



**OFFICE OF THE
CITY AUDITOR**

**SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT
ON ALL OUTSTANDING AUDIT RECOMMENDATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2006**

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

November 8, 2006

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

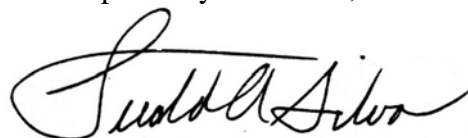
Transmitted herewith is the *Semi-Annual Follow-Up Report On All Outstanding Audit Recommendations For The Six Months Ended June 30, 2006*.

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

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

I will present this report to the Making Government Work Better Committee at its November 16, 2006 meeting. Should you have any questions or need additional information in the interim, please let me know.

Respectfully submitted,



Gerald A. Silva
City Auditor

GS:bh
Jun06

cc: City Manager's Office
and affected departments

EXECUTIVE SUMMARY

In accordance with the City Auditor's approved 2006-07 Workplan, we have prepared a report of the status of open recommendations for the six months ending June 30, 2006. 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 through June 30, 2006, there were one hundred and nineteen (119) outstanding recommendations of which:

- 27 recommendations were implemented;
- 81 recommendations were partly implemented;
- 9 recommendations were not implemented;
- 1 recommendation was deferred; and
- 1 recommendation was dropped.

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

**TABLE I
STATUS OF OPEN RECOMMENDATIONS BY AUDIT REPORT ENDING JUNE 30, 2006**

Report #	Audit Report	Implemented	Partly Implemented	Not Implemented	Deferred	Dropped
88-03	An Audit Of The Police Department Overtime Controls		1			
93-05	An Audit Of The Department Of General Services/Vehicle Maintenance Division--Police Vehicles	1				
95-06	An Audit Of The San Jose Arena Management Agreement			1		
96-06	An Audit Of The City Of San Jose's Business Tax Collection Process					1
96-07	An Audit Of The City Of San Jose's Open Purchase Order Process		1	1		
97-01	An Audit Of The City Of San Jose's Utility Billing System		2			
00-01	An Audit Of The Police Department -Bureau of Field Operations Patrol Division's Staffing and Deployment		1			
00-04	An Audit Of The City Of San Jose Building Division's Building Permit Fee Process		1	1		
01-01	An Audit Of The Property Appraisal Process Of The Department Of Public Works—Real Estate Division		2	2		
01-02	An Audit Of The City Of San Jose Fire Department's Overtime Expenditures		4			
01-05	An Audit of the City of San Jose Fire Department's Strategic Plan Regarding Proposed Fire Stations		2			
02-02	An Audit Of The San José Arena Management Corporation's Compliance With The San José Arena Management Agreement		3			
02-03	An Audit Of The Property Management Operations Of The City Of San Jose's Department Of Public Works – Real Estate Division	1	3			
03-01	An Audit Of The Targeted Neighborhood Clean-up Program	2				
03-03	An Audit Of The Fleet Management Division Of The General Services Department's Vehicle Replacement Program	1	3			
03-04	An Audit Of The Airport Neighborhood Services Group		1			
03-07	An Audit Of The Neighborhood Development Center Of The Department Of Parks, Recreation, And Neighborhood Services		2			
03-10	An Audit of The San José Fire Department's Bureau of Fire Prevention		4		1	
03-11	An Audit Of The Utilization And Replacement Of The City's Metered Equipment	3	2			
04-01	An Audit Of The Concentrated Code Enforcement Program	1	1	1		
04-04	An Audit Of The Utilization And Replacement Of The City's Transport Vehicles	5	1			
6/2/04 Memo	Memorandum Of The Avis Rent A Car Audit			2		
04-05	A Review Of The CUSP Request For Proposal Process		14			
04-06	A Review Of The Request For Proposal For The New Civic Center Converged Network System		5			
04-07	An Audit Of The City's Cellular Phone Program		5			
04-08	An Audit Of San José Family Camp		4			
04-09	An Audit Of The City Manager's Reforms	1	1			
05-01	An Audit Of The Public Art Program		8			
05-02	An Audit Of The Agreements Between The City And The Filipino American Senior Opportunities Development Council (Fil-Am SODC)	7	7			
05-03	An Audit Of The Environmental Services Department's Laboratory		1			
06-01	An Audit Of Citywide Grant Oversight	1	2			
06-02	An Audit Of The San Jose Municipal Water System Fire Hydrant Maintenance And Repair Program	4		1		
	Totals	27	81	9	1	1

As of June 30, 2006, the distribution of the ninety one (91) recommendations which remain open are as follows:

- | | | | |
|----|-----------------------------------|----|--|
| 3 | Airport | 4 | General Services |
| 16 | City Administration | 3 | Planning, Building, and Code Enforcement |
| 5 | Economic Development | 2 | Police Department |
| 3 | Environmental Services Department | 14 | Parks, Recreation, and Neighborhood Services |
| 20 | Finance Department | 5 | Public Works Department |
| 12 | Fire Department | 4 | San José Arena Management |

Of the ninety one (91) recommendations which remain open:

