



**Office of the City Auditor**

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

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**SEMI-ANNUAL  
RECOMMENDATION  
FOLLOW-UP REPORT ON  
ALL OUTSTANDING AUDIT  
RECOMMENDATIONS FOR  
THE SIX MONTHS ENDED  
JUNE 30, 2014**

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**September 2014**

September 18, 2014

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, 2014**

**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 programs. The office monitors progress toward implementing recommendations 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 311 open audit recommendations as of June 30, 2014. This includes 284 recommendations that were outstanding after our last status report as of December 31, 2013, and 27 new recommendations from audits issued in the last 6 months.

Since our last report, 28 recommendations were implemented or closed. A total of 190 recommendations are partly implemented, and 93 recommendations are not implemented. Nineteen of our audits contain recommendations which have potential budget impacts totaling \$33 to \$52 million or more. A total of 11 audits have recommendations with potential meet and confer issues.

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 6/30/14

## STATUS OF AUDIT RECOMMENDATIONS AS OF 6/30/14

This report summarizes the status of all open audit recommendations for the six months ended June 30, 2014. 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/ Closed	Partly Implemented	Not Implemented	Potential Budget Impact	Potential Meet and Confer Issues
7	San José Fire Department Strategic Plan Regarding Proposed Fire Stations	10/18/01		2		✓	
10	San José Fire Department Bureau of Fire Prevention	11/26/03			4	✓	
13	The 2004-05 Annual Performance Audit of Team San Jose, Inc.	10/11/06		1			
14	Oversight of Financial Assistance to Community-Based Organizations	11/12/08		7			
21	San José Police Department Auto Theft Unit	5/13/09		3		✓	
24	San José Conservation Corps	5/13/09		3			
26	Employee Medical Benefits	6/10/09		1	2	✓	✓
30	Performance Management and Reporting in San Jose: A Proposal for Improvement	9/24/09		1			
34	Pensionable Earnings and Time Reporting	12/09/09		6	7	✓	✓
45	Civilianization Opportunities in the San José Police Department	1/14/10		6	2	✓	✓
52	Decentralized Cash Handling	2/10/10		4			
54	Community Center Staffing	3/11/10		3			

Page Number	Report Title	Date Issued	Implemented/ Closed	Partly Implemented	Not Implemented	Potential Budget Impact	Potential Meet and Confer Issues
58	Licensing and Permitting of Cardroom Owners and Employees	4/7/10		6			
65	City Procurement Cards: Policies Can Be Improved	9/8/10		3			
67	Pension Sustainability: Rising Pension Costs Threaten the City's Ability to Maintain Service Levels - Alternatives for a Sustainable Future	9/29/10		3	2	✓	✓
71	Take-Home Vehicles	10/14/10		2			
73	Police Department Staffing: Opportunities to Maximize the Number of Police Officers on Patrol	12/9/10		4	3	✓	✓
79	Disability Retirement: A Program in Need of Reform	4/14/11		5		✓	✓
83	Key Drivers of Employee Compensation: Base Pay, Overtime, Paid Leaves and Premium Pays	5/11/11		2	4	✓	✓
87	Airport Public Safety Level of Service	10/12/11		2	1		
89	Annual Form 700 Filers	11/10/11	1	3			
91	Office Supply Purchases: the City Did Not Receive all Anticipated Discounts Nor Did It Fully Take Advantage of OfficeMax's Environmentally Friendly Offerings	1/18/12		1		✓	
93	Audit of Information Technology General Controls	1/18/12		7	3	✓	
99	2010-11 Annual Performance Audit of Team San Jose's Management of the City's Convention and Cultural Facilities	1/18/12	1	1			
100	Police Department Secondary Employment: Urgent Reform and a Cultural Change Needed to Gain Control of Off-Duty Police Work	3/07/12		21	6	✓	
109	Review of Fire Department Performance Measures: Improving the Usefulness of Data	5/10/12		3			

