently, the Division maintains a variety of spreadsheets it uses to track various projects and aspects of its work and assignments. However, these spreadsheets are not designed to track targeted and actual dates. The Division has revised a hard copy Work Request form to include due and actual dates. The Real Estate Division on November 21, 2001 retained GLW Consulting (computer programming services) which in concert with Division staff is preparing an Access 2000 tracking system for all Acquisition, Appraisal, Deed, Relocation (business and residential) and Title assignments. Target date: 6-02.

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

***#1 (Fire/EL) - Ensure that fire personnel that are held over properly document the absence they are covering. (Priority 3)***

Partly implemented. The SJFD has reminded staff to follow current procedures when documenting hold overs. The SJFD is in the process of implementing the Telestaffing program for line personnel. This program will record a daily roster which will list all staff assigned to a shift, both working and absent, as well as personnel working minimum staffing. It is expected that the roster will be reviewed and finalized daily by designated staff. Target Date: 06-02.



***#2 (Fire/EL) - Calculate an absence rate for each rank using the most reliable and accurate absence rate data available for determining SJFD staffing and overtime needs and management reporting purposes. (Priority 3)***

Implemented. The SJFD

***#3 (Fire/EL) - Analyze vacancy rate data separately for each rank using the most reliable and accurate vacancy rate data available when determining staffing and overtime needs. (Priority 3)***

Partly implemented. The SJFD expects to revise its monthly Personal Service Reports to include a vacancy rate for each rank by September 2001. The vacancy rate has been downloaded from PeopleSoft. The SJFD will use the reports to determine future staffing and overtime needs and will be utilized in the 2002-03 budget process. Target date: 12-01.

***#4 (Fire/EL) - Develop procedures to ensure that the correct data and proper adjustments are entered into the PeopleSoft and SEARS systems and designate a staff person to monitor and evaluate the PeopleSoft and SEARS data on a regular basis. (Priority 3)***

Partly implemented. The SJFD has developed an electronic system with controls to ensure correct data adjustments are submitted to Payroll. The SEARS system will be replaced by the electronic staffing program, which is scheduled to be implemented by 2002-03. SJFD will develop and implement procedures at that time. Target date:

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

Partly implemented. The SJFD has been reviewing its methodology for developing staffing reports. The SJFD is in the final phase of completing its staffing report, which is scheduled to go to the City Council in March 2002. Target date: 06-02.

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

Not implemented. The SJFD is finalizing its staffing report. The report will be an integral component of updating the 1992 study regarding the use of relief staff and overtime to meet minimum staffing *requirements*. ***The SJFD will update the 1992 study after completing its staffing report in March 2002. Target date: 12-02.***

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

Partly implemented. The SJFD has reviewed sick leave usage for the first six months of 2001-02. The SJFD found sick leave usage decreased about six percent from the same period in 2000-01. The SJFD reported that it *continues to analyze sick leave usage for trends and possible patterns of abuse. The SJFD needs to establish a sick leave benchmark. Target date: 6-02.*

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

Not implemented. The SJFD indicated that on occasion they recognize employees with minimal sick leave use. The SJFD has not taken steps to implement a four-part Sick Leave Reduction Program. The City of Long Beach, CA reported a 27 percent decrease in sick leave usage in its Fire Department after implementing a sick leave reduction program. If the SJFD were to implement a *similar program and achieve a 27 percent reduction in sick leave hours, it would represent a decline of \$588,000 of overtime cost. The SJFD needs to implement a proactive sick leave reduction program targeted at line personnel to inform them of the benefits of conserving sick leave and rewarding personnel with perfect attendance. Target date: 6-02.*

REDUCES COST: \$588,000.

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

Partly implemented. The SJFD has contracted with Club One to provide a full-time Wellness Program Coordinator. Club One is supposed to maintain equipment as needed; visit stations for special subjects; conduct two special subject Department wide programs; track data and trends; report cost savings; administer and deliver reports on physical assessments to individuals; complete a Health Risk Appraisal Program screening assessment; and administer a Continuing Education program for ACE certification. The SJFD also reported that it installed exercise equipment in all fire stations; provides staff with an individual fitness evaluation and nutritional plan; requires annual fire fighter physicals; and is working on medical standards for new hires. The SJFD reported that it supports a full comprehensive Wellness-Fitness Initiative Program. The SJFD recognizes that components needed for full implementation include cancer screening, behavioral health, rehabilitation, and injury prevention. The SJFD has not prepared a budget proposal due to current budget constraints. Target *date: 6-03.*

REQUIRES FUNDING: TBD.

