



Office of the City Auditor

**Report to the City Council
City of San José**

**SEMI-ANNUAL
RECOMMENDATION
FOLLOW-UP REPORT ON
ALL OUTSTANDING AUDIT
RECOMMENDATIONS FOR
THE SIX MONTHS ENDED
JUNE 30, 2010**

October 12, 2010

Honorable Mayor and City Council
City of San Jose
200 E. Santa Clara Street
San Jose, CA 95113

**SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT
ON ALL OUTSTANDING AUDIT RECOMMENDATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2010**

Recommendation

We recommend the Public Safety, Finance, and Strategic Support Committee review and accept the attached report.

Background

The City Auditor's Office conducts audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City program. The office monitors the progress of the recommendations we make in our audit reports, and reports on the status of all open audit recommendations every six months. This follow-up report lists recommendations that have been implemented since our last report, and shows an agreed upon course of action for implementing other recommendations. The report shows potential budget impacts where applicable and target dates where available. To prepare this report, we met with department staff, reviewed department assessments of audit status, and reviewed documentation provided by departments.

Summary of Results

This report summarizes the status of 162 open audit recommendations as of June 2010. This includes 84 recommendations that were outstanding after our last status report as of December 31, 2009, and 78 new recommendations from audits issued in the last 6 months.

Since our last report, City staff implemented 30 recommendations. A total of 71 recommendations are partly implemented, 57 recommendations are not implemented, and 4 recommendations were closed.

The City Auditor's Office would like to thank the City Manager's Office and all of the affected departments for their assistance in compiling this report.

Respectfully submitted,

Sharon W. Erickson
Sharon W. Erickson
City Auditor

Attachment: Report on the Status of Audit Recommendations as of 6/30/10

STATUS OF AUDIT RECOMMENDATIONS AS OF 6/30/10

This report summarizes the status of all open audit recommendations for the six months ended June 30, 2010. It shows those recommendations that are implemented, not implemented, or closed, and provides an agreed course of action to implement remaining recommendations.

Page Number	Report Title	Date Issued	Implemented	Partly Implemented	Not Implemented	Closed
4	An Audit of the City of San José Fire Department's Overtime Expenditures	4/13/01				2
4	An Audit of the City of San José Fire Department's Strategic Plan Regarding Proposed Fire Stations	10/18/01		2		
5	An Audit of the San José Fire Department's Bureau of Fire Prevention	11/26/03			4	
7	An Audit of the San Jose Municipal Water System Fire Hydrant Maintenance and Repair Program	5/10/06		1		
7	The 2004-05 Annual Performance Audit of Team San Jose, Inc.	10/11/06	1	1		
8	An Audit Of Department of Transportation's Efforts to Secure Federal Highway Bridge Replacement and Rehabilitation (HBRR) Funds	5/4/07		1		
9	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	12/13/07		3		
9	An Audit of Retirement Services' Travel Expenses	8/27/08	5			

Page Number	Report Title	Date Issued	Implemented	Partly Implemented	Not Implemented	Closed
10	An Audit of Commercial Solid Waste Franchise and AB 939 Fee Collection Program	9/8/08	1	1		
11	An Audit of the City's Oversight of Financial Assistance to Community-Based Organizations	11/12/08	4	9		
14	Audit of the City of San José's Workers' Compensation Program	4/8/09	1	2		
15	Audit of the San José Police Department's Auto Theft Unit	5/13/09		3	1	
16	Audit of the San José Conservation Corps	5/13/09	4	5		
20	Audit of Employee Medical Benefits	6/10/09	5	7	2	1
25	Audit of the Park Trust Fund	9/10/09	1	9	1	
27	Performance Management and Reporting in San Jose: A Proposal for Improvement	9/24/09		1		
28	Audit of Animal Care & Services	10/7/09	1	1	4	
AUDITS ISSUED SINCE LAST RECOMMENDATION STATUS REPORT:						
30	Audit of Pensionable Earnings and Time Reporting	12/09/09	2	3	10	

Page Number	Report Title	Date Issued	Implemented	Partly Implemented	Not Implemented	Closed
33	Audit of Civilianization Opportunities in the San José Police Department	1/14/10		2	11	
36	Audit of Legacy Partners' Museum Park Development	2/10/10	1			1
37	Audit of Decentralized Cash Handling	2/10/10		6	2	
38	Audit of Community Center Staffing	3/11/10	3	11	3	
42	Audit of the City's Licensing and Permitting of Cardroom Owners and Employees	4/7/10		1	5	
44	Audit of the Airport's Parking Management Agreement	4/7/10	1	2	13	
TOTAL			30	71	57	4

AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S OVERTIME EXPENDITURES (Issued 4/13/01)
The objective of this audit was to evaluate the causes of the SJFD's high overtime expenditures in 1999-00. Of the 9 recommendations, 7 were previously implemented or closed, and 2 were closed during this period.

#7: Review sick leave data to establish benchmarks for sick leave use and identify possible patterns of abuse and take appropriate follow-up actions.

Fire

Closed

Auditor's update as of June 2010: The SJFD was unable to develop reports that would easily identify patterns of sick leave abuse. Instead, the SJFD has implemented programming changes to Telestaff which requires a Captain's approval of sick leave usage and entering of a code designating the use of Personal Sick Leave, Family Sick Leave or Medical Appointment. Finally, the SJFD updated sick leave procedures includes language that an employee may be required to submit a physician's release or sick leave certificate if the employee is sick for more than three days or two consecutive shifts or if requested.

#8: Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance.

Fire

Closed

Auditor's update as of June 2010: See Recommendation #7 above.

AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S STRATEGIC PLAN REGARDING PROPOSED FIRE STATIONS (Issued 10/18/01)

The purpose of this audit was to review the SJFD's Strategic Plan, data integrity, and proposed fire stations and configuration options. Of the 5 recommendations, 3 were previously implemented or closed, and 2 are partly implemented.

#3: 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.

Fire

Partly
Implemented

Auditor's update as of June 2010: Under the Medical Priority Dispatch System, a 911 call determined to be a medical call with the lowest priority has an Omega priority response level and would receive an alternate response. For example, instead of both the San Jose Fire Department (SJFD) and an ambulance responding to an Omega protocol call, only an ambulance would respond. 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 April 2008 and uses ProQA software which is necessary for the Priority Dispatch Omega protocol. Currently, the Emergency Medical Services (EMS) Agreement with the County, which expires June 30, 2011, requires that the SJFD respond on all 911 calls received. However, the current EMS agreement gives the Fire Department authorization to respond to lower-priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. The SJFD is in the process of completing the implementation of its new RMS and has been collecting

Audit Report and Recommendation	Department	Current Status	Comments
			<p>patient care data since March 2009 to support of its efforts to identify Omega responses. Furthermore, the SJFD is participating as a stakeholder in the redesign of the EMS agreement to expand the use of the Omega protocol. Target date: 6-11.</p> <p>POTENTIAL BUDGET IMPACT: The ability to respond by phone would potentially reduce the number of EMS responses, saving wear and tear on vehicles.</p>

#5: Implement a pilot project to evaluate the use of SUVs or Light Units to respond to lower priority emergency medical calls.

Fire

Partly Implemented

Auditor's update as of June 2010: The SJFD completed its 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 has begun with the relocation of Engine 2 to a temporary facility during Station 2's reconstruction. The SJFD implemented an alternatively-staffed brush patrol equipment unit to respond to lower priority calls in the event a simultaneous request for service was received in Station 2's first-due district. The alternatively-staffed brush patrol unit responds with Engine 2, creating a six-person, two-piece engine company. In the event a second service request occurs during a response, the two-person brush patrol unit, with an Advanced Life Support complement of equipment, can continue responding on the original request or respond separately to the new request; depending on the priority of the response and with supervisory approval. The two-person unit is staffed with an engineer and a paramedic 12 hours per day. This approach was agreed to by the firefighters union and management to address safety concerns until more data on the effectiveness and safety of an alternatively staffed unit could be determined. 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: 11-10.

POTENTIAL BUDGET IMPACT: Alternative staffing during Station 2's reconstruction reduces cost; future impacts TBD.

AN AUDIT OF THE SAN JOSÉ FIRE DEPARTMENT'S BUREAU OF FIRE PREVENTION (Issued 11/26/03)
The purpose of this audit of the fire safety, school, and multiple housing inspection programs was to determine whether inspections met regulatory targets and ensured adequate enforcement of San Jose Fire Code requirements. Of the 16 recommendations, 12 were previously implemented or closed, and 4 are not implemented.

#2: 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.

Fire

Not Implemented

Auditor's update as of June 2010: According to San Jose Fire Department (SJFD) Administration, the Bureau of Fire Prevention no longer has the ability to access the Business License database to follow up on manufacturing facilities that should be added to the Fire

Audit Report and Recommendation	Department	Current Status	Comments
	Fire	Not Implemented	<p>Inspection Billing System (FIBS) database because City Information Technology (IT) Services implemented system changes that broke the link between the databases. Specifically, in the past, both the FIBS and Business License applications ran on the City's VAX system, sharing common data which linked the databases. With the migration of both applications from the VAX system, the link was broken. Until City IT Services initiates system changes that again allow migration of the two systems, the FIBS system will not be able to retrieve Business License information. Currently, there is no funding available to restore the link. Target date: TBD.</p> <p>POTENTIAL BUDGET IMPACT: In addition to potential safety issues, the Department may be forgoing revenue from unpermitted facilities (annual Fire Safety Permits cost from \$216 to \$1,561 per permit plus applicable inspection fees at an hourly rate of \$82.50 per half-hour or portion thereof).</p> <p>Auditor's update as of June 2010: See Recommendation #2 above. POTENTIAL BUDGET IMPACT: See Recommendation #2 above.</p>
#10: Develop a risk assessment methodology to assign facility inspection frequencies.	Fire	Not Implemented	<p>Auditor's update as of June 2010: According to San Jose Fire Department (SJFD) Administration, a contract with Emergency Services Consulting, Inc. (ESCI) to develop a risk assessment methodology expired prior to their ability to correct incomplete work. Currently, there is no funding mechanism to complete this task with consultants. As a result, developing a risk assessment methodology to assign facility inspection frequencies is temporarily suspended until other options available to the City are identified. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
#12: Develop a workload analysis to determine its inspection staff needs to achieve its inspection goals and objectives.	Fire	Not Implemented	Auditor's update as of June 2010: According to San Jose Fire Department (SJFD) Administration, a contract with Emergency Services Consulting, Inc. (ESCI) to develop an inspection staff workload analysis expired prior to their ability to correct incomplete work. SJFD does not have the expertise to develop a workload analysis in-house and there is currently no funding mechanism to complete this task with consultants. As a result, this task is temporarily suspended until other options available to the City are identified. Target date: TBD.
<p>AN AUDIT OF THE SAN JOSE MUNICIPAL WATER SYSTEM FIRE HYDRANT MAINTENANCE AND REPAIR PROGRAM (Issued 5/10/06) The purpose of this audit was to determine whether the maintenance and repair program was operating efficiently and effectively. Of the 5 recommendations, 4 were previously implemented or closed, and 1 is partly implemented.</p>			
#5: Negotiate the ownership, maintenance, and replacement of about 13,500 fire hydrants with the private water companies in San Jose service areas.	ESD	Partly Implemented	Auditor's update as of June 2010: According to the Environmental Services Department (ESD), both private water companies, San Jose Water Company (SJWC) and Great Oaks Water Company (GOWC), have taken maintenance and replacement responsibilities for the fire hydrants in their respective areas. Regarding ownership of the fire hydrants, SJWC informed ESD it is willing to pay the City \$1 for each remaining City-owned hydrant in the SJWC service area. GOWC stated it has no interest in taking ownership of the City's fire hydrants in its service area. ESD plans to meet with the Department of Transportation to determine the number of City-owned hydrants remaining in the SJWC service area and then request the City Attorney's Office to draft an ownership agreement with SJWC. Target date: 12-10.
<p>THE 2004-05 ANNUAL PERFORMANCE AUDIT OF TEAM SAN JOSE, INC. (Issued 10/11/06) The objective of this audit was to determine whether Team San Jose met the performance measures and other requirements specified in the Agreement for the Management of the San José Convention Center and Cultural Facilities. Of the 17 recommendations, 15 were previously implemented or closed, 1 was implemented during this period, and 1 is partly implemented.</p>			
#14: 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.	Team San Jose	Implemented	<p>Auditor's update as of June 2010: In July 2010, Team San Jose provided the Office of Equality Assurance with requested information which includes:</p> <ol style="list-style-type: none"> 1) Wording included in Team San Jose requests for quotes/proposals related to wage requirements; 2) Team San Jose contract language related to wage requirements; 3) Written explanation of Team San Jose's process to ensure

Audit Report and Recommendation	Department	Current Status	Comments
#16: Develop and implement a workplan to correct ADA noncompliant items and notify the City accordingly.	Team San Jose	Partly Implemented	<p>compliance with wage requirements;</p> <p>4) Team San Jose contracts awarded for FY 2009-2010, including dollar amount, wage violations identified by Team San Jose, restitution paid and number of workers affected. For FY 2009-2010, Team San Jose reported eight (8) contracts subject to prevailing wage requirements totaling \$56,791.58. Team San Jose reported no wage violations.</p> <p>OEA has determined that all of Team San Jose contractors are in compliance with the City's Living Wage and Prevailing Wage policies.</p> <p>Auditor's update as of June 2010: The previous Management Agreement between the City and TSJ required that TSJ develop a work plan to correct or avoid any violations or non-compliance with the Americans Disabilities Act of 1990 (ADA). TSJ completed the ADA accessibility survey in November 2008. The City has just completed the RFP process for a design-builder for the expansion and development of the Convention Center. The agreement with the design builder has to be negotiated. The ADA issues will be addressed in the new agreement with the design builder. Target date: TBD.</p>

AN AUDIT OF DEPARTMENT OF TRANSPORTATION'S EFFORTS TO SECURE FEDERAL HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION (HBRR) FUNDS (Issued 5/4/07)
The objective of this audit was to evaluate whether the City secured the optimum level Federal Highway Bridge Replacement and Rehabilitation Program funds to reduce the City's cost of these transportation projects. Of the 8 recommendations, 7 were previously implemented or closed, and 1 is partly implemented.