Page Number	Report Title	Date Issued	Implemented/ Closed	Partly Implemented	Not Implemented	Potential Budget Impact	Potential Meet and Confer Issues
111	Environmental Services: A Department at a Critical Juncture	8/08/12	4	12	2	✓	✓
124	Fire Department Injuries: A More Coordinated Response and Better Follow-up Is Needed	9/12/12	1	5	6	✓	✓
128	Ten Years of Staffing Reductions at the City of San José: Impacts and Lessons Learned	11/08/12		3	3		✓
130	Deferred Compensation: The City Can Streamline and Improve the Administration of its Deferred Compensation Program	2/13/13	1		2		
132	Office of Economic Development Performance Measures: Existing Measures Are Generally Meaningful, Useful, and Sustainable, But Can Be Improved	2/13/13	2	1			
133	Fire Prevention: Improve Follow-up on Fire Code Violations, Prioritize Inspections, and Target Public Education to Reduce Fire Risk	4/10/13	5	11	3	✓	
142	Taxi Service and Regulation in San José: An Opportunity to Reevaluate City Priorities And Oversight	5/24/13			6	✓	
144	Consulting Agreements: Better Enforcement of Procurement Rules, Monitoring, and Transparency Is Needed	6/12/13	1	5	8		
148	Regional Wastewater Facility Master Agreements: New Procedures and Better Contract Management Needed	6/12/13	1	2			
149	Graffiti Abatement: Implementing A Coordinated Approach	6/13/13	4	15			
155	Indirect Cost Allocation: Improved Procedures and Better Communication Needed	11/14/13	1	7	4		
159	Code Enforcement: Improvements Are Possible, But Resources Are Significantly Constrained	11/14/13	4	13	3	✓	
164	Employee Travel Expenditures	12/11/13		6	7		

Page Number	Report Title	Date Issued	Implemented/ Closed	Partly Implemented	Not Implemented	Potential Budget Impact	Potential Meet and Confer Issues
AUDITS ISSUED SINCE LAST RECOMMENDATION STATUS REPORT:							
167	City's Funding for the Children's Health Initiative: The City Has Helped Fund Health Care Coverage for About 2,000 San José Children Annually	2/13/14		1			
168	Library Hours and Staffing: By Improving the Efficiency of Its Staffing Model, the Library Can Reduce the Cost of Extending Service Hours	3/13/14		1	14	✓	✓
171	Senior Membership Fee Revenue: The City's Policy Should Be Clarified	3/26/14			1		
172	Housing Loan Portfolio: Approval and Monitoring Processes Should Be Improved	5/8/14	2	8			
<b>TOTAL</b>			<b>28</b>	<b>190</b>	<b>93</b>	<b>19</b>	<b>11</b>

<b>Department:</b>	<b>Page</b>
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## 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 José 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 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.

**Auditor's update as of December 2010:** The Fire Department is continuing its efforts to ensure it has sufficient data and analytical capacity to review its data and develop written justification to the Santa Clara Local EMS Agency for not responding to lower-priority medical aid service requests. While opportunities for referring these lower-priority requests to telephone advice lines were prevalent during the development of the Consultants report in 2001, this option has become significantly less feasible with declining number and membership of managed healthcare organizations. The Fire Department is currently working with the Local EMS Agency to craft a first responder agreement between the City and Local EMS Agency that addresses when it is appropriate for the City to not respond to lower priority medical aid requests. Target date: 6-11.

**Auditor's update as of June 2011:** The Fire Department recently completed work on a first responder agreement between the City and Santa Clara County. Discussions regarding the level of resource response to lower priority service requests have been ongoing. The Department will be revisiting policy options following a 90-day assessment period of the new EMS system. Target date: 12-11.

