



**OFFICE OF THE  
CITY AUDITOR**

**SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT  
ON ALL OUTSTANDING AUDIT RECOMMENDATIONS  
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

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

October 2, 2008

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

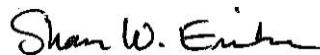
Transmitted herewith is the *Semi-Annual Follow-Up Report On All Outstanding Audit Recommendations For The Six Months Ended June 30, 2008*.

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

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

I will present this report to the Public Safety, Finance and Strategic Support Committee at its October 16, 2008 meeting. Should you have any questions or need additional information in the interim, please let me know.

Respectfully submitted,



Sharon W. Erickson  
City Auditor

SE:bh  
Jun08

cc: City Manager's Office  
and affected departments

## **EXECUTIVE SUMMARY**

In accordance with the City Auditor's approved 2008-09 Workplan, we have prepared a report of the status of open recommendations for the six months ending June 30, 2008. To prepare this report, we met with department staff, reviewed department assessments of audit status, and reviewed documentation provided by departments. The City Auditor's Office would like to thank the City Manager's Office and the Airport, Environmental Services, Finance, Fire, PBCE (Planning, Building and Code Enforcement), Police, PRNS (Parks, Recreation and Neighborhood Services), Public Works, and Transportation Departments for their assistance in compiling this report.

### **IMPLEMENTATION STATUS OF OPEN RECOMMENDATIONS**

During the semi-annual period covering January 1 through June 30, 2008, there were sixty eight (68) outstanding recommendations. This included 41 recommendations that were outstanding after our last status report as of December 31, 2007, and 27 new recommendations that the City Council approved during this semi-annual period. Of the 68 outstanding recommendations:

- 20 recommendations were implemented;
- 38 recommendations were partly implemented;
- 8 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, 2008**

Report #	Audit Report	Implemented	Partly Implemented	Not Implemented	Deferred	Dropped
88-03	An Audit Of The Police Department Overtime Controls	1				
96-07	An Audit Of The City Of San Jose's Open Purchase Order Process	1				
97-01	An Audit Of The City Of San Jose's Utility Billing System		1			
00-04	An Audit Of The City Of San Jose Building Division's Building Permit Fee Process		1			
01-01	An Audit Of The Property Appraisal Process Of The Department Of Public Works—Real Estate Division	1				
01-02	An Audit Of The City Of San Jose Fire Department's Overtime Expenditures		3			
01-05	An Audit of the City of San Jose Fire Department's Strategic Plan Regarding Proposed Fire Stations		2			
02-03	An Audit Of The Property Management Operations Of The City Of San José's Department Of Public Works – Real Estate Division		1			
03-04	An Audit Of The Airport Neighborhood Services Group		1			
03-10	An Audit of The San José Fire Department's Bureau of Fire Prevention		4		1	
04-08	An Audit Of San José Family Camp	1	1			
04-09	An Audit Of The City Manager's Reforms	1				
05-01	An Audit Of The Public Art Program		2			
05-02	An Audit Of The Agreements Between The City And The Filipino American Senior Opportunities Development Council	1				
05-03	An Audit Of The Environmental Services Department's Laboratory	1				
06-01	An Audit Of Citywide Grant Oversight		2			
06-02	An Audit Of The San Jose Municipal Water System Fire Hydrant Maintenance And Repair Program			1		
06-04	2004-05 Annual Performance Audit Of Team San Jose	2	5			
07-01	Review Of The Mexican Heritage Corporation	1				
07-02	Municipal Water System Consolidated Water Utility Fund		1			
07-03	An Audit Of the Traffic Calming Program	1	1			1
07-04	An Audit Of DOT's Efforts To Secure Federal Highway Bridge Replacement And Rehabilitation (HBRR) Funds	1	1			
07-05	2005-06 & 2006-07 Performance Audit of Team San Jose			1		
07-06	City's Tax-Exempt Bond Program and Use of Interfund Loans to Provide Financing for Capital Bond Projects		11			
MEMO 1-9-08	Review of the Procurement Card Program - Ongoing Audit			1		
08-01	Emergency Communication System Support Fee	8	1	4		
MEMO 5-5-08	Review of Allied Waste Expenditures for the Period April 1, 2007 Through February 29, 2008			1		
	<b>Totals</b>	<b>20</b>	<b>38</b>	<b>8</b>	<b>1</b>	<b>1</b>

As of June 30, 2008, the distribution of the forty seven (47) recommendations which remain open are as follows:

- |    |                                   |   |  |
|----|-----------------------------------|---|--|
| 1  | Airport                           | 1 | Planning, Building, and Code Enforcement     |
| 12 | City Administration/City Council  | 2 | Parks, Recreation, and Neighborhood Services |
| 1  | Economic Development              | 1 | Public Works Department                      |
| 2  | Environmental Services Department | 5 | Team San Jose                                |
| 10 | Finance Department                | 2 | Transportation                               |
| 10 | Fire Department                   |   |  |

Of the forty seven (47) recommendations which remain open:

- 9 recommendations are Priority 1;
- 9 recommendations are Priority 2; and
- 29 recommendations are Priority 3.

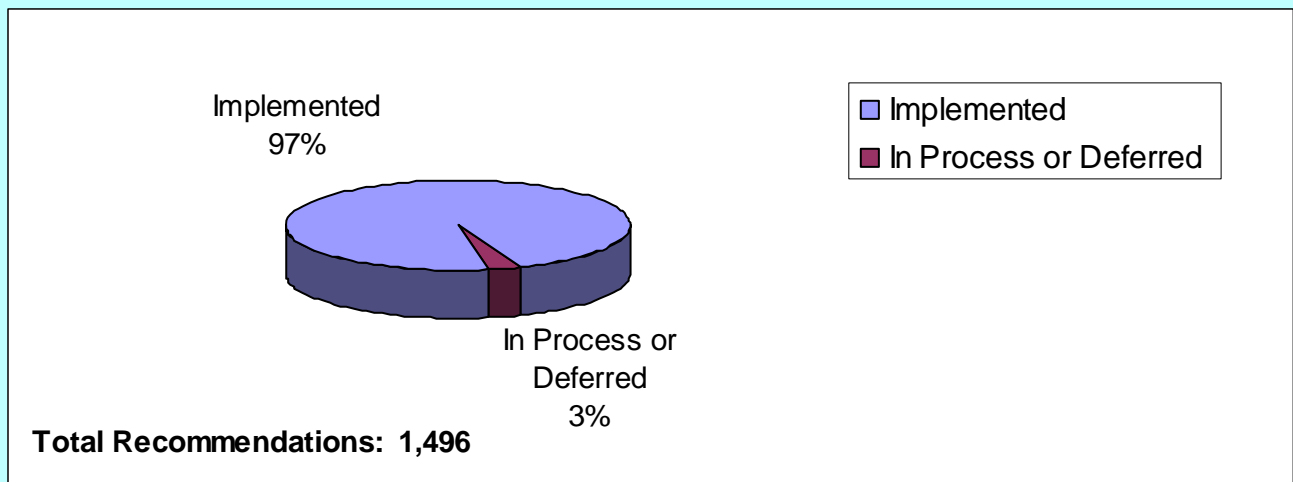
Of the eight (8) recommendations which are “not implemented”:

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

One Priority 2 recommendation is “deferred.”