#2: Prepare and submit an indirect cost rate proposal to Caltrans for approval.	DOT	Partly Implemented	<p>Auditor's update as of June 2010: An indirect cost rate proposal developed by the city's Finance Department was submitted to the State Department of Transportation (Caltrans) for approval in September 2008. The indirect rate proposal was not accepted by Caltrans. According to the Finance Department, they resubmitted the Indirect Cost Allocation Plan/Rate Proposal to the Caltrans at the end of May 2010, but have not received a response. Target date: 12-10.</p> <p>POTENTIAL BUDGET IMPACT: The Department estimates this proposal could increase recovery of indirect overhead costs by about \$150,000.</p>
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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 (Issued 12/13/07)

The objective of this audit was to evaluate the effectiveness of internal controls over the administration of tax-exempt debt financings. Of the 11 recommendations, 8 were previously implemented or closed, and 3 are partly implemented.

#1: 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.	Finance	Partly Implemented	Auditor's update as of June 2010: The Department has drafted new interest allocation procedures which, when implemented, should ensure proper allocation of interest. Target date: 10-10. POTENTIAL BUDGET IMPACT: TBD.
#3: Develop and implement procedures to ensure proper allocation of interest to restricted funds held within the City Cash Pool.	Finance	Partly Implemented	Auditor's update as of June 2010: The Department has drafted new interest allocation procedures which, when implemented, should ensure proper allocation of interest. Target date: 10-10.
#9: 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.	Budget	Partly Implemented	Auditor's update as of June 2010: The Administration amended the City's Operating Budget and Capital Improvement Program Policy to incorporate the treatment of Interfund Loans as part of the 2007-08 Annual Report actions that were approved by the City Council on October 21, 2008. Staff from the Finance Department and the Budget Office will work together to draft procedures to manage and enforce the policy. This policy is particularly critical as the City expands the interfund loan program to fund the Redevelopment Agency's \$75 million payment to the State Supplemental Educational Revenue Augmentation Fund ("SERAF"). Target date: 12-10.

AN AUDIT OF RETIREMENT SERVICES' TRAVEL EXPENSES (Issued 8/27/08)

The objective of this audit was to evaluate the effectiveness of internal controls over travel by Retirement Services staff and members of the City's two Retirement Boards. Of the 23 recommendations, 18 were previously implemented or closed, and 5 were implemented during this period.

#6: Establish reasonable parameters for travel and training.	Boards	Implemented	Auditor's update as of June 2010: Board travel is approved by the board after it is proposed and discussed at public board meetings. In addition, the Federated Board and the Police & Fire Board adopted supplemental travel policies that define reasonable travel activity.
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Audit Report and Recommendation	Department	Current Status	Comments
#7: Require mandatory training on travel policies for Boardmembers and Staff.	Boards	Implemented	Auditor's update as of June 2010: Retirement Services staff provide training on travel policies for boardmembers and staff once the Boards approve travel activity. In addition, both retirement boards have drafted supplemental policies that outline travelers' responsibility to travel in accordance with the City's travel policy, which both of the boards have adopted as their own.
#16: Establish controls to ensure compliance with the San José Municipal Code Chapter 12.08 Prohibition of Gifts.	Boards	Implemented	Auditor's update as of June 2010: In May 2010 and June 2010 respectively, the Police & Fire Board and the Federated Board adopted supplemental policies that inform boardmembers of their obligations to comply with the San José Municipal Code Chapter 12.08: Prohibition of Gifts.
#21: Develop and enforce travel report guidelines for all board-funded travel activities per AB 1234.	Boards	Implemented	Auditor's update as of June 2010: In May 2010 and June 2010 respectively, the Police & Fire Board and the Federated Board adopted supplemental policies that outline reporting guidelines for all board-funded travel activities as required by AB 1234.
#23: Adopt supplemental policies to limit the number of Boardmembers traveling together and post events as required by the Brown Act.	Boards	Implemented	Auditor's update as of June. 2010: In May 2010 and June 2010 respectively, the Police & Fire Board and the Federated Board adopted supplemental policies that advise boardmembers of their obligations to comply with the Brown Act. The policies also outline guidelines for complying with the Brown Act.

AN AUDIT OF COMMERCIAL SOLID WASTE FRANCHISE AND AB 939 FEE COLLECTION PROGRAM (Issued 9/8/08)

The objective of this audit was to review the fee collection process and determine if fees had been properly paid and collected. Of the 10 recommendations, 8 were previously implemented or closed, 1 was implemented during this period, and 1 is not implemented.

#1: A resolution to the City's dispute with Allied Waste to ensure that the monies that school districts have already paid to Allied Waste are paid to the City and reimbursed to the school districts in a timely manner including outstanding disputes with other franchise haulers.	ESD	Implemented	Auditor's update as of June 2010: In November 2008, the City and Allied Waste settled the dispute regarding fees associated with the service to school districts. Fees have been paid by Allied Waste to the City for those 16 schools districts which have agreements to the City. All school districts have now been reimbursed. In April 2010, the City and Stevens Creek Disposal and Recycling settled the dispute regarding fees associated with the service to school districts. It was determined that Stevens Creek Disposal and Recycling had been paying fees appropriately and as such, refunds to the school districts was not necessary.
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Audit Report and Recommendation	Department	Current Status	Comments
#3: Propose to the City Council that the City's agreement with the County of Santa Clara be amended to clarify whether the County should pay the AB 939 fees, and consider including reporting requirements in return for the City reimbursement of the County's franchise fees.	ESD in consultation with the City Attorney's Office	Not Implemented	Auditor's update as of June 2010: The City Manager's Office has been notified that this is an outstanding issue. The City Manager's Office, in coordination, with the City Attorney's Office, will discuss this issue with the County. Target date: TBD.

AN AUDIT OF THE CITY'S OVERSIGHT OF FINANCIAL ASSISTANCE TO COMMUNITY-BASED ORGANIZATIONS (Issued 11/12/08)

This audit summarized previous City Auditor reports related to grant oversight, identified additional forms of financial assistance that the City provides to community-based organizations, and assessed opportunities to improve the administration of the various forms of financial assistance. Of the 21 recommendations, 8 were previously implemented or closed, 4 were implemented during this period, and 9 are partly implemented.

#3: Develop an annual summary of funding by recipient (perhaps in the annual operating budget) that shows all forms of financial assistance.	City Administration	Partly Implemented	Auditor's update as of June 2010: An annual summary of funding by recipient in the form of grants, operations and maintenance funding and subsidies associated with below-market leases has been developed. A report using data from the WebGrants database, including funding and other forms of financial assistance, will be generated in FY 2010-11. However, the summary does not yet include all in-kind donations provided to City-Funded CBOs. Target date: 12-10.
#5: Prepare an annual report to City Council based on a review of the financial audits of community-based organizations that meet the criteria established by Recommendation # 4 including: <ul style="list-style-type: none"> • Financial ratios; • Summary of external audit findings; and • Percentage of agency revenue comprised of City funding. 	City Administration or the City Auditor	Implemented	Auditor's update as of June 2010: The City Auditor's report titled, <i>The Annual Financial Scan of City-Funded Community-Based Organizations</i> , was approved by the Rules and Open Government Committee on May 5, 2010. The report summarizes key financial information of community-based organizations receiving \$250,000 or more in more in grants, operations and maintenance funding, and subsidies associated with below-market leases in FY 2009-10. This information included findings of the agencies' external auditors and percentage of total revenue comprised of City funding.
#8: Track maintenance of all CBO-operated facilities to identify deferred maintenance and enforce operating and maintenance agreement provisions if the scheduled maintenance is not performed.	General Services & City Administration	Implemented	Auditor's update as of June 2010: The Manual for the Management and Operations and Maintenance Agreements section pertaining to tracking maintenance has been completed. Details related to identification of deferred maintenance and enforcement of operating and maintenance agreement provisions are included. According to General Services, maintenance assessments have been conducted for all of the facilities, except History San Jose. Deferred maintenance will continue to be tracked on these facilities, however funds available to correct these issues are not available.

Audit Report and Recommendation	Department	Current Status	Comments
#9: Clarify when the 7-1 policy should apply to leases with CBOs of City facilities.	General Services	Partly Implemented	Auditor's update as of June 2010: Amendments to Council Policy 7-1 (below-market leases) have been drafted. The policy now includes the eligibility criteria for non-profit organizations to rent from the City at reduced lease rates. Staff will be presenting the revised policy to Council for approval. Target date: TBD.
#10: Identify all the CBO leases and other agreements for long-term use of City-owned properties, and assign responsibility for monitoring each of them.	General Services	Partly Implemented	Auditor's update as of June 2010: Staff is currently completing the list of leases and other long-term use agreements that have terms 12 months or longer. We have requested the list include below-market rate leases at community center reuse sites. This list will identify the current status of the lease/agreements, including key terms, rental payments, and those responsible for monitoring them. The revised Council Policy 7-1 and corresponding guidelines call for all new below-market rate leases to be negotiated and managed by General Services (GS), however, it leaves the day-to-day oversight of program activities with the departments backing the use of City-owned property for nonprofit lessee activities. GS has conducted a lease management training in July 2010 and will coordinate with departments on a bi-annual basis to ensure that leases/agreements are up-to-date. Target date: 12-10.
#11: We recommend General Services:Develop a centralized spreadsheet to track the status of CBO leases and other long-term use agreements for City-owned properties with CBOs including key terms and rental payments. B. Bring current all expired leases, rental payments, insurance certificates, and other required reporting documentation.	General Services	Partly Implemented	Auditor's update as of June 2010: Staff is completing the list of leases and other long-term use agreements with terms 12 months or longer. We have requested the list include below-market rate leases at community center reuse sites. Staff is working with departments to bring current all expired leases, rental payments, insurance certificates, and other required reporting documents. This list will also include status of these leases/agreements, including key terms, rental payment, and those responsible for monitoring them. GS conducted a lease management training in July 2010 and will coordinate with departments on a bi-annual basis to ensure that leases/agreements are up-to-date. Target date: 12-10.
#12: Establish policies and procedures regarding billing and collection for CBO leases and other agreements with CBOs for the long-term use for City-owned properties.	General Services	Implemented	Auditor's update as of June 2010: Staff has developed billing and collection procedures for below-market leases and other long-term use agreements along with lease management procedures. In July 2010, staff conducted a training for departments who monitor these agreements and discussed procedures for lease management and the process for billing and collection of CBO lease payments.

Audit Report and Recommendation	Department	Current Status	Comments
#13: Establish a Citywide policy for enforcement of lease provisions and include provisions for non-compliance in future leases.	General Services	Partly Implemented	Auditor's update as of June 2010: Amendments to Council Policy 7-1, 7-3, and 7-12 have been drafted and will be presented to the City Council for approval. Included in these amendments is enforcement of lease provisions for non-compliance. The policy outlines provisions in which non-compliance may result in decrease in the offset to rent, termination of the leasehold, or other actions available to the City. Target date: TBD.
#14: Centralize basic real estate functions or train City department staff on consistent implementation and monitoring of CBO leases and other agreements.	General Services	Implemented	Auditor's update as of June 2010: Staff has established a process on how to effectively manage the properties to ensure consistency among City departments in implementing all provisions within the lease agreements. Staff has conducted a training in July 2010 in which they discussed the process to be used by each department to manage leases as well as discussed procedures for collection of lease payments, lease renewal process, and maintenance oversight. The Real Estate Division will provide oversight of all leases by gathering and consolidating data and coordinate with other departments responsible for monitoring leases. However, day-to-day management of these leases will remain with the departments who currently monitor those CBOs. Staff will be coordinating with departments on a bi-annual basis in order to bring current all lease information.
#15: Develop a process to ensure that the City coordinates its oversight and monitoring of individual CBO leases and other long-term use agreements for City-owned properties with the oversight and monitoring of individual CBO grants or other forms of financial assistance.	General Services	Partly Implemented	Auditor's update as of June 2010: Staff is completing the list of all individual CBO leases and other long-term use agreements. Among the total list of agreements/leases for the long-term use of City-owned properties will be their fair-market value estimates. Staff has been coordinating with the Office of Economic Development/City Manager's Office and other departments responsible for the oversight and monitoring of individual CBO grants through the Non-profit Strategic Engagement Platform. We will consider this recommendation implemented once we have assurance that all appropriate facilities are being tracked. Target date: 2-11.
#16: Identify all of the City's leases to CBO organizations, estimate the rental subsidy of these leases, and prepare an annual public report listing each CBO organization and the estimated amount of the subsidy.	General Services	Partly Implemented	Auditor's update as of June 2010: Staff is working on completing a list of all individual CBO leases and other long-term use agreements/leases which will include estimates for their fair-market value. Staff will be coordinating with the City Manager's Office/Office of Economic Development to present an annual report to the PSFSS Committee in January/February 2011. The rental subsidies for the City's leases to CBOs will also be included in the annual public report. Target date: 2-11.