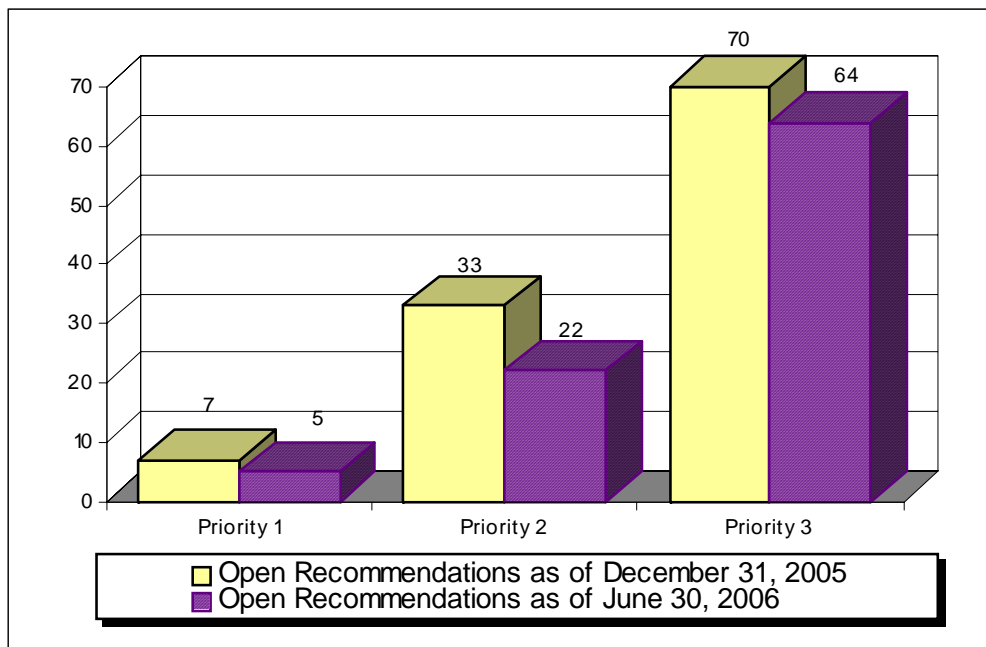
- 5 recommendations are Priority 1;
- 22 recommendations are Priority 2; and
- 64 recommendations are Priority 3.

Of the ninety one (91) recommendations which are “not implemented”:

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

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

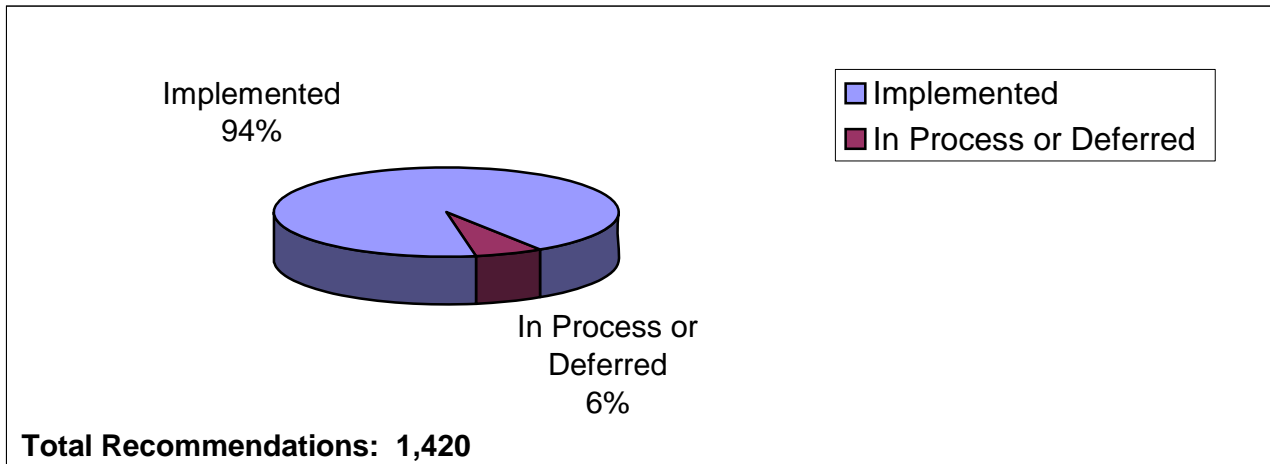
GRAPH 1
PRIORITY STATUS OF REMAINING OPEN AUDIT RECOMMENDATIONS



During this semi-annual period, the Administration implemented 27 recommendations. We thank the departments for their efforts in implementing these recommendations and toward implementing those 91 recommendations still outstanding.

Graph II shows the number of City Auditor recommendations made and implemented from May 1985 through June 2006.

GRAPH II
RECOMMENDATIONS IMPLEMENTED
May 1985 through June 2006



RECOMMENDATIONS REQUIRING MAKING GOVERNMENT WORK BETTER COMMITTEE ATTENTION

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

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

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

Partly implemented. The new consolidated Utility Billing System calculates all utility bills (Recycle Plus, Muni Water, Sewer, and Storm Drain). The Sewer and Storm Drain fees are still being placed annually on the County Tax Roll. The City will evaluate the benefits of consolidating the four utility bills into one bill.
Target date: 12-06.

INCREASES REVENUE: \$350,000.

REDUCES COSTS: \$350,000.

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

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

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

COUNCIL ATTENTION REQUIRED: Requires funding TBD.

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

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

Partly implemented. The SJFD has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in February 2005; it implemented the new CAD system necessary to integrate ProQA software necessary for the Priority Dispatch Omega protocol; and it has begun using the ProQA software. However, the current EMS Agreement with the County requires that the SJFD respond on all 911 calls received. Under the Priority Dispatch Omega protocol, the 911 call receives an alternate response. The County has approved the County EMS contract extension for three years and the Fire Department is following up with data collection through 6-07. Furthermore, the Fire Department was successful in obtaining County EMS Agency authorization to respond to lower priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. However, a retrospective review of patient care data by the Fire Department identified data integrity issues that must be resolved prior to response modification. The Fire Department is confident that data integrity features specifications of a Records Management System that it is in the process of procuring will ensure its future ability to determine which Omega determinants could safely receive an alternate response. Target date: 7-07.

REQUIRES FUNDING: TBD.

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

Partly implemented. According to FY 2005-06 Manager's Budget Addendum #10, temporary redeployments of existing fire companies are proposed to minimize the General Fund operating costs on a year-by-year basis for the next three years. The Fire Department intends to collect data to determine the appropriateness of this strategy. The Fire Department is evaluating the potential operational and fiscal impacts of staffing a two-person unit with the redeployment of Station 2's resources during the station's reconstruction expected to begin in the summer of 2007. During this period the Fire Department has determined a need exists to deploy a portion of the station's resources within Station 2's first due district. The incident-reporting module of the Records Management System and Mobile Data Computer will be used to capture patient care and unit availability and location data during this potential trial. Target date: 6-07.