Graph I shows the number of City Auditor recommendations made and implemented from May 1985 through June 2008.

**GRAPH I**  
**RECOMMENDATIONS IMPLEMENTED**  
**May 1985 through June 2008**



## **RECOMMENDATIONS REQUIRING PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE ATTENTION**

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

The eleven recommendations below have budget implications.

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

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

PARTLY IMPLEMENTED. Due to staffing constraints, the SJFD has not been able to develop a proactive sick leave reduction program. However, the SJFD currently has a Management Fellow who will work on benchmarking other cities for their sick leave program. Once the department receives this information, it will work on developing a proactive sick leave reduction program. Target date: 12-08.

COST SAVINGS: TBD.

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

PARTLY IMPLEMENTED. The SJFD requested the addition of a Wellness Coordinator as part of the 2008-09 budget process to restore services previously eliminated due to a budget reduction in 2001-02. This proposal was not recommended in the 2008-09 budget. The Department has requested a one-time funding for a Wellness Coordinator Position as part of the Citywide Gain Sharing Program. The proposal will be reviewed in October 2008. The City Auditor's Office continues to work with the department to review other options for implementing a comprehensive Wellness-Fitness Initiative Program. Target date: 12-08.

REQUIRES FUNDING: TBD.

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

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

PARTLY IMPLEMENTED. Under the Priority Dispatch Omega protocol, the 911 call receives an alternate response, such as medical advice over the phone from a nurse. The San Jose Fire Department (SJFD) has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in April 2008; it implemented the new CAD system necessary to integrate ProQA software necessary for the Priority Dispatch Omega protocol; and it has begun using the ProQA software. However, the current Emergency Medical Services (EMS) Agreement with the County requires that the SJFD respond on all 911 calls received. The County has approved the County EMS contract extension for three years and the SJFD followed up with data collection through June 2007. Furthermore, the SJFD was successful in obtaining County EMS Agency authorization to respond to lower-priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. However, a retrospective review of patient care data by the SJFD identified data integrity issues that must be resolved prior to response modification. The SJFD is confident that data integrity features specifications of the Records Management System, which it is in the process of implementing, will ensure its future ability to determine which Omega calls could safely receive an alternate response. The Records Management System implementation is scheduled to be operational in December 2008. Target date: 6-09.

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. The SJFD has completed its initial operational planning related to temporary redeployment of resources and the use of an alternatively staffed unit to respond to lower priority calls. The pilot program will begin with the relocation of Engine 2 to a temporary facility during Station 2's reconstruction, which is scheduled for Fall 2008. The SJPD has also begun a dialog with the firefighters union regarding the proposed pilot test of an alternatively staffed unit during Station 2's reconstruction. During this period, the SJFD will collect patient care, and unit availability and location data regarding this deployment model with the incident-reporting module of the Records Management System and Mobile Data Computer. Target date: 6-09.

REQUIRES FUNDING: TBD.

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

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

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

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

According to DPW Administration, although there is no operational change from the last recommendation follow-up period, staff is developing an Asset Management Plan that will be brought to the City Council in the December 2008 – January 2009 time frame. The Plan will address leasing of City-owned property. In addition, the upcoming audit of CBO financial reporting and accountability may include additional suggestions regarding leases of City-owned property by CBOs. Target date: TBD.

REQUIRES FUNDING: TBD.

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

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

PARTLY IMPLEMENTED. The Management Agreement between the City and TSJ states, "Operator shall be solely and fully responsible for complying with the Americans with Disabilities Act of 1990 ("ADA") in connection with: (a) any use of the facilities by guests or services provided by Operator to Customers; and (b) modifying its policies, practices, and procedures to comply with the ADA. Operator shall develop a work plan to correct or avoid any violations or non-compliance with the ADA. Operator shall perform an assessment of Facilities for ADA compliance and notify City of any compliance issues..." TSJ has assessed the Convention and



Cultural Facilities for ADA compliance. In general, the Convention and Cultural Facilities are ADA compliant; however, a more comprehensive study is required to identify all non-compliant items and the associated cost of bringing the facilities into full compliance. The City appropriated \$30,000 in the FY 2008-09 budget for the purpose of the ADA assessment. The expectation is that the project will be completed this fiscal year. Target date: 6-09.

REQUIRES FUNDING: TBD.

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

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

PARTLY IMPLEMENTED. Municipal Water System staff is working with the City Attorney to prepare an ordinance pertaining to the use and replenishment of the two Municipal Water System Reserves. City Administration anticipates a recommendation will be presented to the City Council for approval in September 2008. Target date: 9-08.

POTENTIAL BUDGET IMPACT (Consolidated Water Utility Fund): TBD.

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

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

PARTLY IMPLEMENTED. DOT staff is currently working with the City's Finance Department in order to develop an indirect cost rate proposal for CALTRANS approval. The approved indirect cost rate will be used for future grant projects. Target date: 9-08.

POTENTIAL BUDGET IMPACT: TBD.

**07-06: AN AUDIT OF THE MANAGEMENT OF THE CITY'S TAX-EXEMPT BOND PROGRAM AND USE OF INTERFUND LOANS TO PROVIDE FINANCING FOR CAPITAL BOND PROJECTS**

***#1 (Finance Department/JO) - Improve controls over the administration of the tax-exempt bond program and processes to mitigate negative cash balances in the City's Cash Pool caused by bond programs and adequately address other negative balances. (Priority 1)***

PARTLY IMPLEMENTED. According to the Finance Department, work is commencing on the implementation of the recommendations and is included in the Finance Department's Workplan for FY 2008-09. To better monitor the status of negative cash balances related to bond-funded capital projects, Debt Management staff developed a summary report which is reviewed monthly. In June 2007, the total negative cash balance attributable to all bond-funded capital projects stood at \$70.7 million. As of June 2008, the cash balance had been reduced to \$20.5 million, net of pending disbursements. We will continue to work with the Finance Department to mitigate the remaining negative cash balances. Target date: 12-08.

POTENTIAL BUDGET IMPACT (all funds): TBD.

***#2 (Finance Department/JO) - Work with the City Attorney's Office to evaluate what, if any, foregone interest to restricted funds may need to be repaid. (Priority 1)***

PARTLY IMPLEMENTED. The Administration does not agree with the need to remedy post interest allocations. The Auditor's Office will continue to work with the Finance Department towards resolving any outstanding audit related issues. Target date: 12-08.

POTENTIAL BUDGET IMPACT (all funds): TBD.

***#8 (City Manager's Office/JO) - Work with the City Attorney's Office to evaluate and report on methods to remedy any potential past compliance issues associated with the loans from restricted funds. (Priority 1)***

PARTLY IMPLEMENTED. The audit report identified several concerns with how the City was handling interfund loans. To correct for missed interest on an interfund loan to the Old City Hall Renovation, the Administration brought forward a \$65,000 interest payment as part of the 2006-07 Annual Report. In addition, the 2008-09 Adopted Operating and Capital Budgets included loan repayments for portions of all outstanding loans. Furthermore, the Budget Office developed a new summary of interfund loans in Capital and Operating Funds which provides a description for each interfund loan, loan terms, the amount outstanding, and the 2008-09 budgeted payments. We will continue to work with the Administration and the Attorney's Office to resolve issues related to the Coyote Valley Water interfund loan. Target date: 12-08.