Audit Report and Recommendation	Department	Current Status	Comments
#17: Establish an approval/renewal process for CBO leases and other agreements for long-term use for City-owned properties as they come due.	General Services	Partly Implemented	Auditor's update as of June 2010: Amendments to Council Policy 7-1 have been drafted. Amendments to the policy include an approval/renewal criteria and process for CBO leases/agreements as they come due. The Guidelines for Below-Market Rate Lease Agreements per Council 7-1 Policy discusses the lessee selection process in which qualifying nonprofit organizations will be selected for tenancy through an open and competitive bidding process. The policy also contains terms for tenancy which include the process for lease renewal. Staff will present the revised policy to Council for approval. Target date: TBD.
#20: Consider other alternatives to fiscal agents and explore alternative methods to provide insurance coverage for smaller grant programs.	General Services	Partly Implemented	Auditor's update as of June 2010: Staff will minimize use of fiscal agents by reviewing grantee eligibility requirements and, whenever possible, remove requirements for tax-exempt status thereby reducing the need for such agreements. If a fiscal agent is still deemed necessary, the agreement will clarify that the fiscal sponsor is responsible for meeting all grant performance requirements. Where appropriate, the City will enter into and monitor individual agreements with the recipients of the funds. These may be simple MOUs rather than standard City agreements. Based on recent funding reductions to community-based organizations, fiscal agency agreements are very limited for FY 2010-11. However, staff will need to find alternative methods to provide insurance coverage for smaller grant programs. Target date: TBD.
<p>AUDIT OF THE CITY OF SAN JOSÉ'S WORKERS' COMPENSATION PROGRAM (Issued 4/8/09) The purpose of this review was to assess the impact of State reforms and local cost containment efforts. Of the 7 recommendations, 4 were previously implemented or closed, 1 was implemented during this period, and 2 are partly implemented.</p>			
#1: Propose structural changes to the City's Workers' Compensation Program that would include (1) reducing the City's policy of providing up to nine months of a disability leave supplement pay at 85 percent for non-sworn and one full year at 100 percent for sworn employees and (2) implementing a retirement benefit payment offset for sworn employees receiving disability retirement payments that replicates the offset for retired non-sworn employees.	Office of Employee Relations	Partly Implemented	<p>Auditor's update as of June 2010: According to the Office of Employee Relations, the City achieved a change in the disability leave supplement benefit with two of the City's 11 bargaining units which reduced the disability leave supplement from nine months to six months. This change was also implemented for unrepresented employees in Unit 99. Negotiations are scheduled to begin again with all non-sworn bargaining units in January 2011, at which time the City will have another opportunity to achieve a change in this benefit for Fiscal Year 2011-2012. Target date: TBD.</p> <p>POTENTIAL BUDGET IMPACT: A 2008 consultant report estimated that the City pays \$1.7 million per year by not offsetting Police and Fire disability retirement pension benefits when disability benefits are paid.</p>

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#4: Reconsider the feasibility of restoring the Wellness Coordinator position for the Wellness Program and implementing a comprehensive Wellness-Fitness Program for the Fire Department.	Human Resources	Partly Implemented	<p>Auditor's update as of June 2010: In August 2009, Risk Management requested that the San Jose Fire Department (SJFD) consider the restoration of a comprehensive wellness program. Risk Management researched best practices of similar-sized agencies and prepared a detailed wellness plan proposing that the SJFD consider restoring staffing and resources to wellness. The proposed plan includes the following components: (1) Health and Fitness Coordinator, (2) Mandatory Fitness Training for Sworn Fire Employees, and (3) Mandatory Physical Examinations and Standards.</p> <p>According to the SJFD Administrative Officer, Fire Administration staff, the Human Resources Safety Division Deputy Director, and the City Physician met to discuss implementing changes to the Annual Medical Exam process and to discuss implementing a comprehensive fitness program. The SJFD will continue to work with the Human Resources Department to implement changes to the Annual Medical Exams and to develop a proposal for a comprehensive fitness program that is within the overall City's budget strategy. Target date: TBD.</p>
#5: Implement the 2007 consultant recommendation to include the accomplishment of safety goals as one of the goals to be considered in the City's performance review process in which the City Council reviews each department's performance during the budget study sessions each spring.	Human Resources	Implemented	<p>Auditor's update as of June 2010: In August 2009, Risk Management prepared a memorandum notifying the five most risk-exposed City departments – Fire; Police; General Services; Parks, Recreation and Neighborhood Services; and Transportation – that the departments will be responsible for reporting safety goals, investigations, and disciplines as outlined by Risk Management's 8 Point Safety Plan. All five departments completed and submitted the 8 Point Safety Plan to Risk Management. Risk Management will continue to meet quarterly with these departments to review safety goals, investigations, and disciplines as outlined in the 8 Point Safety Plan.</p>
<p>AUDIT OF THE SAN JOSÉ POLICE DEPARTMENT'S AUTO THEFT UNIT (Issued 5/13/09) The objective of our audit was to evaluate the efficiency and effectiveness of the Auto Theft Investigations Program. Of the 15 recommendations, 11 were previously implemented or closed, 3 are partly implemented, and 1 is not implemented.</p>			
#1: Periodically brief patrol on auto theft trends and utilize real-time mapped information and communicate this information to the Regional Auto Theft Task Force.	San José Police Department & Auto Theft Unit	Partly Implemented	<p>Auditor's update as of June 2010: Auto Theft Unit investigators brief patrol and Regional Auto Theft Task Force personnel on auto theft trends as they are identified. This is accomplished by investigators attending patrol briefings and by providing alert bulletins, which are posted in the patrol briefing room. Procedures for this process have been formally documented and are included in the Auto Theft Unit Procedures Manual.</p> <p>The Automated Field Reporting/Records Management System (AFR/RMS) Request for Proposal (RFP) was finalized and released on</p>

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			12/18/09. The system will allow for limited near real-time mapping capabilities to Crime Analysts in the Crime Analysis Unit. This information will be disseminated to the Auto Theft Unit. The estimated date for City Council consideration of a contract award for the AFR/RMS project is December 2010 and the estimated implementation date of the AFR/RMS is April 2012. Once a full AFR/RMS system is in place, officers will have immediate mapping access. Target date: 4-14.
#5: Explore the feasibility of using specially trained civilian staff for administrative assignments such as in-custody arrest documentation.	San José Police Department	Not Implemented	Auditor's update as of June 2010: The Department continues to evaluate positions throughout the Police Department that could benefit from civilianization. Target date: TBD. POTENTIAL BUDGET IMPACT: \$43,000 per year.
#6: To the extent possible, ensure that the proposed automated field reporting and records management system reduces duplication of auto theft data entry and automates quality control processes.	San José Police Department	Partly Implemented	Auditor's update as of June 2010: On December 18, 2009 the City issued a Request for Proposal (RFP) for the Automated Field Reporting and Records Management System (AFR/RMS). Quality control processes and elimination of redundancy are requirements in the RFP. Target date: 12-12.
#13: Consider adding a classification for cases that are not investigated due to limited solvability or conviction factors in the proposed records management system.	San José Police Department	Partly Implemented	Auditor's update as of June 2010: The Automated Field Reporting/Records Management System (AFR/RMS) Request for Proposal (RFP) was finalized and released on 12/18/09. The Police Department will have the option to change or add classifications in the new AFR/RMS system. The AFR/RMS Project Manager indicated that once the AFR/RMS is fully implemented, specific Department/Bureau/Unit needs and programming will be assessed. The estimated date for City Council consideration of a contract award for the AFR/RMS project is December 2010 and the estimated implementation date of the AFR/RMS is April 2012. Target date: 4-12.

AUDIT OF THE SAN JOSÉ CONSERVATION CORPS (Issued 5/13/09)

Our audit objective was to review contract compliance and oversight of the agreements between the San José Conservation Corps and the City. Of the 10 recommendations, 1 was previously implemented or closed, 4 were implemented during this period, and 5 are partly implemented.

#1: Attempt to recover the \$200,685 that was not reflected in Corps accounting records for services provided under ESD contracts. In addition, the City should attempt to recover the \$133,140 in City-related expenditures that were already reimbursed by the California Department of Conservation. If within 60 days the Corps provides additional documentation supporting expenditures on City projects that were not reimbursed by others, we agree to reevaluate the	City	Partly Implemented	Auditor's update as of June 2010: On January 12, 2010 the City Council approved a Settlement Agreement between the City and the San José Conservation Corps (Corps). Subject to compliance with the terms of the Settlement Agreement, the City will accept the documentation and further explanation provided by the Corps concerning Environmental Services Department (ESD) charges. The documentation demonstrated that the work was done by the Corps within the City of San José –
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amount that the City should attempt to recover from the Corps.			thereby benefiting the City in a general manner even if not technically in compliance with the terms of the Master Agreement. The documentation also showed that the \$133,140 of additional ESD recycling work, identified in the audit as having been already reimbursed by the State of California, was a financial misstatement and that unrestricted State reimbursements for recyclables should not have been applied to the Master Agreement projects paid for by the City. We will consider this recommendation implemented when the Corps has fulfilled its obligations under the Settlement Agreement. Target date: 7-11.
#2: Attempt to recover the \$76,117 it overpaid for services provided under Fire Department contracts. If within 60 days the Corps provides additional documentation supporting expenditures on City projects that were not reimbursed by others, we agree to reevaluate the amount that the City should attempt to recover from the Corps.	City	Partly Implemented	Auditor's update as of June 2010: On January 12, 2010 the City Council approved a Settlement Agreement between the City and the Corps. The Settlement Agreement requires the Corps to repay \$160,000 for payments made under Fire Department contracts and for indirect costs for work not described in City contracts. The Settlement Agreement allows the Corps to repay the City through in-kind services. According to the City Manager's Office, the Corps applied for and received grant funding from the California Conservation Corps to complete two projects that, together, will constitute the \$160,000 in in-kind services required under the Settlement Agreement: one in Alum Rock Park (\$152,000) to restore trails, remove invasive species, restore native plants, plant drought resistant vegetation, provide erosion control measures, and reduce fuel loads, and another in Thompson Creek (\$8,000) to remove an unsafe footbridge. The Corps is currently awaiting final approval for the projects from the State Treasurer's Office. The projects may be implemented in the spring to mitigate trail erosion from the rainy season in Alum Rock Park and to meet the Department of Fish and Game's permit requirements for the work to be completed in Thompson Creek. Under the Settlement Agreement these in-kind services must be completed by July 1, 2011. We will consider this recommendation implemented when the Corps has completed these projects and fulfilled its obligations under the Settlement Agreement. Target date: 7-11.
#3: Establish and enforce specific guidelines for reporting and justifying actual costs under the current Master Agreement.	City	Partly Implemented	Auditor's update as of June 2010: In December 2009 the Administration decided not to proceed with a Master Agreement with the Corps. Instead, in July 2010, departments began using a City-wide contract template for agreements with the Corps. The contract template provides specific guidelines for reporting and justifying invoices, and the Administration has enforced compliance with the new guidelines for invoices. In addition, through the work of the City's Grants Management Work Group and Non-Profit Strategic Engagement Platform, guidelines for reporting are being developed and will be integrated in the City's grant training manual. We will consider this recommendation implemented when the Administration finishes development of reporting

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			guidelines for the City's grant training manual. Target date: 11-10.
#4: Require the Corps to account for City activities separately from non-City activities.		Implemented	Auditor's update as of June 2010: In July 2010 the Administration began using a City-wide contract template for agreements with the Corps that requires the Corps to account for City activities separately from non-City activities.
#5: Follow up and resolve the personnel billing issue we identified. In the future, OED should require the Corps to provide substantiating documentation regarding the total activity and cost for Corps employees whose salaries are funded by Workforce Investment Act contracts.	Office of Economic Development	Implemented	<p>Auditor's update as of June 2010: The Office of Economic Development (OED) conducted a follow-up visit with the Corps and reviewed internal personnel activity sheets of employees charging time to the Workforce Investment Act (WIA) program. The review revealed that there were discrepancies between time entered into the internal tracking system called KRONOS and the time charged to the WIA program from July 2008 to January 2009 for two employees for whom the Corps received \$18,103.73 in WIA funds. In December 2009 OED received additional back-up documentation from the Corps to support \$3,903.61 in WIA funds and a refund check of \$14,229.12 for the remainder. Additionally, beginning March 2009, OED required the Corps to provide additional documentation to support the total activity and cost for Corps employees whose salaries are funded from the WIA program.</p> <p>In a subsequent monitoring visit, OED staff reviewed 2007-08 timekeeping data and other pertinent activity reports and concluded that the Corps had substantiating documentation to address the finding. Specifically, OED staff determined that charges to the WIA program represented an equitable share of WIA activities when the Corps' billings for time spent on these WIA activities are viewed from a monthly, rather than daily, basis. Furthermore, when reviewing the 2009-10 program year, OED staff determined that the Corps has developed and implemented a procedure of reviewing and reconciling the two time-keeping systems—hours recorded in both systems now reflect actual activities and are reconciled on a monthly basis.</p>
#6: Attempt to recover the \$98,325 paid in indirect costs for work not described in City contracts. If within 60 days the Corps provides additional documentation supporting expenditures on City projects that were not reimbursed by others, we agree to reevaluate the amount that the City should attempt to recover from the Corps.	City	Partly Implemented	Auditor's update as of June 2010: See Recommendation #2 above.
#7: Revise and simplify the Master Agreement to: A. Establish guidance defining what costs are allowable and unallowable for inclusion in an indirect cost pool. Further, the guidance should detail restrictions of how	City	Partly Implemented	Auditor's update as of June. 2010: In December 2009 the Administration decided not to proceed with the use of a Master Agreement with the Corps; instead, in July 2010, departments began using a City-wide contract template for agreements with the Corps. The contract template includes a placeholder for an hourly billing rate, an

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<p>indirect costs can be allocated to specific City projects;</p> <p>B. Annually require the Corps to develop and justify an indirect cost rate proposal and/or an hourly billing rate.</p>			<p>indirect cost rate plan used to calculate the hourly billing rate, and a definition—based on the indirect cost rate plan—of what costs are allowable and unallowable for inclusion in an indirect cost pool and which indirect costs can be allocated to specific City projects. Additionally, the contract template annually requires the Corps to evaluate the hourly billing rate and provide a Certified Public Accountant’s certification that the methodology to calculate the rate is in compliance with the direct and indirect cost guidelines of the Office of Management and Budget (OMB) Circular A-122, Cost Principles for Non-Profit Organizations, and Generally Accepted Accounting Practices (GAAP). Under the framework, adjustments to the hourly billing rate are subject to the City’s prior approval.</p> <p>ESD, which has a frequent need for weekend work, has established an hourly billing rate for its special events recycling contract that factors in overtime and doubletime weekend rates for Corps staff. PRNS is using that rate, however PRNS’ need for work is primarily during the work week (when Corps staff earn regular wages rather than weekend overtime or doubletime wages). In our opinion, PRNS should request rates for upcoming Corps contracts that take into account the fact that most PRNS contracts typically require Corps staff to work during the workweek (at regular time) rather than during the weekend (on overtime or doubletime). Target date: 7-11.</p>
<p>#8: Clarify and amend the Master Agreement to include performance standards to ensure the Corps maintains the desired balance between work and education.</p>	City	Implemented	<p>Auditor’s update as of June 2010: In December 2009 the Administration decided not to proceed with the use of a Master Agreement with the Corps; instead, in July 2010, departments began using a City-wide contract template for agreements with the Corps. The contract template includes a standard for maintaining the desired balance between work and education. Specifically, the standard requires students without a diploma to work one week on-the-job and one week in the classroom while working to pass the high school exit exam. Students who are waiting for the results of their exam, or who have passed the exit exam may work full time while seeking full-time employment.</p>