REQUIRES FUNDING: TBD.

04-08: AN AUDIT OF SAN JOSÉ FAMILY CAMP

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

Partly implemented. Staff housing consists of 22 soft-sided tents and five hard-sided cabins. PRNS has upgraded five hard-sided cabins and four soft-sided tents. Without additional funding, PRNS plans to upgrade four staff tents or cabins per year and expects to complete upgrading staff housing by June 2011. To date, 11 of the 27 staff housing cabins and tents have been upgraded and 16 staff cabins and tents need to be rebuilt. PRNS staff indicate that the unit cost of tent upgrades has increased to \$7,900 per unit. Target date: 6-11.

COUNCIL ATTENTION REQUIRED: \$126,400 funding required to repair remaining 16 tent platforms.

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

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

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

**COMPLETE LISTING OF THE STATUS
OF OPEN AUDIT RECOMMENDATIONS
AS OF JUNE 30, 2006**

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

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

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

Target date: 3-07.

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

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

Implemented. City Policy Manual Section 1.8.1 states, "Employees approved for take-home use of vehicles will comply with any standards, which may be set by the City regarding the maximum allowable time or distance from the reporting location for standby or callback duty." The City Manager's Office has reviewed and approved the list of requested 24-hour vehicles and has forwarded this information to the Departments.

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

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

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

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

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

Dropped. Finance/Treasury has implemented Recommendations #1, #2, and #3 without new staff or budget increases. Therefore, the City Council approved dropping this recommendation at its June 6, 2006 meeting.

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

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

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

(Priority 2)

Not implemented. The Finance Department plans to develop a City Policy addressing this recommendation after it completes the implementation of City Council-approved procurement reforms. Target date: 6-07.

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

Partly implemented. The Finance Department is in the process of updating the Accounts Payable Section of the Finance Administrative Manual. Continued vacancies in the Accounts Payable Section and a transfer to another department have further delayed completion of this project. Target date: 1-07.

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

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

Partly implemented. The new consolidated Utility Billing System calculates all utility bills (Recycle Plus, Muni Water, Sewer, and Storm Drain). The Sewer and Storm Drain fees are still being placed annually on the County Tax Roll. The City will evaluate the benefits of consolidating the four utility bills into one bill. Target date: 12-06.

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

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

Partly implemented. The C-UBS went live in July 2006. In converting to the new system, the C-UBS project team implemented steps to correct, clean and convert information in the database. In addition, the new system has automated features to identify any billing exceptions, which are corrected by C-UBS operations staff using documented procedures. Before the end of the year, the City Auditor's Office will review controls to ensure that the reliability of the database information is properly maintained. Target date: 12-06.

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

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

Partly implemented. Staff has received training on the Police Department's patrol staffing software purchased in early 2003. According to the Police Department, shift change time-modifications will require an extended study and analysis using the patrol staffing software for a minimum of at least two full shift change periods.

Police and IT departments' staff worked with the software vendor to resolve the previously stated concerns related to the transition to the new Intergraph CAD system. As a result, the prior year's corresponding six months worth of call for service data were utilized for the March 2006 and September 2006 shift changes. The results of this first phase better position the Police Department to consider optimal resource deployment as part of a comprehensive public safety planning process that best combines quantitative assessments with practitioner experience, thereby maximizing officer and public safety in the most cost-effective and practical manner. Target date: 9-07.

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

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

Partly implemented. The Building Division received a final report from the Financial Consulting Group on the process to account for works-in-progress. The Building Division staff were trained on how to update statistics and apply the process. The department considers the establishment of an enterprise fund or a special revenue fund with a fully funded works-in-progress reserve to be unlikely in the current economic climate as significantly larger reserves would be required than are currently available. Planning, Building, and Code Enforcement staff and the other development service partners will use the methodology to calculate the City's works-in-progress liability for development fees, report the result to the development community, and reconsider the implementation of this item in 2006 when increased activity and higher reserve levels might make it more feasible. This recommendation had been deferred since April 27, 2004 due to the delayed fiscal recovery of the economy. The Administration believes that economic conditions have improved enough to commence implementing this recommendation. Target date: 6-07.

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

Not implemented. The Building Division received a final report from the Financial Consulting Group recommending a sinking fund to pay for long-term capital asset acquisitions. Long-term assets in the program consist primarily of inspector vehicles and the Integrated Development Tracking System (IDTS). Vehicle fleet adds are charged directly to the fee program when purchased and the cost of replacement vehicles is recovered through the overhead rate on the basis of a depreciation schedule determined by the Finance Department. Funding for the IDTS was accumulated through the implementation of a 2 percent automation surcharge on development fees. This surcharge was discontinued after three years and the ongoing maintenance costs of the system are included as overhead in the cost of permits. This recommendation

had been deferred since April 27, 2004 due to the delayed fiscal recovery of the economy. The Administration believes that economic conditions have improved enough to commence implementing this recommendation. Target date: 6-07.

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

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

Partly implemented. Without the use of consultant services, the Real Estate Division and General Services worked on how best to implement this recommendation. Staff reduction slowed progress and delayed draft recommendations. With the reconsolidation of real estate functions from the General Services Department to the Public Works Department in FY 06-07, the recommended options to implement this recommendation will be evaluated for possible integration with the existing database systems in the Public Works Department. Target date: 6-07.

#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: 6-07.

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

Partly implemented. A draft Property Acquisition Manual was completed in September 2005. We reviewed and approved this draft for consistent formatting with the requirements of this audit finding. Public Works staff is currently working with the Office of the City Attorney to finalize the manual. As soon as the Office of the City Attorney completes their review, this recommendation will be implemented. Target date: 12-06.