POTENTIAL BUDGET IMPACT (all funds): TBD.

**COMPLETE LISTING OF THE STATUS  
OF OPEN AUDIT RECOMMENDATIONS  
AS OF JUNE 30, 2008**

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

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

IMPLEMENTED. In 2005, the Rules Committee approved the City Auditor to conduct a controls review of Police overtime. We delayed the review because the Police Department planned to deploy a new scheduling software package, TeleStaff. However, in early 2008, the TeleStaff project was put on hold. As such, we conducted the overtime controls review in June 2008.

To perform our overtime controls review, we interviewed Police Department staff; reviewed a year of timesheets for a sample of 25 sworn staff; reviewed Police Department memorandums; and surveyed other jurisdictions. We reviewed the Police Department's memorandum dated March 1999 with an Order from then Chief William Lansdowne that sets the Police department's overtime policies. The 1999 "Department Overtime Policy" memorandum includes the following guidelines: "All planned overtime must be cleared through a supervisor or commander before the overtime is worked" and "Unplanned overtime will be cleared through a supervisor or command officer as soon as practical".

The Police Department's sworn and non-sworn staff indicate the number of overtime hours on their online bi-weekly timesheet. The Police Department has written documentation for overtime incurred for court, training, and pay jobs. Staff also indicate if they incurred the overtime for court, training or pay jobs in the timesheet comments section; and additional details, such as the court docket number. For other types of overtime, such as end-of-shift overtime, the officers and sergeants we interviewed indicated that they are in continuous communication with their sergeant or officers, such that unplanned overtime is cleared through a supervisor as soon as practical. Also, staff document the reasons for overtime in the comments sections of their timesheets, as well as additional details as appropriate, such as Computer Aided Dispatch event numbers. Furthermore, supervisors approve the timesheets bi-weekly.

During our review, we found that the use of the comments section of the online bi-weekly timesheet was similar to the hardcopy form for documenting the justification and authorization of all overtime occurrences referred to in this recommendation. However, we also found that the Police Department could improve its overtime control processes to ensure the accuracy of overtime hours worked. Specifically, we found that the Police Department did not require staff to document overtime information daily. In our opinion, documenting overtime information daily, as opposed to bi-weekly, helps to ensure that overtime will be reported accurately. In addition, officers sometimes left the reasons for overtime section blank. Furthermore,

the supervisors' frequency of review of overtime on the timesheets varied, and one sergeant we interviewed said that he did not always review the reasons for overtime that were less than three hours.

On July 1, 2008, in response to the City Auditor's review, the Police Chief issued a memorandum to all Police Department personnel updating the Police Department's 1999 Overtime Policy Order. The Order requires personnel to adhere to the guidelines for documenting and reviewing overtime that are contained in the memorandum, including the following:

- *All planned overtime must be cleared through a supervisor or command officer before the overtime is worked*
- *All unplanned overtime will be cleared through a supervisor or command officer as soon as practical*
- *All overtime shall be documented on the employee's timesheet on the first regularly scheduled work day after the overtime was worked, or as soon as practical, including comments for the overtime worked in the comments box (e.g. hours worked, case number, etc...)*
- *All supervisors are encouraged to review and ensure, on a weekly basis, that overtime information on a subordinate's timesheet is accurately documented*
- *Only a direct supervisor will review and approve an employee's bi-weekly timesheet, unless extenuating circumstances exist. ...*
- *Program Managers will ensure every Department member is advised of, and understands, their respective overtime policies and responsibilities*

In our opinion, the Chief's Order improves the Police Department's controls over its process for documenting the justification and authorization of all overtime occurrences, in order to ensure the accuracy of overtime information.

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

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

IMPLEMENTED. The Finance Department updated City Policy Sections 5.1.7, 5.1.8 and 5.1.9 with acquisition procedures for Supplies, Materials, and Equipment; Non-Professional Services; and Information Technology. These procedures address the issues related to audit recommendations. Specifically, the acquisition procedures specify the separate roles and responsibilities of Finance's Purchasing and Accounts Payable staff, as well as those of the procuring City departments.

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

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

PARTLY IMPLEMENTED. According to Finance Administration, the staffs of the Information Technology (IT), Environmental Services (ESD), and Finance Departments continue to make progress on implementing formal procedures to regularly scan and cleanse the Integrated Billing System (IBS) database. Unlike the old Socrates billing system where purging of old data was necessary, the IBS has the capability to retain data in accordance with the City's retention policy. This allows the account history to follow the customer if they should move to another location within the City of San Jose or return after being gone for a period of time. IT staff has produced written procedures to address account status changes and continues to revise them as needed. The IBS also possesses monthly and bi-monthly rates which are assigned to bill factors. ESD sets these rates annually and submits them to the City Council for approval between May and June. IT configures the City Council-approved rate changes into the IBS. Staff has produced a draft procedure regarding rate configuration and verification that they have been correctly configured and anticipates finalizing the procedure by December 2008. Target date: 12-08.

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

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

PARTLY IMPLEMENTED. Staff has completed development of the Financial Consulting Group's model which recommended a sinking fund to pay for the Building Division's capital asset acquisitions. The Information Technology Department completed an inventory of the Building Division's assets in June 2008. Currently, the Division is in the process of analyzing the data. Target date: 12-08.

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

***#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)***

IMPLEMENTED. This recommendation has been implemented in two ways:

1. The Property Acquisition Log and Status Report [Form 100.2.3] tracks the initial target date, revised target date, and actual completion date for each task within the

Real Estate Acquisition Process. Form 100.2.3 is part of the Acquiring Property Rights Procedures Manual approved on December 10, 2007 by the Director of Public Works.

2. The Initial, Revised, and Actual dates for specified major Property Acquisition milestones are recorded in the Real Estate Tracking System [RETS] Module of the Capital Project Management System database.

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

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

PARTLY IMPLEMENTED. Due to staffing constraints, the SJFD has not reviewed nor established benchmarks for sick leave use. The City Auditor's Office is working with the SJFD to ensure full implementation of this recommendation in a timely manner. Target date: 12-08.

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

PARTLY IMPLEMENTED. Due to staffing constraints, the SJFD has not been able to develop a proactive sick leave reduction program. However, the SJFD currently has a Management Fellow who will work on benchmarking other cities for their sick leave program. Once the department receives this information, it will work on developing a proactive sick leave reduction program. Target date: 12-08.

COST SAVINGS: TBD.

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

PARTLY IMPLEMENTED. The SJFD requested the addition of a Wellness Coordinator as part of the 2008-09 budget process to restore services previously eliminated due to a budget reduction in 2001-02. This proposal was not recommended in the 2008-09 budget. The Department has requested a one-time funding for a Wellness Coordinator Position as part of the Citywide Gain Sharing Program. The proposal will be reviewed in October 2008. The City Auditor's Office continues to work with the department to review other options for implementing a comprehensive Wellness-Fitness Initiative Program. Target date: 12-08.