## **01-03 AN AUDIT OF THE PRETREATMENT SOURCE CONTROL PROGRAM**

**#1 (ESD/LB) - Establish appropriate minimum inspection and sampling frequencies for significant and non-significant industrial users that are consistent with program requirements and**

**Update SC Program procedures to reflect appropriate inspection and sampling frequencies and ensure SC Program staff compliance with these procedures. (Priority 2)**

Partly implemented. According to ESD, the Source Control Program is now utilizing inspection and sampling frequencies established in its 2000 annual report to the Regional Water Quality Control Board. We will review the procedures after they become available during the next follow-up. Target date: 6-02.

**#2 (ESD/LB) - Identify a consistent and justifiable level of effort necessary to fulfill all federal requirements for surveillance sampling and for trunkline sampling;**

**Develop procedures to ensure the SC Program staff adhere to established surveillance and trunkline sampling frequencies; and**

**Develop a system to routinely and objectively identify appropriate facilities subject to surveillance activities. (Priority 2)**

Not implemented. According to ESD, *the SC Program will develop a report on the findings and future plans for the surveillance and trunkline sampling during the next follow-up. Target date: 6-02.*

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

Partly implemented. Inspectors submit weekly *reports outlining their completed activities including inspections. The SC Program has also developed monthly reports for Self-Monitoring Reports and IU Permits. The SC Program is in the process of developing an RFQ/RFP for a new database system that will assist in the tracking of the SC Program inspection and sampling workload. We will review the recommendation after ESD acquires a new data system. Target date: 6-03.*

**#4 (ESD/LB) - Develop written procedures and management reports to allow for adequate supervisory review and oversight of SC Program activities and ensure adherence with SC Program inspection goals, procedures, and frequencies. (Priority 3)**

Not implemented. According to ESD, *during the next follow-up the SC program will submit procedures that provide for adequate supervisory review and oversight of SC Program activities. Furthermore, the SC Program is in the process of developing an RFQ/RFP for a new database system that will assist in the tracking of the SC Program inspection and sampling workload. Target date: 6-02.*

**#5 (ESD/LB) - Evaluate options to eliminate or reduce the need for customers to visit the WPCP for plan check services related to grease traps and grease trap interceptors;**

**Require SC Program supervisors to answer phone inquiries; and**

**Reassign the three SC Inspectors working on the SC Program tracking database to inspector activities. (Priority 2)**

Partly implemented. According to ESD, SC Inspectors are no longer assigned to maintain the database and clerical staff have been trained to answer phone inquiries. ESD plans to work with Tributary staff and the City's Building Division to eliminate or reduce the need for customers to visit the WPCP for plan check services related to grease trap and grease trap interceptors. **Target date: 6-02.**

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

Partly implemented. According to ESD, the SC Program is in the process of mapping its activities to assist in the development of a new *database*. **We will review the SC Program's mission, objectives, and work activities after the mapping process is completed. Target date: 6-02.**

**#7 (ESD/LB) - Identify the SC Program's actual required workload, and develop a staffing plan based on NPDES Permit requirements and an efficient use of inspector and technician positions. (Priority 1)**

Implemented. ESD analyzed the SC Program's workload and staffing requirements. Based on this analysis and the findings in our audit report, ESD submitted a budget reduction plan in the FY 2001-02 Proposed Operating Budget.

**#8 (ESD/LB) - Submit a budget proposal to the City Council based upon the implementation of Recommendations # 1, 6, and # 7. (Priority 1)**

Implemented. ESD submitted a budget proposal based on the changes to the SC Program and incorporated these changes into the FY 2001-02 Proposed Operating Budget, page 158. The FY 2001-02 Proposed Operating Budget shows a reduction of \$1,077,918.

**#9 (ESD/LB) - Make appropriate changes in the SC Program's vehicle inventory to reflect the SC Program's required staffing level. (Priority 2)**

Partly implemented. According to General Services, ESD eliminated 11 vehicles from its complement of vehicles. Five of these have been sold at auction for total sales revenue of \$9,927 and the remaining six vehicles are being processed for a subsequent auction. We will review the recommendation during the next follow-up report on these remaining vehicles. Target date: 6-02.

**#10 (ESD/LB) - Include in the City Auditor's 2001-02 Workplan a review of the City's five-year vehicle replacement program. (Priority 2)**

Implemented. The City Auditor's 2001-02 Workplan includes a review of the City's vehicle replacement program and commenced the audit in July 2001.

**#11 (ESD/LB) - Make appropriate changes in SC Program support services, such as Laboratory services, to reflect the SC Program's revised workload. (Priority 2)**

Partly implemented. ESD completed the consultant study of the Laboratory and is in the process of drafting a Laboratory Management Plan. Target date: 6-02.

REDUCES COST: Up to \$925,000.