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

Not implemented. Staff has developed a provisional in-house tracking system; however, this system does not comply with their own level of detail requirements. The aim of the recommendation is to identify improvements in the storage and access to information for increased productivity and streamlining of work effort. To meet

this aim, the Department is exploring consolidating Real Estate project tracking with the Capital Project Management System (CPMS). The CPMS is a comprehensive capital project database, which can establish baseline schedule and budget by project phases, and also can track actual dates and costs by phases. This integration approach is preferable over a stand alone database and will allow CPMS users to track land acquisition milestone and actual project status in terms of project delivery schedule. Target date: 12-06.

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

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

Partly implemented. The Fire Department has a process in place for obtaining and reviewing staffing-related information in order to identify overtime and relief staffing levels. The Fire Department has completed a trend analysis of this information for the last two fiscal years. Upon completion of the current fiscal year (2005-06), the Fire Department will have the required data to make relief staffing-level adjustment recommendations. The Fire Department anticipates that it may include relief staffing recommendations as part of its annual report to the Making Government Work Better Committee. If necessary, the Fire Department will include recommended staffing level changes as part of the 2007-08 budget process. Target date: 6-07.

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

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

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

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

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

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

COUNCIL ATTENTION REQUIRED: Requires funding TBD.

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

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

Partly implemented. The SJFD has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in February 2005; it implemented the new CAD system necessary to integrate ProQA software necessary for the Priority Dispatch Omega protocol; and it has begun using the ProQA software. However, the current EMS Agreement with the County requires that the SJFD respond on all 911 calls received. Under the Priority Dispatch Omega protocol, the 911 call receives an alternate response. The County has approved the County EMS contract extension for three years and the Fire Department is following up with data collection through 6-07. Furthermore, the Fire Department was successful in obtaining County EMS Agency authorization to respond to lower priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. However, a retrospective review of patient care data by the Fire Department identified data integrity issues that must be resolved prior to response modification. The Fire Department is confident that data integrity features specifications of a Records Management System that it is in the process of procuring will ensure its future ability to determine which Omega determinants could safely receive an alternate response. Target date: 7-07.

REQUIRES FUNDING: TBD.

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

Partly implemented. According to FY 2005-06 Manager's Budget Addendum #10, temporary redeployments of existing fire companies are proposed to minimize the General Fund operating costs on a year-by-year basis for the next three years. The Fire Department intends to collect data to determine the appropriateness of this strategy. The Fire Department is evaluating the potential operational and fiscal impacts of staffing a two-person unit with the redeployment of Station 2's resources during the station's reconstruction expected to begin in the summer of 2007. During this period the Fire Department has determined a need exists to deploy a portion of the station's resources within Station 2's first due district. The incident-reporting module of the Records Management System and Mobile Data Computer will be used to capture patient care and unit availability and location data during this potential trial. Target date: 6-07.

REQUIRES FUNDING: TBD.

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

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

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

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

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

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

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

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

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

Implemented. The General Services Department presented the revised 7-1 policy on non-profit leases to the City Council on June 20, 2006. The City Council adopted the revised policy 7-1.

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

Partly implemented. City Council Policy 7-1 (Below Market Rental Use of City-Owned Land and Buildings by Non-profit or Charitable Organizations for Governmental or other Public Purposes) was adopted on June 20, 2006. The revised policy includes instruction for staff to include language in its leases with non-profits requiring the annual submission of documents to facilitate an annual review. The Department needs to develop procedures to implement the revised City Council policy. Target date: 12-06.

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

Partly implemented. City Council Policy 7-1 (Below Market Rental Use of City-Owned Land and Buildings by Non-profit or Charitable Organizations for Governmental or other Public Purposes) was adopted on June 20, 2006. The revised policy includes instruction for staff to implement the formal application process for non-profit leases of City-owned property including the submission of key non-profit background information. The Department needs to develop procedures to implement the revised City Council policy. Target date: 12-06.

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

Partly implemented. The City-owned property management function was transferred from the General Services Department to the Public Works Department. The Department is in the process of evaluating service delivery options related to providing oversight of leases of City-owned property. Public Works needs to develop a mechanism to track the use of City-owned facilities by outside organizations. The Department of Public Works needs to ensure that all City Departments that provide outside organizations with City-owned facilities are aware of Public Works' role in tracking the use of City-owned facilities. Target date: 12-06.

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

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

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

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

Implemented. According to Code Enforcement, Code Enforcement continues active recruitment for Regional Park Aide (RPA) positions and has filled ten of the desired 80 positions to date. Code Enforcement is working with Human Resources to enhance the pre-screening process to increase the number of qualified candidates and expedite hiring. Existing RPA staff have been trained and participated in four Neighborhood Clean-up events. Code Enforcement indicates that the CAP grant program is available for funding the City Council Office-Directed Community Grant Program. Standardized event fliers have been developed and are being reviewed by the City Attorney's Office for compliance with Prop 73.

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

Implemented. Code Enforcement distributed an information letter, accompanied with a Neighborhood Clean-up calendar, to the community-based organizations in February 2005 and August 2006. The letter and calendar are being distributed to the CBOs on an annual basis.

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

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

Partly implemented. The Fleet Management Division (FMD) has finalized their replacement policy and procedures. However, due to the current freeze on vehicle replacements, the General Services Department has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. We will follow up on this recommendation after the FMD has had an opportunity to implement the new procedures. Target date: 12-06.

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

Partly implemented. The Fleet Management Division (FMD) has finalized their replacement policy. However, due to the current vehicle freeze, the FMD has not had an opportunity to demonstrate consistency in its implementation of the replacement policy. We will follow up on this recommendation after the FMD has had an opportunity to implement the new procedures. Target date: 12-06.

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

Implemented. The Fleet Management Division (FMD) has completed their software upgrade from Peregrine Fleet Anywhere to Maximus Fleet Focus. A full set of audit procedures has been developed to ensure data integrity. The FMD has also incorporated the Federal GAO guidelines for database management and system auditing into their policies and procedures.