REQUIRES FUNDING: TBD.

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

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

PARTLY IMPLEMENTED. Under the Priority Dispatch Omega protocol, the 911 call receives an alternate response, such as medical advice over the phone from a nurse. The San Jose Fire Department (SJFD) has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in April 2008; it implemented the new CAD system necessary to integrate ProQA software necessary for the Priority Dispatch Omega protocol; and it has begun using the ProQA software. However, the current Emergency Medical Services (EMS) Agreement with the County requires that the SJFD respond on all 911 calls received. The County has approved the County EMS contract extension for three years and the SJFD followed up with data collection through June 2007. Furthermore, the SJFD was successful in obtaining County EMS Agency authorization to respond to lower-priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. However, a retrospective review of patient care data by the SJFD identified data integrity issues that must be resolved prior to response modification. The SJFD is confident that data integrity features specifications of the Records Management System, which it is in the process of implementing, will ensure its future ability to determine which Omega calls could safely receive an alternate response. The Records Management System implementation is scheduled to be operational in December 2008. Target date: 6-09.

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. The SJFD has completed its initial operational planning related to temporary redeployment of resources and the use of an alternatively staffed unit to respond to lower priority calls. The pilot program will begin with the relocation of Engine 2 to a temporary facility during Station 2’s reconstruction, which is scheduled for Fall 2008. The SJPD has also begun a dialog with the firefighters union regarding the proposed pilot test of an alternatively staffed unit during Station 2’s reconstruction. During this period, the SJFD will collect patient care, and unit availability and location data regarding this deployment model with the incident-reporting module of the Records Management System and Mobile Data Computer. Target date: 6-09.

REQUIRES FUNDING: TBD.

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

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

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

1. Existing leases directly related to the Mission of a department will continue to be negotiated and administered by that department - for example, an Agreement for Operation of a municipal parking lot by the Department of Transportation, or a lease to an art or dance instructor at a community center by Parks, Recreation and Neighborhood Services.
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According to DPW Administration, although there is no operational change from the last recommendation follow-up period, staff is developing an Asset Management Plan that will be brought to the City Council in the December 2008 – January 2009 time frame. The Plan will address leasing of City-owned property. In addition, the upcoming audit of CBO financial reporting and accountability may include additional suggestions regarding leases of City-owned property by CBOs. Target date: TBD.

REQUIRES FUNDING: TBD.

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

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

PARTLY IMPLEMENTED. The Airport continues to track constituent concerns and complaints with an Excel worksheet, documenting and tracking information about each complaint or concern. The Airport Customer Service Director and the Airport Ombudsperson are working with Airport Technology Services to evaluate, select, and purchase a software package to electronically standardize and track action related to constituent complaints and inquiries. The Airport plans to have a complaint queue as



part of the Service Desk application. A Request for Proposal is scheduled for release in October 2008. Vendor selection expected by early 2009, with implementation by April 2009. Target date: 4-09.

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

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

PARTLY IMPLEMENTED. According to San Jose Fire Department (SJFD) Administration, the City Council awarded a contract for the SJFD's Records Management System (RMS) which will help with the automation process. The City's Information Technology (IT) Department was to transfer the SJFD fire prevention inspection database from the City's VAX system to the SJFD's AMANDA system; implementation was expected by the end of 2007. However, according to SJFD Administration, there has been an ongoing delay in migrating their database off the VAX system as IT has been unable to move it onto the AMANDA system. Subsequently, the SJFD decided to pursue a separate path and move the fire prevention inspection database onto the RMS system instead. According to SJFD Administration, implementation of the RMS system has been delayed. Target date: 6-09.

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

DEFERRED. The San Jose Fire Department (SJFD) is finalizing its Fire Prevention Business Plan, which addresses outstanding audit recommendations. Relative to this recommendation, the SJFD developed an RFP for a Records Management System (RMS) and the City Council has approved a contract for the system. There is an ongoing delay in migrating the SJFD fire prevention inspection database off of the VAX system, as the City's IT Department has been unable to move it onto SJFD's AMANDA system. The SJFD decided to pursue a separate path and move the database into the RMS system. The SJFD goal is to use the RMS to better capture business license data and to have it link to the FIBS system. According to SJFD Administration, implementation of the RMS system has been delayed, however, this project may be accomplished by July 2009. Deferral date: 6-09.

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

PARTLY IMPLEMENTED. The San Jose Fire Department (SJFD) has written a Fire Prevention Business Plan, which includes a risk analysis/assessment model for Fire Inspection Frequency. A draft of the Business Plan has been completed. The SJFD is working with a consultant that has been selected to develop a methodology that will validate the risk assessment model; the scope of the work has not been finalized at this date. The Business Plan will use the methodology to rank facilities needing inspections in priority order. Target date: 12-08.

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

PARTLY IMPLEMENTED. The San Jose Fire Department (SJFD) has written a draft Fire Prevention Business Plan, now under final review, that recommends inspection frequencies based on a risk analysis and assessment model, and includes an analysis of Inspector time and inspection workload. The SJFD is currently working with a consultant to develop a methodology that will validate the risk assessment model; the scope of work has not been finalized at this date. The consultant will also identify “best practices” for fire inspection activities, which the SJFD will use to determine its inspection staff needs. Target date: 12-08.

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

PARTLY IMPLEMENTED. The City Council has approved an update to the San Jose Fire Department (SJFD) Administrative Citation Schedule of Fines, which includes fines for failing to maintain an updated Hazardous Materials Business Plan (HMBP). According to SJFD Administration, this provides the Hazardous Materials Inspectors with an enforcement tool that was lacking in the past. In addition, as the SJFD finalizes implementation of its RMS system, including integrating the fire prevention inspection database, this will finally allow electronic data tracking of facilities’ inspections to confirm that an HMBP is in place. According to SJFD Administration, implementation of the RMS system has been delayed. Target date: 6-09.

**04-08 AN AUDIT OF SAN JOSÉ FAMILY CAMP**

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

IMPLEMENTED. PRNS completed staff housing improvements as required by the recommendation.

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

PARTLY IMPLEMENTED. According to Parks, Recreation, Neighborhood Services (PRNS) staff, City staff has met with the U.S. Forest Service District Ranger and the Forest Service District Archeologist. PRNS staff provided updated site plans outlining all tent platforms and underground utilities and performed requested physical modifications regarding protection of archeologically sensitive areas. PRNS is waiting for confirmation from the U.S. Forest Service that the City is consistent with the Forest Service permit. Target date: 12-08.

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

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

IMPLEMENTED. Finance has developed an access matrix that defines the access profiles for the various City staff functions to the Financial Management System (FMS). The access profiles provide differing levels of FMS access based on job titles and functions, i.e., Finance Accounts Payable staff, Finance Accounts Payable supervisors, Finance Purchasing staff, Finance Purchasing supervisors, and departmental fiscal staff. These access levels are assigned within each FMS module which are: General Ledger, Cash Collection, Purchasing, and Accounts Payable. The access matrix ensures the segregation of duties among the Purchasing and Accounts Payable functions. In addition, the Finance Department updated City Policy Sections with acquisition procedures for Supplies, Materials, and Equipment (5.1.7); Non-Professional Services (5.1.8); and Information Technology (5.1.9). Specifically, the acquisition procedures specify the separate roles and responsibilities of Finance's Purchasing and Accounts Payable staff, as well as those of the procuring City departments.