**#12 (ESD/LB) - Ensure that SC Inspectors enforce violations consistently and in accordance with SC Program procedures. (Priority 3)**

Partly implemented. ESD drafted an *Enforcement Response Plan to ensure SC Inspectors enforce violations consistently and is in the process of developing further procedures to address the recommendation. We will review this recommendation after the ERP is finalized.*

Target date: 6-02.

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

Partly implemented. ESD drafted an *Enforcement Response Plan to ensure SC Inspectors enforce violations consistently and is in the process of developing further procedures to address this recommendation. We will review this recommendation after the ERP is finalized.*

Target date: 6-02.

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

Partly implemented. According to ESD, *during the next follow-up the SC Program will submit procedures that provide for adequate oversight of SC Program activities. The SC Program is also in the process of developing an RFQ/RFP for a new database system that will assist in the tracking of the SC Program inspections and management reports. We will review this recommendation after the RFQ/RFP is completed. Target date: 6-02.*

**#15 (ESD/LB) - Work with the City Attorney's Office to develop and implement written procedures to ensure compliance with the City Council-approved Administrative Citation schedule. (Priority 3)**

Partly implemented. According to ESD, the SC Program is now issuing Administrative Citations for all applicable violations. Until the Enforcement Response Plan (ERP) is finalized, an enforcement coordinator is issuing all Administrative Citations. ESD incorporated procedures for *inspectors to issue*

*Administrative Citations in its draft Enforcement Response Plan. We will review this recommendation after the ERP is finalized. Target date: 6-02.*

***#16 (ESD/LB) - Develop and implement procedures to ensure the City of Santa Clara is correctly and promptly notified of 1) facilities subject to the surcharge program and 2) facilities that should be removed from the surcharge program. (Priority 3)***

Partly implemented. According to ESD, *the SC Program clarified the surcharge procedure with the City of Santa Clara's Director of Water and Sewer Utilities. The Director clarified that surcharges apply only to discharge violations and not reporting violations. ESD incorporated procedures for surcharges in its draft Enforcement Response Plan. We will review this recommendation after the ERP is finalized. Target date: 6-02.*

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

Not implemented. Target date: 6-02.

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

Partly implemented. ESD transferred \$106,574 from Fund 514 to Fund 541. Draft procedures still need to be finalized and implemented to ensure the proper placement of future civil penalties. Target date: **6-02**.

## **01-04 AN AUDIT OF THE CITY OF SAN JOSE BUILDING DIVISION'S CASH HANDLING AND REFUND PROCESS**

***#1 (Building Division/EL) - Improve supervisory oversight of cash handling activities, to include review of the Account Clerks' counting and reconciliation activities. (Priority 2)***

Partly implemented. The Division has taken steps to improve supervisory oversight of cash handling activities. The Division expects that with the implementation of the Application Management and Data Automation system in July 2001, the Accounting Technician will have several reports to assist with the independent verification of cash collected.

***#2 (Building Division/EL) - Update and formalize its procedures and guidelines for processing voids, including supervisory approval of all voided transactions and the retention of all voided receipts and provide training for cashiers on these procedures. (Priority 2)***

Implemented. The Division updated and formalized its procedures and guidelines for processing voids, including supervisory approval of all voided transactions and the retention of all voided receipts. Cashiers have been trained on these procedures.

***#3 (Building Division/EL) - Develop formal procedures for processing add-on transactions and explore ways to reduce the number of add-on transactions. (Priority 2)***

Implemented. The Division developed and implemented procedures to identify and process add-on transactions, including assigning a time limit for processing and completion. The Division expects that the number of add-on transactions will be greatly reduced with the implementation of the Application Management and Data Automation system in July 2001.

***#4 (Building Division/EL) - Ensure that Division staff follows all City guidelines regarding safe security and strictly enforces the Division's policy of restricting access to the cashiering area. (Priority 2)***

Implemented. The Division formalized procedures governing safe maintenance and restricted access to the cashiering area are by authorized personnel. The Division has kept the safe locked at all times, maintains a list of personnel of who have access to the safe, and changed the combination upon staff turnover. Further, the Division requires that non-accounting personnel be accompanied when entering the cashier area.

***#5 (Building Division/EL) - Require supervisors to properly review all refunds to ensure that they are issued in accordance with the Division's refund policy. (Priority 2)***

Implemented. The Division has required that all refund requests be reviewed and signed by a Permit Center Supervisor and the Division Analyst. The Accounting Technician has been instructed not to process refunds for payment unless all authorized signatures are included in the refund form.

***#6 (Building Division/EL) - Ensure that its staff is aware of and follows the City's policy regarding special checking accounts. (Priority 2)***

Implemented. The Division has made its fiscal staff aware of the City's policy regarding special checking accounts. The Accounting Technician has been instructed not to issue any checks that do not comply with the established guidelines and procedures for the special checking account. Testing revealed compliance with the special checking account policy.

**APPENDIX A**