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

Partly implemented. The Fleet Management Division (FMD) has finalized a Citywide replacement policy. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in its implementation of the vehicle replacement policy. We will review this recommendation during the next follow-up to ensure the procedures are in place to be implemented as soon as the freeze is lifted. Target date: 12-06.

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

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

Partly implemented. The division continues to track constituent concerns and complaints with an existing system of Excel worksheets, enabling staff to document necessary information. As a result of the Airport Ombudsperson vacancy, the evaluation of available software packages that will provide an electronic standardized constituent complaint form has been delayed. Work on this project will resume when the Airport Ombudsperson position has been filled. Target date: 6-07.

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

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

Partly implemented. The NDC and Code Enforcement are still in the process of developing a comprehensive budget for the Property Owners training.
Target date: 12-06.

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

Partly implemented. PRNS has selected The Volunteer Center of Silicon Valley (The Volunteer Center) as the new fiscal agent to distribute CAP grant funds. An agreement with The Volunteer Center was executed in March 2006. The fiscal agent's responsibilities include the following:

- Distribution of the funding awards;
- Neighborhood/project monitoring as requested by the City;
- Documentation of mandated trainings and requirements;
- Change and Extension requests; and
- Mid-year and Final Grant reports.

The Volunteer Center will be distributing the CAP grant awards and fulfilling its responsibilities for Cycle 20 which ends on April 30, 2007 with reports due to the office by May 31, 2007. We will evaluate the implementation status once Cycle 20 has been completed and reviewed. Target date: 6-07.

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

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

Partly implemented. The RFP for the RMS system is moving forward, which will help with the automation process. The Fire Department has also recently filled the vacant Fire Inspector positions that will allow for more visits to the facilities. The Business Plan is in final draft form and under final review. Target date: 12-07.

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

Deferred. The SJFD has written a Business Plan for Fire Prevention, which addresses outstanding audit recommendations. Relative to this recommendation, the SJFD is also developing an RFP for a Records Management System. Within that RFP the department is exploring ways to better capture business license data and to have it link to the FIBS system. At this time, however, the estimated completion of this project is unknown. Deferral date: 6-07.

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

Partly implemented. The SJFD has written a Business Plan for Fire Prevention, which includes a more thorough risk analysis for Fire Inspection Frequency. A draft of the Business Plan has been completed and is undergoing final review. The Business Plan then ranks facilities needing inspections in priority order. When implemented, this will address the recommendation in the report. Target date: 12-06.

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

Partly implemented. The SJFD has written a Business Plan for Fire Prevention that recommends inspection frequencies based on a risk analysis, and includes an analysis of Inspector time and inspection workload. The Business Plan has been completed and is under final review. When implemented, the risk analysis should provide the SJFD with a sound basis for determining its inspection staff needs. Target date: 12-06.

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

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

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

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

Partly implemented. The Fleet Management Division (FMD) has incorporated replacement criteria into their replacement policy. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency in implementing the vehicle replacement policy. In order to implement this recommendation, we will review the policy and procedures and verify that they are consistently implemented. Target date: 12-06.

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

Implemented. The Fleet Management Division (FMD) has completed their software upgrade from Peregrine Fleet Anywhere to Maximus Fleet Focus. A full set of audit procedures has been developed to ensure data integrity. The FMD has also incorporated the Federal GAO guidelines for database management and system auditing into their policies and procedures.

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

Implemented. The FMD has established a metered equipment pool. The FMD has also finalized and implemented equipment pool policy and procedures.

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

Implemented. The FMD has actively been reducing the City's metered equipment fleet. The FMD is committed to a continuous process of reviewing the City's metered equipment fleet for opportunities to further reduce the metered equipment fleet size, improve utilization, and reduce costs.

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

Partly implemented. The FMD has incorporated replacement standards for metered equipment into its policies and procedures. However, due to the current freeze on vehicle replacements, the FMD has not had an opportunity to demonstrate consistency

in its implementation of the vehicle replacement policy. In order to fully implement this recommendation, we would like to review the policies and procedures and verify that they are consistently implemented. Target date: 12-06.

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

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

Partly implemented. According to Housing, staff has developed a form for tracking and reporting hours of staff who do not work 100 percent on CDBG projects. The form was submitted to HUD for consideration, and Housing is awaiting HUD's response before implementing the form. Target date: 12-06.

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

Not implemented. According to Code Enforcement, Code Enforcement conducted a comprehensive blight survey in 1999 in an effort to support the legal basis for establishing the Strong Neighborhoods Initiative areas. This survey was completed utilizing five Code Enforcement Inspectors full time for a period of approximately four months, along with PRNS and Redevelopment Agency staff. The Code Enforcement SNI Driveway Team has conducted blight sweeps in the SNI areas since August 2001. These sweeps, which include a survey component, have resulted in a significant reduction of blight conditions in these neighborhoods. To date, the Driveway Team has identified and abated over 15,000 blight violations.

Code Enforcement indicates that their proactive blight sweeps are more efficient than conducting a survey every five years. The City Auditor believes that the City should regularly monitor the net impact of SNI enforcement efforts. We recommend that Code Enforcement provide an assessment of the cost and service implications of this recommendation and provide cost effective alternatives to accomplish the intent of this recommendation. Target date: 6-07.

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

Implemented. Code Enforcement finalized a written procedure for the CDBG Grant Application process, which includes the process for documentation of matching funds.

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

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

Implemented. The revised City Policy Manual, Section 13.01 states, "All City provided vehicles must be parked, when not in use, in the City parking lot designated by the Department...Departments may authorize remote parking locations, however, employees must use the remote parking location nearest their primary work area. Employees are prohibited from parking a City vehicle in other than the Department's approved location in order to park closer to the employee's home...Departments will be required to maintain a list of each vehicle and the vehicle's designated parking area. This list will be made available to the Fleet Management Division." General Services has an updated list of vehicles and their respective parking locations which they update on a yearly basis.

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

Implemented. The City Manager's Office has reviewed and approved the list of requested 24-hour vehicles and has forwarded this information to the Departments.