#### **05-01: AN AUDIT OF THE PUBLIC ART PROGRAM**

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

IMPLEMENTED. According to the City Manager's Office, a new formula for Capital Improvement Projects was used for the 2008-09 Capital Budget. The City Council approved revisions to the Public Art ordinance in August 2008.

***#6 (Office of Economic Development/CC) - Track and report information on pooled public art project funds to the City Council and the City Manager's Budget Office. (Priority 3)***

PARTLY IMPLEMENTED. The Office of Economic Development tracks public art projects through the City's Capital Project Management System. The system is accessible on the City's website. Public Art staff estimates submitting a Five-Year Public Art Work Plan to the City Council in March 2008. Target date: 3-08.

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

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

PARTLY IMPLEMENTED. PRNS has implemented additional controls to track the expiration of existing operating and lease agreements within the department's responsibilities. Most recently, PRNS developed procedures to guide the use of community center facilities for events and programmatic uses. Short-term users and long-term programmatic users must complete a facility use application. According to PRNS staff, PRNS is using the RFP (Request for Proposal) process to select long-term facility operators and this process culminates in an operating agreement for the specific facility. PRNS is currently developing a facility re-use strategy to select community center operators through an RFS (Request for Services) process which will also culminate in an operating agreement for each facility identified in the re-use strategy. The recommendation follow-up has not addressed City facilities leased to other City departments. The upcoming audit of CBO Financial Reporting and Accountability which will further explore this issue for other city departments. Target date: TBD.

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

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

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

IMPLEMENTED. The City Auditor's Office worked collaboratively with the ESD Laboratory to identify the remaining threats addressed in the audit report, and the controls and procedures the ESD Laboratory developed to mitigate these threats. The

ESD Laboratory finalized a "Special Project Approval" procedure that incorporates

an evaluation of costs and benefits of the research, and has also developed management reports from the LIMS system for workload analysis and resource allocation.

## **06-01: AN AUDIT OF CITYWIDE GRANT OVERSIGHT**

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

PARTLY IMPLEMENTED. The City Manager’s Office has continued work on developing a comprehensive procedures manual that will formally document the City’s grant oversight policies and procedures. Drafts of the manual have been reviewed by various department staff, the City Attorney’s Office and the City Auditor’s Office. The upcoming audit of CBO financial reporting and accountability may include additional suggestions regarding the manual. Once the manual is finalized and distributed, training for using the manual will be scheduled to ensure that staff is fully conversant with it. Target date: 10-08.

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

PARTLY IMPLEMENTED. The City Manager’s Office has selected a vendor for its Citywide Grants Database. The City’s Purchasing Division is in the process of finalizing a contract with the vendor. The City’s Parks, Recreation and Neighborhood Services (PRNS) Department has requested funding for a Project Manager for managing the database implementation project. The upcoming audit of CBO financial reporting and accountability may include additional suggestions regarding grant monitoring. Staff expects that the database will be fully implemented and functioning within 15 months. Target date: 6-09.

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

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

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

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

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

PARTLY IMPLEMENTED. The Administration is currently negotiating a new Management Agreement for the period of July 1, 2009 to June 30, 2014. The new Economic Impact Performance Measure Target will be included in the Management Agreement and will be based on factors such as historical data, the capacity of facilities, room nights, hotel occupancy and the potential for future growth. Target date: 12-08.

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

PARTLY IMPLEMENTED. The Administration is currently negotiating with Team San Jose for a new Management Agreement for the period of July 1, 2009 through June 30, 2014. The new agreement will include revised customer service performance measures. Target date: 12-08.

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

IMPLEMENTED. As noted in the 2005-06 and 2006-07 Annual Performance Audit of Team San Jose, Inc. (issued November 2007), we reviewed TSJ's June 2008 year-end report to the City Manager and found that it provides a clear comparison demonstrating the extent to which it has met the Management Agreement-required performance measure targets as well as other requirements specified in this Agreement.

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

IMPLEMENTED. TSJ presented an "Update on Team San Jose" to the Community and Economic Development Committee on March 19, 2007 which discussed increases in revenues, TOT revenues, local jobs, a decrease in operating loss and customer services satisfaction survey results. The Administration also provided to the City Council a detailed analysis of revenues, net loss, attendance, and customer service results in comparison to the Management Agreement performance measure targets as part of the Council special session regarding the management and operations of the Convention Center and Cultural Facilities on December 17, 2007. It

was decided to negotiate with TSJ to add an additional 5-year term to their agreement, from July 1, 2009 through June 30, 2014. Negotiations will be concluded by December 2008. In addition, this information was also shared during the FY 2008-09 budget process.

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

PARTLY IMPLEMENTED. As of August 2007, TSJ provided a listing of the companies with which Team San Jose contracts and the services these companies provide to the Office of Equality Assurance. However, according to the Office of Equality Assurance, in order to determine if TSJ is in compliance with the City’s Living Wage and Prevailing Wage Policies, additional information, such as the terms of these contracts, copies of the contracts, and what TSJ does to ensure that compliance has been achieved, is required. TSJ will also need to provide information regarding its employees. Additional coordination is needed between Team San Jose and the Office of Equality Assurance to ensure adequate information is being provided by TSJ for the analysis to be completed. The Office of Equality Assurance confirms that there is no change but intends to address this recommendation. A letter from the City Auditor was mailed on September 12, 2008 to Team San Jose and the Office of Equality Assurance outlining what needs to happen for this recommendation to be considered fully implemented. Target date: 12-08.

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

PARTLY IMPLEMENTED. In operating and maintaining the Convention and Cultural Facilities (Facilities), TSJ stores and uses chemicals and materials that are classified as hazardous materials. TSJ has provided the City with a list of hazardous materials it stores and uses at the Facilities. In addition, TSJ has developed a written procedure to notify the City and other appropriate public agencies should an accidental hazardous materials release occur. While the City has detailed its understanding that TSJ requires authorization to store hazardous materials needed to operate and maintain the Facilities, the Management Agreement has not yet been amended to reflect this understanding. In the interim, TSJ developed a Hazardous Materials Business Plan that is on file with the San Jose Fire Department. The new Management Agreement for the period of July 1, 2009 through June 30, 2014 will need to be amended to address this in greater detail and resolve any requirement related to the storage and use of chemicals that are classified as hazardous materials. Target date: 6-09.