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#9: Ensure that there are controls in place to ensure that the Corps does not exceed estimated costs for contracts under the Master Agreement.	City	Implemented	Auditor's update as of June 2010: In December 2009 the Administration decided not to proceed with the use of a Master Agreement with the Corps; instead, in July 2010, departments began using a City-wide contract template for agreements with the Corps. The contract template includes a placeholder for a "not to exceed" amount, includes a provision allowing the Corps to be reimbursed by the City for actual and reasonable costs incurred for labor and materials in compliance with the contract, and requires enhanced reporting and invoicing requirements.
<p>AUDIT OF EMPLOYEE MEDICAL BENEFITS (Issued 6/10/09) The objective of our audit was to identify ways to improve the administration of the employee medical benefits program and optimize employee medical benefits. Of the 17 recommendations, 2 were previously implemented or closed, 5 were implemented during this period, 7 are partly implemented, 2 are not implemented, and 1 was closed.</p>			
#1: Establish a written procedure for submitting eligibility files and institute a single methodology to be used by Benefits staff to determine eligibility and premiums owed for both medical providers.	Human Resources	Implemented	Auditor's update as of June 2010: Human Resources has completed written procedures for submitting eligibility files and is utilizing a single methodology for determining medical plan eligibility and premiums owed.
#2: Prepare and submit electronic eligibility reports to the medical providers at least twice each month.	Human Resources	Partly Implemented	Auditor's update as of June 2010: According to Human Resources, staff have begun preparing eligibility reports twice each month, but continue to submit the reports to the providers only once a month. HR reports that it will submit eligibility reports twice per month after staff are able to determine with the providers, how to handle mid-month changes in employee eligibility. Target date: 6-11.
#3: Produce the eligibility files in a format that can be analyzed by HR staff.	Human Resources	Implemented	Auditor's update as of June 2010: Human Resources' programming request to the Department of Information Technology has been completed. Now staff can produce eligibility files in a format they can analyze.
#4: Create an internal process for identifying discrepancies between the monthly eligibility report and the premium reports.	Human Resources	Implemented	Auditor's update as of June 2010: Human Resources has developed a manual methodology for identifying discrepancies between the monthly eligibility reports and the premium reports. HR has also drafted written procedures for the process.
#5: Confirm whether any excess premium payments were made to Kaiser in 2008, and determine if other years' payments should be analyzed as well.	Human Resources	Implemented	Auditor's update as of June 2010: The audit found that in 2008, the City potentially overpaid Kaiser by about \$140,000 for employee coverage. The deadline for retroactive membership changes is the calendar month when Kaiser receives the City's notification of the change plus the previous 2 months (a total of 90 days). Identification of eligibility reporting errors in 2008 will not result in cost savings, as they

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			are outside of the retroactive change period. However, in 2009 Human Resources conducted an enrollment audit and implemented all required coverage changes for 2009. A manual fix was implemented in 2009 to correct this issue going forward. Human Resources worked with Information Technology to develop an automated solution and revised eligibility files were implemented with the medical carriers in June 2010 to reduce eligibility reporting errors.
#7: Coordinate with the Finance Department and IT to improve processes for collecting outstanding premiums.	Human Resources	Partly Implemented	Auditor's update as of June 2010: According to Human Resources, the FY 2010-11 budget did not include funding for PeopleSoft projects, which precluded HR from consulting outside expertise to activate a PeopleSoft billing module for collecting outstanding employee premium contributions. As of June 2010, HR is exploring alternative solutions currently underway at Finance Department's Accounts Receivable division. Target date: 6-11.
#8: Continue monitoring the accuracy of the premium payment reports and modify the report if other issues are identified.	Human Resources	Partly Implemented	Auditor's update as of June 2010: Human Resources created a manual methodology for identifying discrepancies between the monthly eligibility reports and the premium reports. HR is periodically reviewing the accuracy of the reports and to date has found no issues with the reports. HR also drafted written procedures for the process. HR is currently evaluating staff resources to accommodate a more frequent, consistent monthly monitoring process. Target date: 6-11.
#9: Develop and implement a policies and procedures manual that includes data entry processes, preparing reconciliations, and documenting adjustments.	Human Resources	Implemented	Auditor's update as of June 2010: Human Resources has implemented written policies and procedures manual that includes data entry processes, preparing reconciliations, and documenting adjustments.
#10: Monitor the eligibility of college-aged dependents on a semi-annual basis.	Human Resources	Closed	Auditor's update as of June 2010: The Affordable Care Act requires medical plans to permit enrollment for dependents to age 26 regardless of student status enrollment. According to HR, the City's medical providers will include this extended eligibility into the City's evidence of coverage and group contract effective January 1, 2011.
#12: Prohibit employees from being simultaneously covered by City-provided medical benefits as a City employee, and as a dependent of another City employee, and work with the Office of Employee Relations on potential meet-and-confer issues that such a change would present.	Human Resources	Partly Implemented	Auditor's update as of June 2010: For unrepresented employees and employees represented by ABMEI, POA and ALP, the City implemented eligibility changes to prohibit employees from being simultaneously covered by City-provided medical benefits as a City employee and as a dependent of another City employee. This change took effect June 2010 for unrepresented employees and employees represented by ABMEI and ALP, and will take effect December 2010 for employees represented by the POA. Human Resources has begun identifying affected employees, and is working to develop ways of enforcing the prohibition.

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			<p>According to Human Resources, the City will pursue a similar prohibition for other City employees. Target date: Varies by employee group.</p> <p>POTENTIAL BUDGET IMPACT: At the time of the audit, we estimated that eliminating redundant coverage could save up to \$500,000 during the first year of implementation. It should be noted that as premiums of City-sponsored medical plans rise, so do the potential savings from eliminating redundant medical coverage.</p>
<p>#13: Reduce cash in-lieu payment amounts, and work with the Office of Employee Relations on potential meet-and-confer issues that such a change would present.</p>	<p>Human Resources</p>	<p>Partly Implemented</p>	<p>Auditor's update as of June 2010: For unrepresented employees and employees represented by ABMEI, POA and ALP, the City changed the in-lieu payments in a way that is likely to produce future savings. Specifically, for these employees, the City discontinued its previous practice of setting payments as 50 percent of what the City would otherwise contribute toward premiums. Instead, eligible employees in these employee groups will receive fixed in-lieu payments totaling \$5,768 per year for employees eligible for family coverage and \$2,316 per year for employees eligible for single coverage. These changes took effect June 2010 for unrepresented employees and employees represented by ABMEI and ALP, and will take effect December 2010 for employees represented by POA. Even though these in-lieu amounts equal approximately what the City would pay under the previous in-lieu payment calculation, the new fixed amounts will remain in effect for next year, even if medical premiums increase (which they are expected to do). According to Human Resources, the City will pursue similar fixed in-lieu payments to other City employees. Target date: Varies by employee group.</p> <p>POTENTIAL BUDGET IMPACT: At the time of our audit, we estimated that if the City reduced its in-lieu payout from 50 percent to 40 percent of the City's contribution rate to medical premiums, the City could save \$1 million per year; or if the City were to reduce its in-lieu payout to 30 percent of the City's contribution rate to medical premiums, the City could save \$2 million per year.</p>
<p>#14: Prohibit participation in the Health In-Lieu Plan among City employees who are already receiving other City-provided medical benefits and work with the Office of Employee Relations on potential meet-and-confer issues that such a change would present.</p>	<p>Human Resources</p>	<p>Partly Implemented</p>	<p>Auditor's update as of June 2010: For unrepresented employees and employees represented by ABMEI, POA and ALP, the City implemented eligibility changes to prohibit participation in the Health-In-Lieu Plan among those who are already receiving other City-provided medical benefits. This change took effect June 2010 for unrepresented employees and employees represented by ABMEI and ALP, and will take effect December 2010 for employees represented by POA. According to Human Resources, the City will pursue a similar prohibition for other City employees. Human Resources has begun identifying affected employees, and is working to develop ways of enforcing the prohibition. Target date: Varies by employee group.</p>

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			<p>POTENTIAL BUDGET IMPACT: At the time of the audit, we estimated that if the City restricted participation in the City's Health In-Lieu Plan to only those who can demonstrate medical coverage through a medical plan outside of the City, the City would reduce its costs by over \$500,000 per year. It should be noted that as premiums of City-sponsored medical plans rise, so do the potential savings from restricting participation in the Health-In-Lieu Plan.</p>
<p>#15: Clarify the rights of City retirees to suspend and re-enroll in their medical benefits.</p>	<p>Retirement Services & City Attorney</p>	<p>Not Implemented</p>	<p>Auditor's update as of June 2010: The San José Municipal Code allows retirees to suspend and re-enroll in their medical benefits. However, the City Attorney's Office has identified potential problems with encouraging retirees who are covered by outside plans to suspend and reenroll in their medical benefits if or when they lose their outside coverage. Although medical providers will allow City retirees to suspend and re-enroll in their medical benefits, the San José Municipal Code requires the City retiree to be enrolled in a City plan at the time of the retirement and at the time of death. If City retirees are not enrolled in a City plan during any of these two periods, dependents may be permanently disqualified for City medical coverage. This potential impact on dependents could be addressed by amending the Municipal Code to change the eligibility requirements for retirees and survivors, and may have potential meet-and-confer implications. Target Date: TBD.</p> <p>POTENTIAL BUDGET IMPACT: This recommendation addresses the barriers to establishing a retiree in-lieu program. See Recommendation #16.</p>
<p>#16: Continue to explore an in-lieu program for qualified City retirees who suspend their medical benefits and work with the Office of Employee Relations on any potential meet-and-confer issues that such a change would present.</p>	<p>Retirement Services & Human Resources</p>	<p>Not Implemented</p>	<p>Auditor's update as of June 2010: Human Resources and Retirement Services are actively working to identify issues that would affect the development of an in-lieu program for City retirees. Once they have identified the issues, the departments will prepare a work plan for addressing the issues and present it to the City Administration. Target date: TBD.</p> <p>POTENTIAL BUDGET IMPACT: At the time of our audit, we estimated potential savings of between \$250,000 and \$1 million in the first year of a retiree in-lieu program. Such a program could also improve the City's projected long-term retiree healthcare liability – potentially impacting long-term retiree health care contribution rates. It should be noted that as premiums of City-sponsored medical plans and the number of qualified City retirees rise, so do the potential savings from implementing an in-lieu program for qualified City retirees.</p>

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#17: Pursue at least one or a combination of the aforementioned cost-containment strategies and work with the Office of Employee Relations on potential meet-and-confer issues that such a change would present.	City Administration	Partly Implemented	<p>Auditor's update as of June 2010: The City Administration has addressed rising costs of medical premiums by furthering cost-sharing among employees and pursuing alternative plan designs for employee medical benefits. In April 2010, the City introduced a new lowest-cost medical plan for unrepresented employees and employees represented by ABMEI, POA and ALP. The premium for this new lowest-cost plan is about 5 percent lower than the lowest-cost plan available to other City employees. This new lowest-cost plan has higher co-pays. In addition, for unrepresented employees and employees represented by ABMEI, POA and ALP, the City decreased its premium contribution rate from 90 percent to 85 percent. These changes took effect June 2010 for unrepresented employees and employees represented by ABMEI and ALP, and will take effect December 2010 for employees represented by POA. According to Human Resources, the City will pursue similar savings from other City employees. Target date: Varies by employee group.</p> <p>POTENTIAL BUDGET IMPACT: Our review identified \$16.8 million in potential cost-containment strategies including:</p> <ul style="list-style-type: none"> o Potential savings of \$4 million per year by increasing the employees' share of medical premiums from a 90/10 to 80/20 employer-to-employee contribution ratio; o Potential savings of \$10 million per year by introducing a lower cost deductible plan with a premium 20 percent lower than the existing lowest-cost plan; and o Potential savings of \$2.8 million per year by increasing co-pays from \$10 to \$25 for most covered employees <p>It should be noted that as premiums of City-sponsored medical plans, so do the potential savings from pursuing cost containment strategies. The potential savings would be greater if we considered the cost of covering an ever-growing number of qualified City retirees.</p> <p>Apart from the direct cost savings these changes will produce, the cost-containment strategies will likely produce additional savings through changing consumer behavior and into the future as the City's claims experience changes.</p>

AUDIT OF THE PARK TRUST FUND (Issued 9/10/09)

The objective of our audit was to review the administration of the Fund. Of the 14 recommendations, 3 were previously implemented or closed, 1 was implemented during this period, 9 are partly implemented, and 1 is not implemented.

#1: Formalize an administrative fee assessment policy which better aligns when fees are assessed with project activity.	PRNS	Partly Implemented	Auditor's update as of June 2010: According to PRNS, staff has met and will meet again with the City Attorney's Office to discuss an alternate methodology for aligning administrative fee assessments with project activity. According to PRNS, final review and approval of a new methodology will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.
#2: Update the final Policies and Procedures Manual to include criteria for justifiable administration costs, and describe the process for defining and reporting administration costs to the City Council.	PRNS	Partly Implemented	Auditor's update as of June 2010: According to PRNS, staff began identifying and documenting in the Policies and Procedures Manual the criteria for justifiable administrative costs as well as the department's current practice of reporting administration costs to the City Council on an annual basis as part of the Park Trust Fund Annual Report. According to PRNS, final review and approval of the criteria for and reporting of justifiable administrative costs will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.
#3: Formalize an accrued interest allocation policy which allocates accrued interest to projects on a monthly rather than quarterly basis, accounts for the timing of in-lieu fee deposits, and documents accrued interest allocations in the City's Financial Management System.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS staff began allocating accrued interest to projects on a monthly basis—taking into account the timing of in-lieu fee deposits—and has incorporated procedures for the revised allocation method in the Policies and Procedures Manual. According to PRNS, documenting accrued interest allocations at the project level in the City's Financial Management System (FMS) is not feasible at this time because of the details involved (per the Finance Department). As a result, the new procedures include an added control to identify and correct potential discrepancies between the amounts of in interest recorded in the department's internal database and FMS. According to PRNS, final review and approval of the new interest accrual procedures will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.
#4: Develop and maintain numerically-sequenced memoranda of commitments and amendments for each Park Trust Fund project documenting the following: <ul style="list-style-type: none"> • Date of Commitment, • Project Name, 	PRNS	Implemented	Auditor's update as of June 2010: PRNS developed the first numerically-sequenced memorandum of commitment in September 2009. The memorandum documented current commitments made to date, including the date of the commitment; project name, purpose, and location; in-lieu fees paid by the developer; and approval by the PRNS Director. A subsequent memorandum of commitment has also documented compliance with the nexus requirement.