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

Implemented. The updated City Policy Manual Section 1.8.3 addresses mileage reimbursement issues.

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

Implemented. The FMD has actively been reducing the City's specialized vehicle fleet. The FMD is committed to a continuous process of reviewing the City's specialized vehicle fleet for opportunities to further reduce the metered equipment fleet size, improve utilization, and reduce costs.

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

Implemented. The FMD has actively been reducing the City's transport vehicle fleet. The FMD is committed to a continuous process of reviewing the City's transport vehicle fleet for opportunities to further reduce the metered equipment fleet size, improve utilization, and reduce costs.

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

Partly implemented. In February 2005, the Fire Department began Phase I of a Vehicle Mileage Balancing program that will utilize vehicle mileage information to facilitate a "swap" mechanism that will move lower mileage vehicles to higher usage assignments and rotate higher mileage vehicles into assignments where data indicates lower usage. Every four months, the vehicles' mileage will be evaluated and a rotation process will take place according to the mileage and years of service differential. Target date: 12-06.

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

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

Not implemented. City staff is negotiating an amendment to the current rental car agreements to extend their term until occupancy of a new consolidated rental car facility in the terminal zone. The amendment will contain a new definition of gross revenues that is "all-inclusive" and is currently scheduled for review and approval by Council in December 2006. The definition will include all gross revenues, except taxes, which will eliminate the current exclusions for fuel and insurance. Target date: 12-06.

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

Not implemented. City staff is negotiating an amendment to the current rental car agreements to extend their term until occupancy of a new consolidated rental car facility in the terminal zone. The amendment will contain a new definition of gross revenues that is "all-inclusive" and is currently scheduled for review and approval by Council in December 2006. The definition will include all gross revenues, except taxes, which will eliminate the current exclusions for fuel and insurance. Target date: 12-06.

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

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

Partly implemented. To ensure adequate and comprehensive outreach, Finance presented the Council-approved Procurement Reforms to the Small Business Development Commission, the Treatment Plant Advisory Committee, and the Contracting-In Committee. After completion of this outreach and incorporation of applicable comments, Finance started to finalize the appropriate policies to bring forward for Council discussion. Target date: 12-06.

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

Partly implemented. To ensure adequate and comprehensive outreach, Finance presented the Council-approved Procurement Reforms to the Small Business Development Commission, the Treatment Plant Advisory Committee, and the Contracting-In Committee. After completion of this outreach and incorporation of applicable comments, Finance started to finalize the appropriate policies to bring forward for Council discussion. Target date: 12-06.

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

Partly implemented. To ensure adequate and comprehensive outreach, Finance presented the Council-approved Procurement Reforms to the Small Business Development Commission, the Treatment Plant Advisory Committee, and the Contracting-In Committee. After completion of this outreach and incorporation of applicable comments, Finance started to finalize the appropriate policies to bring forward for Council discussion. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. To ensure adequate and comprehensive outreach, Finance presented the Council-approved Procurement Reforms to the Small Business Development Commission, the Treatment Plant Advisory Committee, and the

Contracting-In Committee. After completion of this outreach and incorporation of applicable comments, Finance started to finalize the appropriate policies to bring forward for Council discussion. Target date: 12-06.

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

Partly implemented. To ensure adequate and comprehensive outreach, Finance presented the Council-approved Procurement Reforms to the Small Business Development Commission, the Treatment Plant Advisory Committee, and the Contracting-In Committee. After completion of this outreach and incorporation of applicable comments, Finance started to finalize the appropriate policies to bring forward for Council discussion. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

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

Partly implemented. To ensure adequate and comprehensive stakeholder outreach, Finance presented the Council-approved Procurement Reforms to the Small Business Development Commission, the Treatment Plant Advisory Committee, and the Contracting-In Committee. After completion of this outreach and incorporation of applicable comments, Finance started to finalize the appropriate policies to bring forward for Council discussion. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. Staff is developing a comprehensive, online RFP manual addressing this recommendation. Target date: 12-06.

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

Partly implemented. To ensure adequate and comprehensive stakeholder outreach, Finance presented the Council-approved Procurement Reforms to the Small Business Development Commission, the Treatment Plant Advisory Committee, and the Contracting-In Committee. After completion of this outreach and incorporation of applicable comments, Finance started to finalize the appropriate policies and changes to the Municipal Code for Council approval. Target date: 12-06.

04-07: AN AUDIT OF THE CITY'S CELLULAR PHONE PROGRAM

#1 (City Administration and Departments/CC) –

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

Partly implemented. According to City Administration, all departments complied with the cellular phone reauthorization except for one. This department did submit their forms, however, the forms had to be returned for proper signatures. Target date: 12-06.

#2 (City Administration and Departments/CC) -

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

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

The City requires employees to review telephone bills and identify/reimburse personal calls. The City has not developed a process to guide departments in efficiently and effectively reviewing electronic usage information to identify abuse. Departments continue to rely on employees self-reporting personal call information. The Auditor's Office will provide assistance to Employee Relations in developing this process. Target date: 12-06.

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

Partly implemented. The City's new City Cellular Telephone Policy (revised January 2005) establishes procedures and forms to be used to ensure that any employee reimbursements are made, received, and posted. Our review of a small sample of records indicates that departments are completing this form. However, reimbursement forms were not available for all departments. Target date: 12-06.

#5 (City Administration/CC) –

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

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

According to the City Administration, Finance released an RFP to solicit proposals for Citywide pooling of cell phone minutes which included options for cell phone and push-to-talk service. The RFP was released in July 2006. Finance received and is currently evaluating several proposals. Target date: 12-06.

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

Partly implemented. The City revised the City's Cellular Telephone Policy in January 2005. We will continue to monitor the City's update of the policy to reflect the implementation of Recommendations 1 through 5. Target date: 12-06.