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

PARTLY IMPLEMENTED. The Management Agreement between the City and TSJ states, “Operator shall be solely and fully responsible for complying with the Americans with Disabilities Act of 1990 (“ADA”) in connection with: (a) any use of the facilities by guests or services provided by Operator to Customers; and (b) modifying its policies, practices, and procedures to comply with the ADA. Operator shall develop a work plan to correct or avoid any violations or non-compliance with the ADA. Operator shall perform an assessment of Facilities for ADA compliance and notify City of any compliance issues...” TSJ has assessed the Convention and Cultural Facilities for ADA compliance. In general, the Convention and Cultural Facilities are ADA compliant; however, a more comprehensive study is required to identify all non-compliant items and the associated cost of bringing the facilities into full compliance. The City appropriated \$30,000 in the FY 2008-09 budget for the purpose of the ADA assessment. The expectation is that the project will be completed this fiscal year. Target date: 6-09.

REQUIRES FUNDING: TBD.

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

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

IMPLEMENTED. On March 18, 2008 the City Council authorized the City Manager to negotiate and execute an amendment to the loan agreement and promissory note with the MHC in order to incorporate a challenge grant to give the MHC an opportunity to reduce the \$500,000 balance owed on its loan with the City. The challenge grant reduced the loan balance by two dollars for each dollar raised by the MHC between April 1 and December 1, 2008 and subsequently by one dollar for each dollar raised thereafter. The MHC successfully satisfied its fundraising obligation and raised donations totaling \$250,982. The City confirmed that the donations conformed to the requirements of the Loan Agreement and forgave the remainder of the loan on August 18, 2008. Since the original \$650,000 loan balance is now \$0, we consider this recommendation implemented.



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

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

PARTLY IMPLEMENTED. Municipal Water System staff is working with the City Attorney to prepare an ordinance pertaining to the use and replenishment of the two Municipal Water System Reserves. City Administration anticipates a recommendation will be presented to the City Council for approval in September 2008.  
Target date: 9-08.

POTENTIAL BUDGET IMPACT (Consolidated Water Utility Fund): TBD.

**07-03: AN AUDIT OF THE TRAFFIC CALMING PROGRAM**

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

IMPLEMENTED. On June 17, 2008, the City Council adopted revisions to Council Policy 50-6: Traffic Calming Policy for Residential Neighborhoods. The new policy takes into consideration cumulative traffic impacts and a process to prioritize the installation of physical traffic calming projects using City funds. According to the DOT's memorandum recommending the revision that addressed project prioritization: *"Eligible projects would be prioritized annually each spring, and based upon available funding and resources, the highest ranked projects would be considered for construction the following fiscal year. Projects not selected in a given funding cycle would remain on the priority list for consideration in the next funding cycle, and prioritized along with newly eligible projects. In addition to being a recommendation made by the City Auditor's Office in their 2007 report on the Audit of the Traffic Calming Program, approximately half of the 27 cities benchmarked use a prioritization process to rank traffic calming projects. As stated in the audit, and by many of the other cities, having a methodology to prioritize projects is necessary to ensure that limited resources available for traffic calming are applied to neighborhoods with the most severe traffic conditions."*

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

PARTLY IMPLEMENTED. The three new Traffic Enforcement Officers will not be fully deployed until January 2009. Therefore, the Police Department has set a new target date of July 2009, which will provide six months of data with the three officers in place. Target date: 7-09.

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

DROPPED. The NAS COP program was eliminated during the FY2007-08 budget process. Therefore, the City Council approved dropping this recommendation at its June 3, 2008 meeting.

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

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

PARTLY IMPLEMENTED. DOT staff is currently working with the City's Finance Department in order to develop an indirect cost rate proposal for CALTRANS approval. The approved indirect cost rate will be used for future grant projects. Target date: 9-08.

POTENTIAL BUDGET IMPACT: TBD.

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

IMPLEMENTED. The DOT has developed a procedure in its grant procedures manual to ensure that staff bill the Santa Clara Valley Water District (SCVWD) within the timeframe specified in negotiated cost-sharing agreements. This procedure will be incorporated into the next bridge cost-sharing agreement with the SCVWD, which is anticipated to occur in five years. In addition, the DOT holds quarterly grant funded project meetings to review the status of all grant funded projects and to remind staff to invoice for reimbursements.

**07-05: THE 2005-06 AND 2006-07 ANNUAL PERFORMANCE AUDIT OF TEAM SAN JOSE, INC.**

***#1 (Team San Jose/CH) - Engage a team to perform a nation-wide executive search to hire a qualified individual with experience in the management of similar facilities as the Chief Executive Officer of the Convention and Cultural Facilities in accordance with the Management Agreement. (Priority 3)***

NOT IMPLEMENTED. No action has been taken to implement this recommendation. The Administration reports that the discussion on whether to fill this position as part of the staffing plan will be a component of the Management Agreement renewal discussion to be conducted in the late summer and early fall of 2008 with recommendations to be referred to the City Council.

On December 17, 2007, the City Council conducted a special session where it authorized the City Manager to negotiate an additional 5 years with Team San Jose with new and modified business terms and conditions for the management of the Convention Center and Cultural Facilities for the period of July 1, 2009 through June 30, 2014. The City Council also directed staff to return in 90 days with additional analysis of the roles and fiduciary responsibilities of both Team San Jose and the Convention and Visitors Bureau, and a recommendation on the feasibility or appropriateness of the two entities remaining separate (with their own Board of Directors and Executive Director).

The City Attorney issued a memo on March 26, 2008 recommending that the Administration report on conflict issues arising from overlapping executives and directors of Team San Jose and the San Jose Convention and Visitors Bureau. The City Attorney also recommended the Administration and the Attorney's Office negotiate contracts with each corporation that have clearly stated purposes and performance measures and that their separate funding sources not be commingled or used in a way that conflicts with the City's goal for each. Target date: 12-08.

**07-06: AN AUDIT OF THE MANAGEMENT OF THE CITY'S TAX-EXEMPT BOND PROGRAM AND USE OF INTERFUND LOANS TO PROVIDE FINANCING FOR CAPITAL BOND PROJECTS**

***#1 (Finance Department/JO) - Improve controls over the administration of the tax-exempt bond program and processes to mitigate negative cash balances in the City's Cash Pool caused by bond programs and adequately address other negative balances. (Priority 1)***

PARTLY IMPLEMENTED. According to the Finance Department, work is commencing on the implementation of the recommendations and is included in the Finance Department's Workplan for FY 2008-09. To better monitor the status of negative cash balances related to bond-funded capital projects, Debt Management staff developed a summary report which is reviewed monthly. In June 2007, the total negative cash balance attributable to all bond-funded capital projects stood at \$70.7 million. As of June 2008, the cash balance had been reduced to \$20.5 million, net of pending disbursements. We will continue to work with the Finance Department to mitigate the remaining negative cash balances. Target date: 12-08.

POTENTIAL BUDGET IMPACT (all funds): TBD.

***#2 (Finance Department/JO) - Work with the City Attorney's Office to evaluate what, if any, foregone interest to restricted funds may need to be repaid. (Priority 1)***

PARTLY IMPLEMENTED. The Administration does not agree with the need to remedy post interest allocations. The Auditor's Office will continue to work with the Finance Department towards resolving any outstanding audit related issues.  
Target date: 12-08.

POTENTIAL BUDGET IMPACT (all funds): TBD.