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<ul style="list-style-type: none"> • Purpose of project, • Location of project and compliance with the nexus requirement, • Amount of in-lieu fees paid by developer, and • PRNS Director, or designee, signed approval of the memorandum. 			
<p>#8: Formalize and document within the Park Trust Fund Policies and Procedures Manual an internal notification system to inform the PRNS Director, or designee, when uncommitted projects reach 18, 12, and 6 months from the 5-year commitment limit.</p>	PRNS	Partly Implemented	<p>Auditor's update as of June 2010: PRNS staff incorporated into the department's internal database a field that notifies staff when in-lieu fee collections reach 18, 12, and 6 months from the 5-year commitment limit, and issued a memorandum notifying the PRNS Director of unallocated collections that reached these thresholds. Staff also drafted a policy and procedures explaining this process. According to PRNS, final review and approval of the internal notification system will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.</p>
<p>#9: Finalize the Park Trust Fund Policies and Procedures Manual and document approval by the department director.</p>	PRNS	Partly Implemented	<p>Auditor's update as of June 2010: According to PRNS, staff will obtain PRNS senior staff and City Attorney's Office review and approval for the Policies and Procedures Manual when all recommended changes have been incorporated. Target date: 12-10.</p>
<p>#10: Update the dedication and in-lieu determination procedure language to match the Municipal Code.</p>	PRNS	Partly Implemented	<p>Auditor's update as of June 2010: PRNS revised the language for the dedication and in-lieu determination procedure in the Policies and Procedures Manual to match the Municipal Code. According to PRNS staff, final review and approval of the revision will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.</p>
<p>#11: Update the final Policies and Procedures Manual to include a description of the Department of Public Works fee collection process.</p>	PRNS	Partly Implemented	<p>Auditor's update as of June. 2010: PRNS has drafted an overview of the Department of Public Works fee collection process for the Policies and Procedures Manual, and Public Works has verified the overview's accuracy. According to PRNS, final review and approval of the overview will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.</p>
<p>#12: Update the final Policies and Procedures Manual to include a discussion of restrictions on the use of savings from completed projects.</p>	PRNS	Partly Implemented	<p>Auditor's update as of June. 2010: PRNS has drafted a policy and procedures governing the use of savings, consistent with the rules for all money in the Park Trust Fund. According to PRNS, final review and approval of the draft will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.</p>

Audit Report and Recommendation	Department	Current Status	Comments
#13: Update the final Policies and Procedures Manual to define the process for calculating credits to ensure consistency across turnkey agreements.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS drafted an update to the Policies and Procedures Manual to clarify the process for calculating credits for turnkey agreements. According to PRNS, final review and approval of the draft will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.
#14: Update the final Policies and Procedures Manual to include justification and procedures for offering reimbursements to developers from the Park Trust Fund, and for validating expenses developers claim.	PRNS	Not Implemented	Auditor's update as of June 2010: According to PRNS, staff drafted a procedure for reimbursing developers from the Park Trust Fund for payments made to the City beyond their obligation, but determined there was a need for further review. PRNS is drafting a potential ordinance amendment or resolution to set forth a policy on reimbursing developers. Target date: 7-11.

PERFORMANCE MANAGEMENT AND REPORTING IN SAN JOSÉ: A PROPOSAL FOR IMPROVEMENT (ISSUED 9/24/09)

This report identified a number of recommended next steps towards improving the City's performance management and reporting systems. Although the report did not include formal recommendations, we are reporting progress here.

<p>While preparing the City's first annual <i>Service Efforts and Accomplishments (SEA) Report</i> in January 2009, a number of issues surfaced regarding the City's performance management and reporting systems. We found that the City had been collecting performance measures but had not yet created an organization-wide performance <i>management</i> system. We also found that many of the existing performance measures were not meaningful, useful, or sustainable; that core services did not always align with the organization's mission, goals, and objectives; and that it was difficult to ascertain the true net cost of core services.</p>	City Manager	Partly Implemented	<p>Auditor's update as of September 2010: In the annual request for performance measures, the Budget Office strongly encouraged departments to propose elimination of performance measures and activity and workload highlights that were not necessary, meaning, useful and/or sustainable. The Budget Office's review of proposed changes resulted in a net reduction of 105 performance measures and activity and workload highlights (120 deletions, 15 additions, and 91 revisions) in the FY 2010-11 budget.</p>
<p>The purpose of the "white paper" was to provide a roadmap to improve the City's performance management and reporting systems. The "next steps" below were meant to reduce staff time compiling data while ensuring City staff and policy makers have the best information available for decision making and increasing accountability and transparency in the City's public reporting.</p>			<p>To make it easier for the reader to see what core services are provided by each department, many titles of core services were clarified and renamed in the approved FY 2010-11 operating budget, and Community Service Area Sections were revised to present each department in alphabetical order, and then each of the department's core services appear in alphabetical order.</p>
<ul style="list-style-type: none"> • Develop a performance management system. • Promote data-driven decision making. • Evolving meeting content and format should be expected. • Periodic assessments of the performance management 			<p>To make it easier to see the full cost of services, beginning in FY 2009-10, the Budget Office allocated Strategic Support to individual core services in the City Service Area (CSA) sections of the operating budget. Workers' Compensation Claims were also allocated by department (i.e. Police, Fire, Transportation) as well as by CSA in the appropriate City-wide Expenses sections.</p>
			<p>In March 2010, the City Auditor's Office completed a review and validation of performance measures and costs for the Department of Transportation's Sewer Line Cleaning Program, per department request.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>system.</p> <ul style="list-style-type: none"> • Review and reduce the number of performance measures. • Compile methodology sheets for performance measures. • Create a performance measure clearinghouse. • Reassess Council Committee reports. • Validate performance measures. • Incorporate project management reporting into the performance measurement and management system. • Consider use of information systems. • Clarify core service names. • Clarify the link between mission, goals, and objectives. • Obtain the net cost of services. • Allocate strategic support to individual core services. • Increase use of efficiency measures. 			<p>In FY 2009-10, the City Auditor's Office has also provided citywide trainings on performance measurement for all interested City employees and the Art & Practice of Leadership (APL) teams from the City Manager's Office, and will continue to provide such ongoing assistance to the City.</p>

AUDIT OF ANIMAL CARE & SERVICES (Issued 10/7/09)

The scope of our audit was to review the cost-recovery status of animal services including the cost-recovery of its contracts with the four contracting cities. Of the 11 recommendations, 5 were previously implemented or closed, 1 was implemented during this period, 1 is partly implemented, and 4 are not implemented.

#1: Increase its public education outreach efforts in order to increase animals licensed and vaccinated.	Animal Care & Services Program	Not Implemented	<p>Auditor's update as of June 2010: As reported, ACS increased its temporary staffing to focus on licensing efforts. Even though its licensing revenues have increased due to a focus on increasing animals licensed through veterinarian follow-up, ACS has not been able to develop a public outreach component to its program. The Division is pursuing other grant funding opportunities which, if successful, would give it the funding necessary to increase public outreach. Target date: 12-10.</p> <p>POTENTIAL BUDGET IMPACT: At the time of our audit, we estimated that a 25 percent increase in licensing could increase current revenues by as much as \$1.4 million per year. In January 2010, the City Council approved \$80,000 for temporary staffing and non-personal equipment to improve licensing rates.</p>
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Audit Report and Recommendation	Department	Current Status	Comments
#2: Either enhance its current database to include online licensing and veterinarian reporting or outsource its licensing services to a vendor that offers those services.	Animal Care & Services Program	Partly Implemented	Auditor's update as of June 2010: ACS is working with its current online database vendor to add an online licensing tool. Once implementation of this enhancement is completed, ACS expects to explore other components such as veterinarian reporting to the database. Target date: 12-10. POTENTIAL BUDGET IMPACT: See Recommendation #1 above.
#3: Improve efforts, such as additional follow-up with non-compliant veterinarians, to increase the compliance rate to the City's ordinance on rabies vaccination reporting.	Animal Care & Services Program	Implemented	Auditor's update as of June 2010: ACS has been sending out letters to non-compliant veterinarians to inform them of the City ordinance requiring them to report rabies vaccinations. According to the ACS Deputy Director, the feedback from most of the veterinarians has been positive and compliance rates have increased.
#4: Determine the entire cost of the program, including an accurate overhead rate and number of FTEs while calculating its cost recovery ratio.	Animal Care & Services Program	Not Implemented	Auditor's update as of June 2010: According to ACS, staffing constraints have delayed implementation of this recommendation. Staff will continue to work with the Finance Department and the Budget Office to ensure that the overhead rate and the cost-recovery calculation are accurate in the 2010-11 Fees and Charges report. Target date: 12-10.
#5: We recommend Animal Services: A. Develop a policy to determine ACS program wide cost-recovery goals; and B. Annually review and update a program wide cost recovery (similar to that provided by the City Auditor's Office) prior to setting fees.	Animal Care & Services Program	Not Implemented	Auditor's update as of June 2010: Staffing constraints have delayed implementation of this recommendation. Staff continues to work with the Finance Department and the Budget Office to ensure that the overhead rate and the cost-recovery calculations are accurate in the 2010-2011 Fees and Charges Report. However, the broader analysis of the program wide cost-recovery goals will be developed in 2010-11 as long as staffing resources are available. Target date: 12-10.
#8: We recommend Animal Services: A. Continue to review and document contract city costs for a pre-determined time period; and B. Explore the possibility of either increasing the reimbursement rates or reducing the level of service to the contract cities if the costs continue to be higher than the reimbursements.	Animal Care & Services Program	Not Implemented	Auditor's update as of June 2010: The next contract set to expire is the City of Milpitas in 2012. Staff anticipates that it will review and analyze service and cost data for the City of Milpitas prior to renewing this contract. However, staff has not yet begun to review and document contract city costs for a pre-determined period. The Deputy Director agrees with the value of doing this analysis however, staffing constraints may delay implementation of this recommendation. Target date: 12-10.

AUDIT OF PENSIONABLE EARNINGS AND TIME REPORTING (Issued 12/09/09)

The objective of our audit was to review the time-reporting and payroll processes that impact pensionable earnings and pensionable hours. Of the 15 recommendations, 2 were implemented during this period, 3 are partly implemented, and 10 are not implemented

#1: Establish a process to spread all retroactive raises back through affected pay periods, as they already do for general wage increases.	Payroll and Retirement Services	Implemented	Auditor's update as of June 2010: To address this recommendation, Payroll started submitting retroactive payments to Retirement on spreadsheets broken down by pay period in November 2009. Going forward, Payroll will provide Retirement Services a spreadsheet containing any retroactive pay raises broken down by pay period—this process will require Retirement Services to staff to make manual adjustments into the pension administration system.
#2: Review the highest 12-month salary of all active beneficiaries starting in July 1, 2001 ¹ and work with Payroll to adjust those with retroactive lump sum payments to ensure that beneficiaries are receiving accurate pensions.	Retirement Services	Not Implemented	Auditor's update as of June 2010: Retirement Services will work with Finance to obtain the historical retroactive lump sum payment information, including the correct pay periods for which they need to be spread. POTENTIAL BUDGET IMPACT: Corrections to pensions of sample retirees we reviewed can be expected to save the City \$648,000 over the life expectancy of the retirees. Additional savings could be identified based on a review of the entire retiree membership.
#3: Going forward, correct the programming of higher class pay codes such that higher class pays are not pensioned.	Retirement Services, Payroll, and the City Administration	Implemented	Auditor's update as of June 2010: Effective May 30, 2010 (pay period 12), the City's Payroll system (PeopleSoft) programming of Higher Class Pay (HCL) earning codes are no longer pensionable and are now programmed correctly—meaning the City's Payroll system will discontinue deducting retirement contributions from HCL. Further, the Finance Department will work with Retirement Services to implement other changes necessary to implement Council direction to exclude HCL from pension calculations. This correction to the treatment of HCL is in compliance with the retirement provisions of the San Jose Municipal Code and applies to all City employees.
#4: To the extent possible, correct pension payments and retirement contributions for the Police and Fire Retirement members and for the Federated Retirement members where higher class pay or management allowances were considered pensionable.	Retirement Services, Payroll, and the City Administration	Partly Implemented	Auditor's update as of June 2010: The Finance Department has computed the required adjustments to pensionable earnings and the related retirement contributions, by pay period, for higher class pay. This information is in the final stages of verification and will be forwarded to the Retirement Services Department. Once the information on the over-collected and over-paid contributions is finalized, the Finance Department and Retirement Services will work with the City Attorney's Office to develop a plan and method for returning contributions to the employees and the City and Retirement Services will work with the City

¹ July 1, 2001 was the date that the Federated Retirement Plan began using the highest 12-month salary as opposed to the highest three year salary when computing retirement benefits.