04-08 AN AUDIT OF SAN JOSÉ FAMILY CAMP

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

Partly implemented. Staff housing consists of 22 soft-sided tents and five hard-sided cabins. PRNS has upgraded five hard-sided cabins and four soft-sided tents. Without additional funding, PRNS plans to upgrade four staff tents or cabins per year and expects to complete upgrading staff housing by June 2011. To date, 11 of the 27 staff housing cabins and tents have been upgraded and 16 staff cabins and tents need to be rebuilt. PRNS staff indicate that the unit cost of tent upgrades has increased to \$7,900 per unit. Target date: 6-11.

COUNCIL ATTENTION REQUIRED: \$126,400 funding required to repair remaining 16 tent platforms.

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

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

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

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

Partly implemented. PRNS staff has had continued discussion with U.S. Forest Service representatives to discuss camp operations. A U.S. Forest Service representative advised a PRNS manager that existing structures may remain in place until a new agreement is reached with the U.S. Forest Service. The current U.S. Forest Service permit expires in December 2007. PRNS plans to begin the permit renewal process in Spring 2006, which will include conducting environmental surveys, which will determine if changes are necessary in the renewed permit. Target date: 12-07.

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

Partly implemented. PRNS staff is still discussing with the Friends of San Jose Family Camp an appropriate support role for the organization in camp operations. On-going cooperative projects (work parties) are being approved on a case-by-case basis. The City's goals are to focus the group's role towards fundraising to fund specific multi-year projects and purchase unfunded equipment. In accordance with City policies, the Family Camp Manager will approve volunteers and volunteer projects. Target date: 12-06.

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

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

Partly implemented. The Finance Department will formalize oral agreements between the Purchasing and Accounting divisions in writing. Target date: 12-06.

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

Implemented. In accordance with Council approval, Finance published City Policy 5.1.3, titled "Source Selection Plan" on February 10, 2006.

05-01: AN AUDIT OF THE PUBLIC ART PROGRAM

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

Partly implemented. The City Manager's Office provided the Office of Cultural Affairs with the list of eligible and ineligible projects in May 2005 and it was distributed to the Arts Commission at its June meeting. The San Jose Redevelopment Agency is currently completing its list that will also be delivered to the Arts Commission. These lists will be created and distributed to the Arts Commission every year. It is anticipated that the City Manager's Office and the San Jose Redevelopment Agency will continue to submit this information annually in the Capital Improvement Budget. Target date: 12-06.

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

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

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

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

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

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

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

Partly implemented. The Office of Cultural Affairs Analyst is in the process of developing new systems to track and monitor administrative cost information for each individual public art project. Target date: 12-06.

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

Partly implemented. The Office of Cultural Affairs Analyst is in the process of developing new systems to track and report information on pooled public art project funds for the City Council and the City Manager's Budget Office. Target date: 12-06.

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

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

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

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

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

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

Implemented. The City Attorney's Office has filed suit against Fil-Am SODC to recover ineligible fund expenditures.

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

Implemented. Fil-Am received \$39,342.27 in 2005-06 HNVF funding for approved HNVF activities provided directly by qualifying Fil-Am staff during July 1, 2005 through February 2006. Fil-Am did not successfully apply for 2006-07 funding.

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

Implemented. The organization ceased providing services for the City of San Jose in May 2006.

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

Implemented. The Fil-Am HNVF agreement for 2005-06 was solely for the reimbursement of documented staff time for qualified services. PRNS reviewed submissions for reimbursement for qualified services and duplication for services during 2005-06. Fil-Am ceased providing services in May 2006.

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

Implemented. The Fil-Am HNVF agreement for 2005-06 was solely for the reimbursement of documented staff time for qualified services. PRNS reviewed submissions for reimbursement for qualified services and duplication for services during 2005-06. Fil-Am ceased providing services in May 2006.

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

Partly implemented. According to PRNS, all CDBG and HNVF agreements were updated to include an audit requirement for a "Schedule of Government Financial Assistance which identifies the gross amounts of grants obtained from the City and other governmental sources and shows the amount received and disbursed under each grant during the audited fiscal year." We will sample PRNS grant agreements to verify that the agreements require and complete the disclosure of all sources of funding and identify all sources of funding for City-funded activities.
Target date: 12-06.

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

Partly implemented. For FY 2005-06 and 2006-07, only one HNVF-funded homework center program was provided at Independence High School ensuring no overlap of services. According to PRNS, they have also developed a matrix to identify funding overlaps. Furthermore, all PRNS Grants Unit contracts require a line item listing of project matching funds and City matching funds. The budget form also asks the agency to list out its overall agency grant awards and City grant awards. In order to implement this recommendation, we will review the matrix and any other controls that were put in place to ensure that future overlaps do not occur.
Target date: 12-06.

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

Partly implemented. According to PRNS, CDBG, HNVF, and B.E.S.T, quarterly reports included a list of activities. Reports are reviewed by staff to ensure goals are being met. Eligibility is verified during monitoring visits by comparing intake forms and sign up lists to reported numbers in activity reports. In order to implement this recommendation, we will sample the activity reports and supporting list of activities to verify that the reported figures are accurate and that PRNS has procedures in place to identify errors in agencies reports. Target date: 12-06.

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

Partly implemented. According to PRNS, all Grants Unit analysts have been instructed to adhere to this requirement. Agencies have been advised that if they do not obtain prior approval, expenses will not be reimbursed. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 12-06.

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

Partly implemented. The City Auditor's Office provided a training session for PRNS staff on March 14, 2006. Staff also attended a training course titled "Understanding Nonprofit Financial Statements" on August 29, 2006. The Grants Unit audit checklist will be updated to include information from the training. Additionally, PRNS staff will be working with the Finance Department to identify additional resources for assisting in the review of audits. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 12-06.

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

Implemented. The City Auditor's Office provided a training session for PRNS staff on March 14, 2006. Staff also attended a training course titled "Understanding Nonprofit Financial Statements" on August 29, 2006. The Grants Unit audit checklist will be updated to include information from the training. Additionally, PRNS staff will be working with the Finance Department to identify additional resources for assisting in the review of audits.