***#3 (Finance Department/JO) - Develop and implement procedures to ensure proper allocation of interest to restricted funds held within the City Cash Pool. (Priority 1 – may require additional staff resources)***

PARTLY IMPLEMENTED. According to the Finance Department, a draft is in process. We will continue to work with the Finance Department towards resolving any outstanding audit related issues. Target date: 12-08.

***#4 (Finance Department/JO) - Develop procedures applicable to all types of bond financings that incorporate appropriate timeframes for Project Managers and the Finance Department Debt Management Group review of the bond allocation process. (Priority 1)***

PARTLY IMPLEMENTED. According to the Finance Department, a draft is in process. We will continue to work with the Finance Department towards resolving any outstanding audit related issues. Target date: 12-08.

***#5 (Finance Department/JO) - Implement a Compliance Check List and a Form of Bond Proceeds Allocation Certificate to ensure appropriate documentation and timeframe compliance for each bond issuance. (Priority 2)***

PARTLY IMPLEMENTED. According to the Finance Department, work is commencing on the implementation of the recommendations and is included in the Finance Department's Workplan for FY 2008-09. We will continue to work with the Finance Department to resolve any outstanding audit related issues.  
Target date: 12-08.

***#6 (Finance Department/JO) - Work with the City Attorney's Office to develop written policies and procedures for Project Managers and other City staff to determine eligible and ineligible expenditures for each type of bond financing. (Priority 1)***

PARTLY IMPLEMENTED. According to the Finance Department, a draft is in process. We will continue to work with the Finance Department to resolve any outstanding audit related issues. Target date: 12-08.

***#7 (City Council/JO) - Annual audits of Measures O and P be added to the external auditor's scope of work. (Priority 1)***

PARTLY IMPLEMENTED. On June 10, 2008, the City Council approved an amendment to the agreement with Macias, Gini & O'Connell, LLP to include an audit of the financial statements of the Park Bond Projects Capital Project Fund and Branch Libraries Bond Projects Capital Project Fund ("Parks and Libraries Bond Funds") for the period of fiscal years 2001-02 through 2007-08. Target date: 11-08.

***#8 (City Manager's Office/JO) - Work with the City Attorney's Office to evaluate and report on methods to remedy any potential past compliance issues associated with the loans from restricted funds. (Priority 1)***

PARTLY IMPLEMENTED. The audit report identified several concerns with how the City was handling interfund loans. To correct for missed interest on an interfund loan to the Old City Hall Renovation, the Administration brought forward a \$65,000 interest payment as part of the 2006-07 Annual Report. In addition, the 2008-09 Adopted Operating and Capital Budgets included loan repayments for portions of all outstanding loans. Furthermore, the Budget Office developed a new summary of interfund loans in Capital and Operating Funds which provides a description for each interfund loan, loan terms, the amount outstanding, and the 2008-09 budgeted payments. We will continue to work with the Administration and the Attorney's Office to resolve issues related to the Coyote Valley Water interfund loan. Target date: 12-08.

POTENTIAL BUDGET IMPACT (all funds): TBD.

***#9 (City Manager's Office/JO) - Develop and implement a formal written policy on interfund loans, including the establishment of a prudent investor standard, and written procedures on how to manage and enforce such a policy. (Priority 1)***

PARTLY IMPLEMENTED. The Administration has drafted an interfund loan policy which it plans to incorporate into the City's Operating Budget and Capital Improvement Program Policy. The new policy will also be included as part of the 2007-08 Annual report that is scheduled to be released on September 30, 2008. The policy includes elements addressing the prudent investor standard. The Finance Department should coordinate with the Budget Office to draft procedures that will coincide with the Budget Office's interfund loan policy and detail the Finance Department's role in handling, processing and monitoring interfund loans. Target date: 12-08.

**#10 (City Manager's Office/JO) - Incorporate into the City's interfund loan policy controls to ensure short-term loans from restricted funds are not being used for on-going structural budget problems. (Priority 1)**

PARTLY IMPLEMENTED. The Administration has drafted an interfund loan policy which it plans to incorporate into the City's Operating Budget and Capital Improvement Program Policy. The new policy will also be included as part of the 2007-08 Annual report that is scheduled to be released on September 30, 2008. In the meantime, the Budget Policies incorporated into the 2008-09 Operating Budget (proposed Operating Budget p. V-2) includes the following revision **bold/italicize/strikethrough**):

*The City will maintain the fiscal integrity of its operating, debt service, and capital improvement budgets, which provide services and maintain public facilities, streets, and utilities.*

*Ongoing operating program costs will not exceed the amount of ongoing revenue to finance those costs. **Interfund loans will not be used as a funding mechanism to address ongoing gaps between revenues and costs. If a new program is added on an ongoing basis, an ongoing revenue source will be identified to fund the program costs.** ~~The ongoing revenue source will be identified along with new program costs.~~ Any available carryover balance will only be used to offset one-time costs.*

The Mayor's June Budget Message for 2008-09 that was approved by the City Council incorporated a revision to City Council Policy 1-18 (Operating Budget and Capital Improvement Program Policy) to be consistent with this revised language. Target date: 12-08.

**#11 (City Manager's Office/JO) - Improve controls to ensure future transfers are in compliance with the City's Municipal Code. (Priority 2)**

PARTLY IMPLEMENTED. A new summary of interfund loans in Capital and Operating funds was included in the 2008-09 Operating Budget to document these loans. Any new loans proposed in the future will be coordinated with the City Attorney's Office to ensure compliance with the Municipal Code.

The Administration plans to incorporate the requirement to coordinate with the City Attorney's Office to ensure compliance with the Municipal Code into the Interfund loan section of the Budget Policies. This policy revision is expected to be brought forward for City Council consideration as part of the 2007-08 Annual Report that will be released on September 30, 2008. We will continue to work with the Administration to ensure transfers are also addressed. Target date: 12-08.

**MEMO: 1-9-08 REVIEW OF THE PROCUREMENT CARD PROGRAM – ONGOING  
AUDIT**

***#1 (Finance Department/CC) - Consider an approving official exception process for designating approving officials to ensure a consistent chain of responsibility when approving officials change. (Priority 2)***

NOT IMPLEMENTED. According to Finance, Finance will be revising the existing Procurement Card Policy. Target date: 12-08.

**08-01: AN AUDIT OF THE EMERGENCY COMMUNICATION SYSTEM SUPPORT FEE**

***#1 (Budget Office Staff/RM) - Annually obtain the most up-to-date number of LifeLine telephone customers from the California Public Utilities Commission. (Priority 3)***

IMPLEMENTED. The City Manager's Budget Office incorporated the updated Public Utilities Commission (PUC) figures indicated in the audit report into the 2008-2009 ECSS Fee cost calculation, and the PUC figures will be used to calculate actual 2007-2008 costs at the close of the fiscal year. If the ECSS fee remains in place in future years, the Budget Office will obtain Lifeline telephone customer data from the PUC and incorporate this information into the calculation of the costs that can be funded by the fee. The Budget Office will request this information before the issuance of the February Forecast each year.