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<p>#5: Propose amendments to the Municipal Code to ensure that only pays that are specifically negotiated and defined as pensionable in the Municipal Code for the Police and Fire and Federated Retirement Plans are included in the pension calculations.</p>	City Manager	Not Implemented	<p>Attorney's Office to assess whether and to what extent future pension payments need to be adjusted and/or over-payments collected. The Finance Department is working with the City Attorney's Office and Office of Employee Relations to review whether it is possible to revise the manner in which management allowance is paid, or to recommend amendments of the Municipal Code, to implement a correction to the pension treatment of management allowances. Target date: 2-11.</p> <p>POTENTIAL BUDGET IMPACT: Corrections to pensions of sample retirees we reviewed can be expected to save the City \$925,126 over the life expectancy of the retirees. Additional savings could be identified based on a review of the entire retiree membership.</p> <p>Auditor's update as of June 2010: The City will ensure that any future pays that may be negotiated specify whether they are pensionable. If future pays are pensionable, ordinances will be prepared to amend the Municipal Code to include any new pensionable pays. Target date: TBD.</p>
<p>#6: Adjust the FLSA pension records for retirees and active employees as soon as possible and recalculate pension benefits for retired firefighters.</p>	Retirement Services	Partly Implemented	<p>Auditor's update as of June 2010: On June 22, 2010 the City Council approved a Settlement Agreement to settle two federal Fair Labor Standards Act (FLSA) lawsuits brought by San Jose fire employees. The following actions will be taken as a result of the agreement: (1) the fire employees will be paid back wages in an amount of approximately \$1,440,000; (2) the City will calculate overtime pay prospectively pursuant to the settlement agreement that commences after July 1, 2010; and (3) the City will pay attorneys' fees and costs for both lawsuits in the amount of \$105,000. The City made payments to active employees through payroll on August 27, 2010, and payments to fire retirees on September 10, 2010.</p> <p>Macias, Gini & O'Connell (MGO), the Plan's external auditor, has completed a draft review of the FLSA correction file prepared by Finance that was discussed at the August 2010 Police and Fire Board meeting. Upon reconciliation by Finance of MGO's questions concerning the Finance file, Retirement Service will work with the Finance Department to implement the final reconciled report for active employees and will initiate implementation for retirees in coordination with the Finance Department and the City Attorney's Office.</p>
<p>#7: Obtain authoritative documentation for time reporting codes and earnings codes, and create written policies and procedures for proper application of all codes, and for regularly reviewing and maintaining an authoritative time/earning code mapping table.</p>	HR, Payroll Section of Finance and OER	Partly Implemented	<p>Auditor's update as of June 2010: As of July 2009 the Finance Department captures authoritative documentation for implementation of new time reporting codes and earnings codes on a go forward basis. Creating written policies and procedures for proper application of all codes, and for regularly reviewing and maintaining an authoritative time/earning code mapping table requires coordination of time and</p>

Audit Report and Recommendation	Department	Current Status	Comments
			resources between Human Resources, Office of Employee Relations and Finance. Prioritization of this effort will be coordinated through the Human Resources/ Payroll Steering Committee. Target date: TBD.
#8: Conduct periodic reviews of all codes to cull duplicative or unused codes.	Payroll, HR, OER	Not Implemented	Auditor's update as of June 2010: This recommendation to conduct periodic reviews of all codes to cull duplicative or unused codes has been placed on the Human Resources/Payroll Steering Committee workplan for appropriate prioritization. The committee will be prioritizing the workplan over the next six months. Target date: TBD.
#9: Correct past errors and review all codes to ensure that codes are only available for use to applicable work groups.	Payroll, HR, OER	Not Implemented	Auditor's update as of June 2010: This recommendation to correct past errors and review all codes to ensure that codes are only available for use to applicable work groups has been placed on the Human Resources/Payroll Steering Committee workplan for appropriate prioritization. The committee will be prioritizing the workplan over the next six months. Target date: TBD.
#10: Perform periodic reviews of all codes to ensure they are being used correctly. And to the extent possible, correcting past misuse. For example, checking that codes with strict parameters for their use are used correctly, e.g. Cancer Screening Release Time, Unpaid Furlough Leave.	Payroll	Not Implemented	Auditor's update as of June 2010: Implementing this recommendation requires coordination of time and staffing between Human Resources, Office of Employee Relations and Finance. Prioritization of this effort will be coordinated through the Human Resources/ Payroll Steering Committee. Target date: TBD.
#11: Conduct regular comprehensive training for timekeepers and supervisors on PeopleSoft, time reporting and earning codes, and any changes in Union negotiated pay or hours.	Payroll, HR, OER	Not Implemented	Auditor's update as of June 2010: This recommendation has been placed on the Human Resources/Payroll Steering Committee workplan for appropriate prioritization. The committee will be prioritizing the workplan over the next six months. Target date: TBD.
#12: Provide timekeepers with written procedures and consider having them conduct the periodic monitoring of time codes.	Payroll	Not Implemented	Auditor's update as of June 2010: Payroll is in the process of developing written procedures for timekeepers requiring increased monitoring of the use of time codes. Target date: 3-11.
#13: Consider amending the Municipal Code to calculate final compensation as the highest base salary received, with suitable exceptions.	City Council	Not Implemented	<p>Auditor's update as of June 2010: The City Administration will evaluate the recommendations within the context of its overall negotiation strategy with the various bargaining units. The City will be in negotiations with the majority of the bargaining groups in 2011 and will consider this issue as part of the retirement reform discussions.</p> <p>POTENTIAL BUDGET IMPACT: Potential savings as a result of our review of sample retirees can be expected to save the City \$720,000 over the life expectancy of the retirees. Additional savings could be identified based on a review of the entire retiree membership.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#14: Consider amending the Municipal Code such that the Retirement Board shall credit a member with one year of federated city service for 2,080 hours of federated city service rendered by the member in any calendar year.</p>	City Council	Not Implemented	<p>Auditor's update as of June 2010: The City Administration will evaluate the recommendations within the context of its overall negotiation strategy with the various bargaining units. The City will be in negotiations with the majority of the bargaining groups in 2011 and will consider this issue as part of the retirement reform discussions.</p> <p>POTENTIAL BUDGET IMPACT: See Recommendation #13.</p>
<p>#15: Consider amending the Municipal Code to return to a three year average in calculating pension benefits in both Retirement Plans. Prior to July 1, 2001 for the Federated Plan and January 1, 1970 for the Police and Fire Plan, the City used a three year average in calculating pension benefits.</p>	City Council	Not Implemented	<p>Auditor's update as of June 2010: The City Administration will evaluate the recommendations within the context of its overall negotiation strategy with the various bargaining units. The City will be in negotiations with the majority of the bargaining groups in 2011 and will consider this issue as part of the retirement reform discussions.</p> <p>POTENTIAL BUDGET IMPACT: Potential savings could be 4 to 6 percent of pension cost as estimated in our audit of pension sustainability (September 2010).</p>

AUDIT OF CIVILIANIZATION OPPORTUNITIES IN THE SAN JOSÉ POLICE DEPARTMENT (Issued 1/14/10)
The objective of the audit was to assess the efficiency and effectiveness of current deployment of sworn versus non-sworn Police department employees. We identified duties and roles in the Police Department that are currently performed by sworn employees that could be performed by a civilian. Of the 13 recommendations, 2 are partly implemented, and 11 are not implemented.

<p>#1: Use its semi-annually updated list to reconcile its actual staffing to the staffing authorized in the City's Adopted Operating Budget. Vacancies and other relevant information should be added to the list to allow for reconciliation to the Budget data. This will allow the Department to more accurately track its sworn-civilian mix.</p>	SJPD	Not Implemented	<p>Auditor's update as of June 2010: The Police Department advises that authorized positions are tracked by Fiscal staff and reconciled annually with the Budget Office through the Labor Distribution Reports. Although this serves the budget process, it is a "point in time" document and the data for vacancies, Temporary Duty Transfer (TDY) assignments or long-term disabilities are not tracked. Additional tracking was conducted through RECAP reports by the Personnel Unit, however, in July 2009, the Police Department advises that the position was cut due to budget reductions. Therefore, it is currently not possible to reconcile by unit the authorized positions in the budget to actual staffing, vacancies, and other categories. The Department recognizes the deficiencies in the currently available data and is working to refine and improve it.</p> <p>The Department advises that the long-term solution is the Automated Field Reporting/Records Management System (AFR/RMS), for which the Request for Proposals (RFP) was released in December 2009. This system would include a new personnel module that would track sworn and civilian staffing in real time. The Department advises that this is the permanent solution but that the system isn't expected to be operational until 2014. In the meantime, the Police Department advises that it has</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			recently designated a Staff Tech position in the Fiscal Unit to be responsible for position management Department wide. This position should aid in providing improved data within six months. Target date: 3-11.
#2: Adopt a civilianization policy based on that of the International Association of Chiefs of Police or other best practices the Police Department identifies.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that it does not have the resources to work on this during the short term. The Department further advises that it is on the Department's work plan for this year and that they will work with the appropriate City departments and the POA to develop a work plan that facilitates this recommendation and to research best practices. We encourage the Police Department to adopt a framework in the short-term based the principles in the IACP policy. Target date: 3-11.
#3: Seek to increase the number of positions allowed to be civilianized in the Memorandum of Agreement with the SJPOA.	City	Not Implemented	Auditor's update as of June 2010: The City will begin negotiating in January 2011 with the SJPOA for a new Memorandum of Agreement. The Police Department advises that the issue of civilianization will be addressed in the negotiations. Target date: 6-11. POTENTIAL BUDGET IMPACT: See Recommendation #9.
#4: Consider how Community Service Officers and Investigative Aides might be used in the future in San José and meet and confer with the SJPOA regarding this provision.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that this recommendation is beyond its scope and authority and that it requires a policy discussion with the City Council and requires Council direction to the City Manager. It would further require a "meeting and conferring" with the POA. The City Auditor's Office encourages the Police Department to propose the use of Community Service Officers and Investigative Aides to foster a Citywide discussion. Target date: 6-11. POTENTIAL BUDGET IMPACT: See Recommendation #9.
#5: Propose removing positions that could be civilianized from the Exempt Officers' Program when the consent decree is reviewed.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that it is continuing to review and evaluate positions currently filled by Exempt Officers. The Department advises that it plans to meet soon with the San José Peace Officers Association (SJPOA) to discuss potential changes in the number and type of Exempt Employees and to discuss the potential for substituting civilians into those positions. The Department advises that if it is unable to reach agreement with the SJPOA, it will be necessary to return to federal court for a judge to resolve it. The Department advises that this recommendation will be built into the long-term civilianization plan of the Department. Target date: 3-11.

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#6: Analyze its employment and assignment options regarding <i>Brady</i> officers and then develop a policy accordingly, based on the International Chiefs of Police model policy and other best practices identified by the Police Department. Should also consider whether to retain those officers and whether the work they perform, if administrative, could instead be performed by civilians.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that it has conducted research on best-practices throughout the State to determine what other California agencies are doing internally with "Brady" officers. Based on the Department's research, it is developing a proposed "Brady" policy and considering all related issues. Implementation may require coordination with the POA, the City Attorney's Office, and with the District Attorney. Target date: 3-11.
#7: Work with the Human Resources Department to update or create job descriptions to accurately reflect job duties of non-Patrol sworn positions.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that it will work with individual units to update job descriptions of non-Patrol sworn positions as resources allow. Currently, due to budget shortages and staffing reductions, the Department advises that it is in the process of reorganizing its unit structure. The Department advises that as the full impact of staffing reductions and changes is assessed, the Department will begin moving forward with this recommendation. Target date: 3-11.
#8: Work with the Human Resources Department to develop a plan for creating a civilian job classification system that provides opportunities for variety to civilians within the Police Department.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that it will work with Human Resources to implement this recommendation as resources allow. The Department further advises that the timing of implementation may be impacted by other workforce priorities driven by the City's fiscal condition. Target date: 3-11.
#9: Develop short, medium, and long-term plans to civilianize the positions identified in this audit and/or other positions identified by the Police Department.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that it developed a short-term plan that identified positions for civilianization that would be allowed under the SJPOA MOA and therefore, could be immediately incorporated into the budget process. The Department advises that this plan included 15 positions and was presented to Budget but that funding was not available. The City Manager's Office advises that additional analysis, given the current budget context, is required. Target date: 3-11. POTENTIAL BUDGET IMPACT: \$5.1 million per year.
#10: Identify partial administrative roles filled by sworn and consider options for civilianization.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that it agrees with this recommendation and will continue to identify partial administrative duties conducted by sworn personnel as the long-term civilianization plan is developed and as staffing allows. Target date: 3-11. POTENTIAL BUDGET IMPACT: See Recommendation #9.
#11: Consider outsourcing the helicopter pilot duties as well as the fixed-wing airplane assignments on an hourly basis.	SJPD	Not Implemented	Auditor's update as of June 2010: The Police Department advises that it has completed the analysis for such outsourcing but has not

Audit Report and Recommendation	Department	Current Status	Comments
			<p>received Budget approval to outsource the positions. The Department advises that it is necessary to meet and confer with the SJPOA but that this has not happened yet. The Department notes that the Air Support Unit has been reassigned to the Airport Division for greater efficiency, consolidation of supervision and to save money. Target date: 3-11.</p> <p>POTENTIAL BUDGET IMPACT: See Recommendation #9.</p>
<p>#12: Work with the Police Activities League to determine the most effective and efficient mix of sworn and civilian staff. The Police Department should also reconsider how the Department should support the work of the Police Activities League in the future.</p>	SJPD	Partly Implemented	<p>Auditor's update as of June 2010: The Police Department management advises that it believes it is important to retain a sworn presence at PAL. At the time of the civilianization audit, PAL staffing from SJPD consisted of six positions (five sworn and one civilian). SJPD advises that it has since reduced the sworn staffing by three officers, so that remaining sworn staff consists of one sergeant and one officer. One civilian also remains. The Auditor's Office agrees with these changes but also encourages the Police Department to continue to consider other ways to support PAL. Target date: 3-11.</p> <p>POTENTIAL BUDGET IMPACT: See Recommendation #9.</p>
<p>#13: Work with the Airport Department to determine the most effective and efficient mix of sworn (SJPD) and civilian (Airport) security required to maintain the Airport's security program, in accordance with TSA regulations.</p>	SJPD	Partly Implemented	<p>Auditor's update as of June 2010: The Police Department advises that collaborative efforts between the Department and the Airport resulted in reductions in police airport staffing without compromising safety. Police Department staffing was reduced by one captain, one sergeant and three officers in March 2010 and by an additional officer in June 2010 for a total reduction of six sworn positions. The Police Department advises that it is continuing to work with the Airport to assess ways to increase efficiency of Police staffing. The Auditor supports this especially given the decrease in Airport passengers. Target date: 3-11.</p> <p>POTENTIAL BUDGET IMPACT: See Recommendation #9.</p>

AUDIT OF LEGACY PARTNERS' MUSEUM PARK DEVELOPMENT (Issued 2/10/10)

Our audit objective was to review the project's current financing structure, revenues, and expenses to determine if the Redevelopment Agency was owed any payments on its \$3.2 million loan. The 2 recommendations were implemented/closed during this period.