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

Partly implemented. According to PRNS, a matrix has been developed that all applicants will be required to complete identifying all City sources of funding for their agency, whether direct or in-kind. We will review this matrix and sample grant applications to verify that the appropriate controls are implemented during our next follow-up process. Target date: 12-06.

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

Partly implemented. According to PRNS, all agreements have been reviewed and entered into a database. PRNS also received Budget approval in 6-06 to hire a Contracts Manager to monitor contracts and implement procedures to keep current on all contracts. The Contracts Manager will be responsible for providing the approved/finalized policy and procedures to all PRNS staff which are responsible for negotiating and coordinating use of City facilities. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 12-06.

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

Implemented. City staff has assumed operation of the JTS Northside Community Center. An RFP seeding a new operator has been released with a deadline of September 25, 2006.

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

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

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

Partly implemented. According to the ESD, the Laboratory developed and incorporated policies and procedures for Lab Operations into staff reference manuals pursuant to the audit recommendation. Included are Standard Operating Procedures for analysis of specific pollutants in wastewater and for the new Laboratory Information Management System (LIMS) for tracking samples and analyses, generating data reports and other management reports for assessment of laboratory

workloads and efficiencies, and procedures related to Laboratory administration. A training check list was developed and used to determine the status and effectiveness of the training program. ESD Laboratory staff is provided refresher training on a regular basis on Laboratory procedures and policies at the bi-weekly or monthly staff meetings specially organized to communicate updates or changes in procedures and policies to the staff.

The ESD Laboratory also launched its new LIMS on August 1, 2005. Data migration for the system is in its final stages of testing. Complete integration of the system is targeted for October 2006. Target date: 12-06.

06-01: AN AUDIT OF CITYWIDE GRANT OVERSIGHT

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

Partly implemented. The City Manager’s Office has established a Grant Oversight Working Group, overseen by a team of department senior staff and is in the process of developing a formal procedures manual. As part of this manual, staff is working on the immediate development of an “Early Warning System” that will outline minimum requirements that need to be met and validated before a grant is awarded. These guidelines will be available in November 2006. Target date: 6-07.

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

Partly implemented. The City Manager’s Office’s Grant Oversight Working Group is currently working with the Housing Department to house a grants tracking database in its current database. The timeline for implementation has not been determined because the Housing Department is currently in negotiations with the database vendor. According to the Senior Executive Analyst with the City Manager’s Office, should this not be a viable option for the grants database, the Working Group has identified other alternatives. Target date: 6-07.

#3 (Administration and City Attorney's Office/GM) – Establish a City Manager's Office Grant Oversight Working Group to: 1) establish Citywide consistent policies and procedures; 2) establish specific training requirements for staff involved in grant management and monitoring; 3) establish criteria when audited financial statements are obtained and reviewed; 4) establish risk-based criteria for determining when more detailed audits, reviews, or monitoring are required; and 5) adopt consistent and reasonable grant agreement requirements related to grantee reporting. (Priority 3)

Implemented. The City Manager's Office has established a Grant Oversight Working Group. This group is led by staff from the City Manager's Office and is comprised of representatives from each department that participated in the audit. Finally, the group is in the process of developing a Citywide procedures manual which will include training requirements for staff, criteria for obtaining and reviewing audited financial statements, establishing risk-based criteria for determining when more detailed audits, reviews, or monitoring are required, and consistent and reasonable grant agreement requirements related to grantee reporting.

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

#1 (San Jose Municipal Water System/RO) – Improve its followup process and documentation for fire hydrant repairs. (Priority 3)

Implemented. In January 2006, the Municipal Water System implemented Datastream, a computerized asset management system, enabling Municipal Water System Operations and Maintenance staff to better manage scheduling and tracking fire hydrant repairs.

#2 ((San Jose Municipal Water System/RO) – Re-evaluate the type of paint it uses on fire hydrants. (Priority 3)

Implemented. Municipal Water System staff re-evaluated the type of paint used on fire hydrants. The paint Municipal Water System staff have been using is oil-based and the longest lasting compared to other types available. In addition, it is the same paint the Department of Transportation used when it was responsible for the fire hydrant maintenance program; San Jose Water Company also uses this type of paint on its fire hydrants. To improve hydrant visibility and aesthetics, Municipal Water System staff is proposing to paint the fire hydrants every three years as opposed to the five-year cycle previously recommended. Municipal Water System staff will continue research to see if there is a more durable paint that would be more resistant to the elements.

#3 ((San Jose Municipal Water System/RO) – Establish a procedure whereby meter readers during the course of their regular routes note and report fire hydrant maintenance and repair problems to the MWS for correction. (Priority 3)

Implemented. Municipal Water System staff has established a procedure requiring meter readers to perform a visual inspection of fire hydrants as they perform meter reading duties along their routes. The procedure requires meter readers, if possible, to repair defects in the field or notify Municipal Water System Operations and Maintenance staff of the defects to be repaired.

#4 ((City/RO) – Establish a reporting mechanism for the water companies to report blue reflective road markers that need to be replaced and establish a process for ensuring that the markers are replaced in a timely manner. (Priority 3)

Implemented. Municipal Water System staff is replacing missing blue reflective road markers in residential streets in its service area that do not require traffic control. The Department of Transportation (DOT) is better set up for traffic control and will replace missing blue reflective markers in high traffic areas. Information on missing blue markers in such areas will be input into Datastream and a list of hydrant locations will be given to the DOT periodically. The DOT will also be coordinating replacement of blue markers Citywide with San Jose Water Company and Great Oaks Water Company.

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

Not implemented. The Administration concurs with this recommendation and states that the process of pursuing discussions with the private water companies falls under the purview of the City Attorney's Office. However, the Administration has not yet directed the City Attorney's Office to initiate such discussions with the private water companies. Target date: 12-06.

APPENDIX A

DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

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

Priority Class¹	Description	Implementation Category	Implementation Action³
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. ²	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. ²	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

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

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

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