***#2 (Budget Office Staff/RM) - Annually obtain the number of payphones in the City of San Jose from the Santa Clara County Communications Department. (Priority 3)***

IMPLEMENTED. The City Manager's Budget Office incorporated the updated Santa Clara County Communications Department figures indicated in the audit report into the 2008-2009 ECSS Fee cost calculation, and will use those figures to calculate actual 2007-2008 costs at the close of the fiscal year. If the ECSS fee remains in place in future years, the Budget Office will obtain payphone data from the County and incorporate this information into the calculation of the costs that can be funded by the fee. The Budget Office will request this information before the issuance of the February Forecast each year.

***#3 (City Manager's Office/RM) - Perform a study to determine the amount of time the Emergency Communication Center staff spends on 911-related activity; and officer-initiated and other non-911-related activity to determine the portion of staff costs that are 911-related and can be funded with the Emergency Communication System Support Fee in compliance with the Municipal Code definition of eligible operating costs. (Priority 3)***

NOT IMPLEMENTED. The City Manager will defer work on this project until after the November 2008 election in which the City is bringing forward a ballot measure to replace this fee with a tax. Target date: 12-08.

***#4 (Budget Office/RM) - Include only that portion of overtime considered as eligible operating costs in the calculation of the amount to be funded by the Emergency Communication System Support Fee. (Priority 2)***

IMPLEMENTED. The City Manager's Budget Office included only the portion of the overtime considered as eligible operating costs in the 2008-2009 fee calculation and will use this methodology in future years if the fee remains in place. The final reconciliation of 2007-2008 costs will also only include eligible overtime costs.

***#5 (Budget Office/RM) - Use the Municipal Code definition of "eligible operating costs" as the amount of Emergency Communication System Support Fees to transfer to the General Fund. (Priority 2)***

IMPLEMENTED. The City Manager's Budget Office incorporated a modification to the fee calculation consistent with the City Auditor's recommendation in the 2008-2009 fee calculation and will use this methodology in future years if the fee remains in place. The final reconciliation of 2007-2008 costs will also incorporate this change.

***#6 (Finance Department/RM) - Conduct a review of Emergency Communication System indirect costs to ensure indirect costs are allocated in compliance with the Municipal Code and determine the necessity for a separate Emergency Communication System indirect cost rate. (Priority 2)***

PARTLY IMPLEMENTED: During the current year development of the Overhead Cost Allocation Plans, the Finance Accounting Division will evaluate the feasibility of separating out the communications staff in each department as a separate cost center, and develop a separate overhead allocation rate for the Emergency Communication function. Although Finance has included this project on its work plan, it will defer the project until after the November 2008 election in which the City is bringing forward a ballot measure to replace this fee with a tax. Target date: 6-09.

***#7 (Finance Department/CC) - Establish a regular monitoring process to ensure service providers do not charge the Emergency Communication System Support Fee to exempt City of San José phones. (Priority 3)***

IMPLEMENTED. In May 2008, Finance Department circulated a memorandum to all department liaisons concerning procedures that should be carried out to stop the assessment of the Emergency Communications System Fee (ECSS) to exempt City of San Jose (City) phones. A test of one large department revealed the department took action to correct the billing problem.

***#8 (Finance Department/CC) - Inform the identified education organization of the Municipal Code exemption. (Priority 3)***

IMPLEMENTED. In April 2008, Finance Department staff informed the identified education organization of their municipal code exemption from ECSS fees.



**#9 (Finance Department/CC) - Obtain current registrations from each service provider in accordance with the form prescribed by the Director of Finance, establish an annual process of verifying registrations, and annually provide relevant instructions and documents necessary for the Emergency Communication System Support Fee program to registered agents. (Priority 3)**

IMPLEMENTED. In April 2008, the Finance Department sent out a request to all telephone providers that collect and remit the ECSS Fee to submit updated registration information. To conform with municipal code requirement, the Finance Department will be sending an annual request to all telephone providers to submit registration information as part of the annual recertification process. Moreover, telephone providers will be informed annually of changes to fee rates and CPI-based fee cap.

**#10 (Finance Department/CC) -**

- 1) Annually identify and request from service providers the information identified in the Municipal Code and such additional information as Finance determines necessary for it to perform the fee review requirements set forth in the Code,**
- 2) Work with service providers to determine the documentation and review necessary to assess the strength of controls over billing, collecting, and remitting the Emergency Communication System Support Fee,**
- 3) Assess if service provider controls ensure proper billing, collecting, and remitting the Emergency Communication System Support Fee, and**
- 4) If the service providers are unable or unwilling to provide the information the City seeks, the City should explore whether other options or sources are viable ways to comply with Municipal Code provisions. (Priority 3)**

NOT IMPLEMENTED. On August 5, 2008, the City Council took formal action to place the Emergency Communications System Support Fee on the November 2008 ballot. The action reflects a change from a fee to a tax. Consequently, passage of the November 2008 ballot measure would strengthen the City's ability to determine the strength of controls over billing, collecting, and remitting the Emergency Communication System Support Fee. According to Finance staff, staff reviews monthly fee remittances from providers. Finance staff indicates the City will work with a major telephone provider to come up with a non-disclosure agreement that is acceptable to both parties and would allow Finance to receive additional information regarding fee billing and collections. Target date: 12-08.

**#11 (Finance Department/CC) - Maintain a fee cap updating process and update the service providers on an annual basis. (Priority 3)**

IMPLEMENTED. Finance recalculated the fee cap to reflect the annual adjustment made to the Consumer Price Index (All Urban Consumers) of San Francisco-Oakland-San Jose. In August 2008, Finance staff mailed notices to all service providers informing providers of the recent update to the fee cap.

***#12 (Finance Department/CC) - Conduct a review to determine whether the fee rates for trunk lines continue to reasonably reflect the estimated Emergency Communication System workload relative to access lines. (Priority 3)***

NOT IMPLEMENTED. On August 5, 2008, the City Council took formal action to place the Emergency Communications System Support Fee on the November 2008 ballot. The action reflects a change from a fee to a tax. The City Council action also reduces the per line amounts for each access and trunk line. Consequently, passage of the November 2008 ballot measure would remove the need for this recommendation. Target date: 11-08.

***#13 (City Administration/CC) - Exercise its right to an onsite compliance audit of select service providers, if the City does not obtain sufficient information and documentation. (Priority 3)***

NOT IMPLEMENTED. According to the City Administration, the City Administration will defer work until after the November 2008 election in which the City is bringing forward a ballot measure to replace the fee with a tax. Target date: 11-08.

**MEMO: 5-5-08 REVIEW OF ALLIED WASTE EXPENDITURES FOR THE PERIOD OF APRIL 1, 2007 THROUGH FEBRUARY 29, 2008**

***#1 (Environmental Services Department/CC) -Follow-up with BFI and seek reimbursement for the \$60.69 overcharge and the \$629.98 unsupported transaction. (Priority 3)***

NOT IMPLEMENTED. The credits for the \$60.69 overcharge and the \$629.98 unsupported transaction have not yet been received from BFI. According to ESD staff, staff has contacted BFI regarding these credits and is awaiting their response. Meanwhile, ESD intends to withhold \$690.67 from the next payment due to BFI pending the settlement of this Audit Recommendation. Target date: 10-08.