<p>#1: Address the income and expense findings with Legacy Partners, and request that Legacy Partners provide additional reporting information to show debt/equity balances and annual changes resulting from net cash flow.</p>	RDA	Implemented	<p>Auditor's update as of June 2010: The Redevelopment Agency requested from Legacy Partners additional reporting information on debt/equity balances and annual changes in net cash flow. In April 2010, as part of its required reporting of financial information for the year ending December 31, 2009, Legacy Partners submitted this additional reporting information. However, in April 2010, Legacy Partners sold Museum Park to BRE Properties, Inc., a non-related party. The sale extinguished the Redevelopment Agency's financial position in the</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			project.
#2: If Legacy Partners proposes a new subordination agreement, the Agency, in its staff report and memoranda to the Board, should fully analyze and evaluate the impact and implications of further subordination and present possible alternatives that could increase the likelihood the Agency recovers its investment.	RDA	Closed	Auditor's update as of June 2010: In April 2010, Legacy Partners sold Museum Park to BRE Properties, Inc., a non-related party. The sale extinguished the Redevelopment Agency's financial position in the project.
<p>AUDIT OF DECENTRALIZED CASH HANDLING (Issued 2/10/10) The objective of our audit was to determine if the City has an adequate and effective system of internal controls over the cash handling process. Of the 8 recommendations, 6 are partly implemented, and 2 are not implemented.</p>			
#1: Complete the update of Finance Administrative Manual Sections 4.0 through 4.6 procedures governing cash handling and revenue collection.	Finance	Not Implemented	Auditor's update as of June 2010: According to the Finance Department, the transition to the City's new banking services provider was completed on July 2, 2010. With the banking transition complete, Finance will update cash handling procedures in the Finance Administrative Manual to accurately describe current systems and practices. Target date: 12-10.
#2: Develop Citywide policies and procedures to require and periodically assess Payment Card Industry compliance at all distributed cash handling sites accepting credit cards.	City Administration	Partly Implemented	Auditor's update as of June 2010: According to City Administration, an October 1, 2010 deadline for Payment Card Industry (PCI) compliance has been established and the Information Technology Department (IT Department) is working with the Finance Department and Wells Fargo Bank to meet it. The IT Department will be working with a PCI consultant to finalize the security policy regarding credit card acceptance at Citywide cash handling sites in accordance with PCI Council requirements. Target date: 10-10.
#3: Require vendors providing credit card processing software and services be pre-certified for Payment Card Industry compliance, and submit quarterly or annual Payment Card Industry certifications of compliance to the City's Information Technology Chief Security Officer and department contract managers.	City Administration	Not Implemented	Auditor's update as of June 2010: According to City Administration, upon completion of Citywide compliance efforts, the Information Technology (IT) Department will begin checking that vendors providing credit card processing software and services are pre-certified for Payment Card Industry (PCI) compliance and submit proof of compliance either quarterly or annually. Target date: 3-11.
#4: Complete the update of procedures for conducting spot audits of petty cash and change funds, and clarify roles and responsibilities for conducting the audits.	Finance	Partly Implemented	Auditor's update as of June 2010: According to the Finance Department, an update to the existing procedures for spot audits of petty cash and change funds, clarifying roles and responsibilities for conducting the audits, has been drafted. Finance intends to finalize the updated procedures by December 2010. Target date: 12-10.
#5: Complete the update of the 1986 cash shortage/overage procedure to increase the reporting threshold from \$50 to \$100, and	Finance	Partly	Auditor's update as of June 2010: According to the Finance Department, an updated cash shortage/overage procedure has been

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implement a reporting form on the Finance Department's intranet website to allow departments to easily file cash shortage/overage reports.		Implemented	drafted and will be finalized by December 2010. Target date: 12-10.
#6: Either enforce the ordinance the City Council enacted requiring bicycle licensing, or recommend the City Council repeal the ordinance.	City Administration	Partly Implemented	Auditor's update as of June. 2010: On March 2, 2010, the City Council directed the City Attorney's Office to draft an ordinance repealing provisions in the San Jose Municipal Code regarding bicycle licensing requirements. The City Attorney's Office is currently drafting the ordinance. Target date: TBD.
#7: If fire stations continue to collect fees for bicycle licenses, obtain locked cashboxes for fire stations.	Fire	Partly Implemented	Auditor's update as of June 2010: According to San José Fire Department (SJFD) Administration, fire stations which did not have locked cash boxes were identified and locking cash boxes for those stations were provided and installed. Fire stations are currently collecting fees for bicycle licenses at all stations, with the exception of Station 20 at the San José Norman Mineta International Airport. However, on March 2, 2010, the City Council directed the City Attorney's Office to draft an ordinance repealing provisions in the San José Municipal Code regarding bicycle licensing requirements. The City Attorney's Office is currently drafting the ordinance and when the new ordinance is enacted, SJFD will comply with it and terminate the bicycle licensing program. Target date: TBD.
#8: Ensure system software is fully implemented and enter false alarm incident reports into the database to bill for false alarm fines on a timely basis.	SJPD	Partly Implemented	Auditor's update as of June 2010: According to San José Police Department (SJPD) Administration, grant funding was used to procure new system software, Alarm Track, which is fully implemented. Current false alarm incident reports are being entered into the database as they are received and fines are being collected timely. However, SJPD is still inputting a backlog of prior false alarm incident reports from the old database into the new database so these fines can also be collected. Target date: 3-11.

AUDIT OF COMMUNITY CENTER STAFFING (Issued 3/11/10)

The objective of our audit was to determine if the current allocation of staff at community centers is efficient and effective.⁷ Specifically, we evaluated 1) PRNS's current staff allocation methodology; 2) Staffing distribution per community center for the past five budget cycles; and 3) 2008-09 Performance and activity information for community center operations. Of the 17 recommendations, 3 were implemented during this period, 11 are partly implemented, and 3 are not implemented.

#1: Enhance data collection methodology to track community center traffic, daily and hourly attendance, and program participation.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS has modified data collection forms and processes to collect program information by site, rather than regionally, effective July 2010. PRNS is in the process of purchasing automated people counter systems, for high-use sites with limited points of entry, which will provide daily and hourly attendance counts. PRNS
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			staff believes collecting hourly attendance data for other sites is not feasible because the labor time involved to gather information by hand would result in a significant reduction in programming and center services. Target date: 7-11.
#2: Invest in a people counter system to capture more complete and consistent data on community center usage.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS staff has identified six hub community centers—Roosevelt, Berryessa, Mayfair, Seven Trees, Evergreen, and Almaden—where, based on the numbers of entry points and foot traffic, the installation of people counter systems is most feasible. According to PRNS, staff has been working with potential vendors to determine the appropriate type of device for each site and with the General Services Department to plan installation of the equipment. PRNS plans to evaluate the feasibility of installing equipment at other sites based on the availability of technology to deal with multiple entry points, foot traffic, and estimated cost effectiveness. PRNS staff state funding availability will also be a determining factor in implementation as initial costs are estimated at approximately \$8,000 to \$9,000 per site. Target date: 7-11.
#3: Update the community center cost center dictionary and develop controls to ensure staff accurately track individual community center costs, program costs, and staffing costs.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS staff updated its chart of accounts in June 2010, and is in the process of updating the FY 2010-11 cost center dictionary. According to PRNS, changes to the cost-center dictionary are scheduled to be completed in October 2010, at which point staff will receive the update and be reminded to accurately track individual community center costs, program costs, and staffing costs. Target date: 11-10.
#4: Develop efficiency indicators that enhance management's decision-making ability and identify trends in operations.	PRNS	Not Implemented	Auditor's update as of June 2010: According to PRNS, staff is meeting monthly to determine appropriate efficiency indicators for community center facilities and programs. Although appropriate trigger points have not yet been determined, PRNS envisions that a combination of attendance, revenue generation, and customer satisfaction data will be used to determine whether a facility/program is meeting performance goals. Target date: 12-10.
#5: Reexamine its staffing of satellite and neighborhood centers in light of the recently expanded service areas for hubs and the potential for on-going budget reductions.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS proposed the consolidation of staffing and recreation services into one primary hub facility per Council District as part of the FY 2010-11 budget process. The proposal would have resulted in the placement of the majority of satellite and neighborhood centers into the facility re-use program. Ultimately, that proposal was deferred by the City Council in the budget process, and implementation has been delayed until FY 2011-12. Target date: 6-11.

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#6: Clarify whether the re-use service levels are above and beyond those stipulated in other agreements, and require service providers to disclose their funding sources for services provided under re-use contracts.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS has incorporated language into recent facility re-use agreements that requires the re-use service provider to semiannually report all sources of funding received, including without limitation, City grant-funded sources (e.g., CDBG, San Jose BEST, Healthy Neighborhood Venture Funds (HNVF), Workforce Investment Act, and Community Action Pride (CAP) grants). According to PRNS, staff is revising existing facility re-use agreements to include the new disclosure language, and developing a method for linking more directly outcomes and performance with funding sources to clarify any additional service levels as a result of the provision of the re-use facility. Target date: 12-10.
#7: Include CBOs with re-use agreements in discussions of the Nonprofit Strategic Engagement Platform and when preparing Citywide grant listings. Include the value of utilities, maintenance and custodial services, and fair market lease value of these agreements as these values become available.	City Administration	Not Implemented	Auditor's update as of June 2010: PRNS completed updates to the chart of accounts in the City's financial system that will allow prospective accounting for utilities, maintenance, and custodial services costs incurred by each of the re-use sites. These costs for FY 2010-11 and beyond will be reported to the Nonprofit Strategic Engagement Platform following the close of each fiscal year beginning in September 2011. In addition, according to PRNS, staff has provided basic information on re-use facilities—such as age and square footage—and held preliminary discussions about their fair market lease valuations with the General Services Department. According to City staff, in the interim, the City will include community-based organizations that participate in the facility re-use program in the Citywide grant listing without reporting the exact financial assistance provided until that information is available. Target date: 9-11.
#8: Estimate the fair market value of re-use facilities.	GS	Not Implemented	Auditor's update as of June 2010: According to PRNS, staff has provided basic information on re-use facilities—such as age and square footage—and held preliminary discussions about their fair market lease valuations with the General Services Department. General Services staff plans to have more in-depth discussions with PRNS to address this recommendation. Target date: 6-11.
#9: Propose revising the community center re-use policy and/or create a new policy to allow for a tiered approach to cost sharing in re-use contracts.	PRNS	Implemented	Auditor's update as of June 2010: The City Council approved revisions to its policy governing use of community center re-use sites in exchange for services that primarily benefit San José residents (facility re-use policy) on June 15, 2010, including a tiered approach to cost-sharing.
#10: Include Washington United Youth Center in the facility re-use program or operate it with City staff.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS proposed the inclusion of the Washington United Youth Center in the facility re-use program as part of the FY 2010-11 budget process. The City Council elected to

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			defer funding reductions until FY 2011-12, allowing the current operator to continue operation of Washington United Youth Center until June 30, 2011. According to PRNS, staff was directed to continue to work with the Community Center Re-use Advisory Task Force to find qualified service providers to assume operation of Washington United Youth Center beginning July 1, 2011. Target date: 6-11.
#11: Periodically review the City's cost for re-use facilities, and assess the continued value of re-use sites.	PRNS	Partly Implemented	Auditor's update as of June, 2010: According to PRNS, staff will annually review maintenance, utilities and operation costs for each re-use site during the budget process. In addition, according to PRNS, staff has provided basic information on re-use facilities—such as age and square footage—and held preliminary discussions about their fair market lease valuations with the General Services Department. PRNS staff anticipates conducting annual assessments of facility re-use cost effectiveness, which includes identifying the cost avoidance to the City (savings of City resources by placing these facilities in the facility re-use program). Target date: 6-11.
#12: Propose revising the community center re-use policy and/or create a new policy to allow for the participation of for-profit organizations, and allow them to compete in new RFPs for all or part of a facility under a modified re-use arrangement.	PRNS	Implemented	Auditor's update as of June 2010: The City Council approved revisions to its policy governing use of community center re-use sites in exchange for services that primarily benefit San José residents (facility re-use policy) on June 15, 2010, including the allowance of for-profit organizations to compete for the opportunity to provide services at re-use sites.
#13: Enhance the community center website with features such as maps, directions, and links to the RECS system to improve user interface.	PRNS	Partly Implemented	Auditor's update as of June 2010: In June 2010, the PRNS website was upgraded to include individual pages for each Hub community center that provides photos, 360 degree virtual tours, hours of operation, program information, and a listing of ongoing facility users. A link to the Recreation and E-Commerce System (RECS) is available from both the City and PRNS homepages. The RECS search engine allows users to sort class offerings by location and activity type. According to PRNS, staff is working to identify resources that will allow for the inclusion of maps, directions, and additional RECS enhancements. Target date: 10-10.
#14: Develop a RECS-based analysis tool that assists management in assessing the success of the classes and programs offered.	PRNS	Implemented	Auditor's update as of June 2010: PRNS developed several tools to assist in assessing the success of the classes and programs offered. PRNS created a program assessment questionnaire and a new class proposal form to assist in the development of classes. The program assessment questionnaire is meant to ensure certain standards are met in order to offer a new class. The class proposal form is used to determine appropriate pricing of classes and assists in the standardization of classes. Staff utilizes an assessment tool to

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			determine whether existing classes should continue to be offered. In addition, staff accesses RECS reports to obtain data useful for managing a successful program, such as attendance figures, revenue totals, and customer information to determine registration trends, revenue growth, and customer demographics.
#15: Substantially reduce the number of classes offered with no attendance.	PRNS	Partly Implemented	Auditor's update as of June 2010: According to PRNS staff, there will always be a minimal percentage of classes with little or no attendance because staff is encouraged to try testing new classes or new locations each sessions, and new classes, although based on customer feedback, are not always successful the first time offered. Nonetheless, staff is using the data from RECS to identify classes that have had little or no enrollment, and is working to consolidate classes that have less than minimum enrollment. Based on these efforts, the class cancellation rate has decreased from 52 percent in Spring 2009 to 39 percent in Winter 2010. Staff will continue to work on decreasing the cancellation rate to a goal of 20-25 percent. Target date: 12-12.
#16: Identify community centers where staffing schedules can be modified to allow for weekend operations.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS proposed a new staffing structure and expanded operational hours, including greater weekend operations, for hub community centers as part of the FY 2010-11 budget process. However the proposal was deferred by the City Council until FY 2011-12. Target date: 6-11.
#17: Identify community centers where staff schedules could be further staggered to increase community center staffing efficiency.	PRNS	Partly Implemented	Auditor's update as of June 2010: PRNS proposed a new staffing structure and expanded operational hours, including further staggered staff schedules at some sites, for hub community centers as part of the FY 2010-11 budget process. However the proposal was deferred by the City Council until FY 2011-12. Target date: 6-11.
<p>AUDIT OF THE CITY'S LICENSING AND PERMITTING OF CARDROOM OWNERS AND EMPLOYEES (Issued 4/7/10)</p> <p>The purpose of our review was to assess the efficiency and effectiveness of the City's licensing and permitting process for cardroom owners and employees, including benchmarking the scope and cost of cardroom employee background investigations and the cost of oversight. Of the 6 recommendations, 1 is partly implemented, and 5 are not implemented.</p>			
#1: Retain the City's licensing of cardroom owners, and propose amendments to Title 16 to require and rely solely on the State's key employee license for issuing a San Jose key employee license thereby reducing the DGC's workload while preserving the City's ability to impose limitations and conditions on these licenses including the ability to retract the license based on the key	City Administration	Not Implemented	Auditor's update as of June 2010: The City Attorney's Office plans to propose amendments to Title 16 in Fall 2010. Target date: 12-10.

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employee's violations of Title 16. These revisions should apply to all new, pending, and incomplete license investigations.			
#2: Abide by the Title 16 guideline that license investigations should be completed within 180 days and develop clear written guidelines for when investigations can extend beyond 180 days. These revisions should apply to all new, pending, and incomplete license investigations.	City Administration	Not Implemented	Auditor's update as of June 2010: According to the Gaming Administrator, the DGC no longer does key employee license investigations. However, the DGC has not made any progress on issuing permanent licenses to all key employees with a State license and has not provided guidelines for when license issuance could extend beyond 180 days. According to the Gaming Administrator, the DGC is waiting for the City Attorney's Office to present Title 16 amendments to City Council. Target date: 12-10.
#3: To better manage its backlog of pending license investigations, redesign its background investigations to: a) provide clearer guidance on the desired scope of the DGC licensing process, b) be more limited in scope, and c) track and report the status and cost of these pending and incomplete license investigations through the Annual Report to the City Council. These revisions should apply to all new, pending, and incomplete license investigations.	City Administration	Not Implemented	Auditor's update as of June 2010: The DGC has not made any progress on pending key employee licenses. According to the Gaming Administrator, the DGC has discontinued key employee license investigations and is waiting for key changes to Title 16. Once Title 16 is revised, the DGC intends on issuing permanent licenses to all eligible key employees. Further, according to the Gaming Administrator, the DGC has developed new guidelines on the scope of license investigations. These guidelines will be presented in a Business Plan. The draft Business Plan is awaiting approval by the Chief of Police. Target date: 12-10.
#4: Implement procedures to track time and costs of each licensing review, provide an itemized accounting to each applicant at the end of each review, and include the per applicant cost in the Annual Report to City Council.	City Administration	Not Implemented	Auditor's update as of June. 2010: The Division has not made any progress on tracking time and cost of each licensing review. Target date: 12-10.
#5: Liquidate the two encumbrances in the DGC's fund and use the funds to offset DGC costs.	City Administration	Not Implemented	Auditor's update as of June 2010: The City Manager's Office is in the process of selecting a consultant to review and recommend changes to the Gaming Division structure. According to the Administration, a consultant has been selected and the City Attorney's Office is in the process of reviewing the selection. Funding would come from the two encumbrances in the DGC's fund. Target date: 12-10.
#6: We recommend the City Administration: A. Propose revisions to Title 16 to discontinue the City's permitting function and accept State-issued portable gaming work permits, or B. Process work permits within the DGC. If the Administration chooses to process work permits within the DGC we also recommend that: a) the DGC continue to streamline and develop a work permitting approval and renewal process that strictly	City Administration	Partly Implemented	Auditor's update as of June 2010: As of August 4, 2010, the DGC has taken over the work permit function. According to the Gaming Administrator, as of September 9, 2010, the DGC has reviewed and granted 72 new work permits and renewals. Due to the limited timeframe since the adoption of the audit report in June 2010 and the limited available data, the Auditor's office will revisit this recommendation in the next recommendation follow-up cycle. Target date: 12-10.

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abides by the Title 16 guideline to issue work permits within 20 working days, and b) the Administration analyze the cost recovery status of work permit fees.			
<p>AUDIT OF THE AIRPORT'S PARKING MANAGEMENT AGREEMENT (Issued 4/7/10) The objectives of our audit were to determine compliance with the current agreement and identify opportunities to improve provisions in the planned new management agreement. Of the 17 recommendations, 1 was implemented during this period, 2 are partly implemented, and 14 are not implemented.</p>			
#1: Revise procedures related to reconciling credit card transactions to reflect the new operating environment once the new PARCS is installed and implemented.	Airport Finance	Partly Implemented	Auditor's update as of June 2010: Airport Staff are evaluating new procedures related to reconciling credit card transactions, in recognition of new reporting flexibility and options that will be available when the new Parking and Revenue Control System (PARCS) is installed and implemented Fall 2010. Revised credit card transaction procedures will be in place by the time the final acceptance of the new PARCS system is completed in Spring 2011. Target date: 4-11.
#2: Develop audit procedures to detect unreported revenue, theft or fraud once the new PARCS is installed.	Airport	Not Implemented	Auditor's update as of June 2010: Airport staff plan to enhance existing audit procedures that place additional emphasis on detecting unreported revenue theft and fraud recognizing that new procedures, reporting and options will be available when the new PARCS(parking and Revenue Control System) is installed and implemented Fall 2010. The Airport staff plan to have revised audit procedures to detect unreported revenue, theft or fraud in place by the time the final acceptance of the new system is completed in Spring 2011. Target date: 4-11.
#3: Clarify its procedures for calculating the monthly management fee to match the specific language of the management agreement and train staff on those procedures.	Airport Finance	Not Implemented	Auditor's update as of June 2010: According to Airport staff, the intent of the language in the management agreement is to calculate the management fee based on the parking fees generated in the previous month, as long as the fees are deposited to the City's account within a reasonable time. The lag time for deposit of cash transaction in the current Parking Management Agreement is generally one business day and up to 72 hours for credit card transactions. Interest is charged for delays in the deposit beyond this time. Airport staff agrees with the recommendation and will ensure that the procedures for calculating the monthly management fee will be clearly outlined in the next parking management agreement. Development of the next Airport Parking Management Agreement RFP is underway and the final agreement is anticipated to be awarded late fall 2011. Target date: 11-11.

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#4: Identify the Airport or City official to whom the operator should submit its performance and fidelity bonds in its next Request for Proposal and Airport Parking Management Agreement.	Airport	Not Implemented	Auditor's update as of June 2010: Airport staff plan to clearly specify the City Official to whom the operator should submit the documents including the performance and fidelity bonds in the next Airport Parking Management Agreement. Development of the next Airport Parking Management Agreement RFP is underway and the agreement is anticipated to be awarded late fall 2011. Target date: 11-11.
#5: Consider using a cost plus management agreement for its next Request for Proposal and Airport Parking Management Agreement.	Airport	Partly Implemented	Auditor's update as of June 2010: Airport staff agrees with the recommendation and the Cost Plus Management Model will be incorporated in the next RFP and Airport Parking Management Agreement. Development of the next Airport Parking Management Agreement RFP is underway and the agreement is anticipated to be awarded late fall 2011. Target date: 11-11.
#6: Include specific provisions to protect against the reimbursement of costs which are overstated or unrelated to Airport parking operations in its next Request for Proposal and Airport Parking Management Agreement.	Airport	Not Implemented	Auditor's update as of June 2010: Airport staff plans to include in the next Airport Parking Management Agreement RFP wording similar to Portland Airport's parking management agreement to ensure controls are in place to protect against overstatement of costs and charges for unrelated charges. Development of the next Airport Parking Management Agreement RFP is underway and the agreement is anticipated to be awarded late fall 2011. Target date: 11-11.
#7: Consider reducing the frequency of the nightly LPI inventory and eliminating the unaccounted vehicles provision in its next Request for Proposal (RFP) and Airport Parking Management Agreement. The RFP should also include specific language describing how the inventory is conducted, i.e., the use of LPR and LPI technology.	Airport	Not Implemented	Auditor's update as of June 2010: Airport staff agrees with the recommendation and will specify inventories required and the method (physical count vs. LPI vs. LPR verification) in the next Airport Parking Management Agreement RFP. Wording similar to SFO's parking management agreement will be included in the next Airport Parking Management Agreement to clarify how parking inventories are conducted. The development of the next RFP is underway and the agreement is anticipated to be awarded late fall 2011. Target date: 11-11.
#8: Explore the possibility of contracting with a vendor to install space locator dispensers in the Airport's parking facilities.	Airport	Not Implemented	Auditor's update as of June 2010: Airport staff will work with City Purchasing staff to determine if potential Airport Parking Management Agreement RFP vendors are available and interested in providing space locator dispensers in the Airport's parking facilities with a goal of implementation when all the Airport parking facilities are in place in 2011. The development of the next RFP is underway and the agreement is anticipated to be awarded late fall 2011. Construction of new Airport parking lots, both short-term and long-term are anticipated to occur during fiscal year 2010-2011. The incorporation of space locator dispensers, if available will take place after completion of new lots. Target date: 11-11.

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<p>#9: Include a clause that allows the City, with notice, to become the bankcard merchant for credit card transactions at its parking facilities in its next Request for Proposal and Airport Parking Management Agreement.</p>	Airport	Not Implemented	<p>Auditor's update as of June 2010: Airport staff plans to include a clause that will allow the City to become the bankcard merchant with 30-day notice in the new RFP and Airport Parking Management Agreement. The development of the next RFP is underway and the agreement is anticipated to be awarded late fall 2011. Target date: 11-11.</p>
<p>#10: Include in its next Request for Proposal and Airport Parking Management Agreement the required controls to guard against the risks of theft or fraud from the new pay-on-foot machines and automatic exit gates.</p>	Airport	Not Implemented	<p>Auditor's update as of June 2010: Airport staff plans to include controls to guard against the risks of theft and or fraud associated with the use of Pay-on-Foot and automated exit equipment t in the new Airport Parking Management Agreement RFP. The Airport staff will use the Parking and Revenue Control system installation consultant to assist in the development of these controls. The development of the next RFP is underway and the agreement is anticipated to be awarded in late fa11 2011, and written controls and procedures to guard against theft and or fraud will be included in the new agreement. Target date: 11-11.</p>
<p>#11: In its next Request for Proposal and Airport Parking Management Agreement:</p> <ul style="list-style-type: none"> A. Include a provision that the operator provide quarterly or annual evidence of a Certificate of Compliance with Payment Card Industry (PCI) standards and B. Outline the PCI requirements for which the operator is responsible. 	Airport	Not Implemented	<p>Auditor's update as of June 2010: Airport staff will include requirements for quarterly and annual certification of compliance with PCI standards in the new RFP and Airport Parking Management Agreement. The new agreement will also provide specific responsibilities and requirements of the operator related to PCI compliance. Development of the next Airport Parking Management Agreement RFP is currently underway; the process to select a new operator will include the necessary security standards including PCI compliance. The new agreement is anticipated to be awarded late fall 2011. Target date: 11-11.</p>
<p>#12: Develop performance standards that reflect customer service goals and a mechanism to monitor them.</p>	Airport	Not Implemented	<p>Auditor's update as of June 2010: Airport staff plans to develop customer service standards and measures for performance to be met by the operator. These measures and standards will be included as requirements for the new RFP and the subsequent Airport Parking Management Agreement. Development of the next RFP is underway and the agreement is anticipated to be awarded late fall 2011. Completion of this recommendation will take place with the completion of the RFP process and the City's approval of the new Airport Parking Management Agreement. Target date: 11-11.</p>

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#13: Clarify Airport and operator responsibilities related to customer complaints and the operation of the employee lot in its next Request for Proposal and Airport Parking Management Agreement.	Airport	Not Implemented	Auditor's update as of June 2010: Airport staff plans to include specific standards and measurements to be met by the operator for complaint handling and the operation of the employee parking lot in both into the new RFP and the subsequent Airport Parking Management Agreement. Development of the next RFP is underway and the agreement is anticipated to be awarded late fall 2011. Implementation of this recommendation will take place with the completion of those processes. Target date: 11-11.
#14: Obtain certified payroll records from AMPCO from July 2007 through the current month to determine whether any employees were paid less than the City's living wage rate.	OEA	Implemented	Auditor's update as of June 2010: AMPCO provided certified payroll reports to the Office of Equality Assurance (OEA). OEA reviewed the payroll reports and found that AMPCO is in compliance with the City's wage requirements and employees are receiving the proper wage rates.
#15: We recommend the Airport: A. Revise the Non-Revenue Badge (NRB) policy to require that all NRB holders, including elected officials, acknowledge and agree on an annual basis to use the NRBs in accordance with the program's rules and regulations; B. Include in the written rules and regulations provided to local and state officials that the NRBs are only intended for use while on official government business; that acceptance of free parking at the Airport may disqualify them from taking official action on Airport-related matters in the conducting of official duties; and that the free parking privilege may be a reportable financial gift/interest to be included on their California Form 700, Statement of Economic Interest; and C. Request the City Manager annually approve the list of NRB holders or delegate authority to approve NRB requests to the Director of Aviation.	Airport	Not Implemented	Auditor's update as of June 2010: Airport staff plans to revise Airport Policy to require annual acknowledgments and statements regarding use of NRBs for official business, potential effects on official actions and possible Form 700 implications. The revised policies will include written instructions that clarify to holders what is required with regard to reportable financial gift/interest forms. The City Manager will be provided the option of approving the list of NRB holders or delegating the duty to the Director of Aviation. Target date: 11-10.
#16: We recommend the City Manager: A. Propose amending Municipal Code Section 25.16.050.C to include tenant managers working in the terminal area as persons authorized for parking without charge. B. Propose amending the relevant Municipal Code sections to clarify whether parking without charge is allowable for official government or City business or is only allowable for Airport-related purposes.	City Manager	Not Implemented	Auditor's update as of June 2010: The Airport has contacted the City Attorney's Office to assist in determining the most appropriate action to take. It is anticipated that amendments to the Municipal Code including the possible authorization of free parking for tenant managers and the clarification with regard to allowable free Airport parking for official governmental or City business will be forwarded to the City Council for recommended approval late 2010. Target date: 12 10.

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#17: Propose amending the City Council rate resolution pertaining to the Airport's fees and charges to allow the Director of Aviation to authorize a limited number of monthly permits for tenants to park in public parking areas.	Airport	Not Implemented	Auditor's update as of June 2010: The Airport plans to draft a memo to the City Council to recommend approval of Director of Aviation authority to allow monthly permits for tenants to park in public parking facilities. The rate resolution recommendation and the update required for the Municipal Code will be included in the next Airport Rate Resolution revision anticipated to go to City Council for approval in the Fall 2010. Target date: 10-10.