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of December 2011:</b> Discussions with County EMS continue. There is an internal process that the County is developing to reduce 9-1-1 calls to County medical facilities and jails. Discussions will be ongoing to address reducing resource demands based on emergency dispatch prioritizing. An update will be provided in June 2012.</p> <p><b>Auditor's update as of June 2012:</b> Discussion with County EMS continues. The County will be developing a strategic plan that includes the concept of triaging lower acuity 9-1-1 calls to advise medical staff and/or transportation by routine medical transport resources to clinical care facilities. An update will be provided in December 2012.</p> <p><b>Auditor's update as of December 2012:</b> Discussion with County EMS continues, which includes triaging of calls. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. The Department advises that this requires further discussion with the County. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. The Department advises that when a new contract is negotiated with the County, the City will discuss outcome-based solutions including the Omega protocol. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> The ability to respond by phone would potentially reduce the number of EMS responses, saving wear and tear on vehicles.</p>
<p>#5: Implement a pilot project to evaluate the use of SUVs or Light Units to respond to lower priority emergency medical calls.</p>	<p>Fire</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>Target date: 11-10.</p> <p><b>Auditor's update as of December 2010:</b> The Fire Department is continuing its efforts to use existing data obtained from RMS and other sources of data contained within the City's computer-aid dispatch system. Interviews with personnel who staffed the two-person brush patrol were inconclusive regarding the effectiveness of this resource staffing configuration. Quantitative data, which exists within the RMS, is in the process of being reviewed, extracted, and analyzed. Other Fire Department priorities that require IT resources have slowed this process. Target date: 6 -11.</p> <p><b>Auditor's update as of June 2011:</b> The Department continues to review alternative staffing models. Recommendations regarding alternative staffing units will be presented during the 2012-2013 budget process. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> The Squad Pilot Program was implemented in May 2012 to respond to lower priority emergency calls. The Pilot Program will be completed in May/June 2013 and an evaluation of the Program could be completed by fall 2013. Updates to staffing models could be presented during the 2013-2014 budget process. Target date: 12-13.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. The Department advises that an evaluation of the program is still anticipated. Target date: 6-14.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Squad Pilot Program was implemented in May 2012 to respond to lower priority emergency calls. The Department reports that, on a daily basis, it deploys at least three squad cars to improve fire engine/truck company capacity to respond to higher priority calls. In addition, the Department continues its work analyzing deployment options utilizing workload and response time data. An organizational review of the Fire Department is expected to begin in November/December with results by winter 2015. This review will include an assessment of apparatus types to improve response time performance and delivery of services. Target date: 6-15.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> The ability to respond with SUVs or Light Units would potentially reduce the number of EMS responses for lower-priority EMS calls, saving wear and tear on Fire Engines and Trucks and leaving such units available for higher-priority responses.</p>

## 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 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.

**Auditor's update as of December 2010:** No change.

**Auditor's update as of June 2011:** According to Fire Department Administration, in Fall 2011, the Finance Department will be issuing a Request for Proposal to replace the Business Tax system. As part of the requirements, the selected system is to have custom interfaces to integrate Business Tax information with other applications, including the FIBS. Implementation of a new Business Tax system is anticipated to begin in Spring 2012. Target date: 5-12.

**Auditor's update as of December 2011:** In Fall 2011, the Finance Department issued a Request for Proposal to replace the Business Tax System (BTS). As part of the requirements, the selected system is required to have custom interfaces to integrate Business Tax information with other applications, including FireHouse. Implementation of a new Business Tax System is anticipated to begin in Spring 2012.

The Fire Department billing system migrated from the FIBS to FireHouse in September 2009. New businesses from the Finance BTS and from the County (CUPA database) are manually reconciled with FireHouse, with updates made to new businesses in FireHouse. Fire staff continues its work on updating FireHouse to reflect new and closed businesses; however, staffing changes in the Department are likely to result in some delays in reconciliation. Target date: TBD.

**Auditor's update as of June 2012:** Implementation of a new Business Tax System is anticipated to begin in Spring 2013, meanwhile Finance Department manual reconciliation continues. Target date: 6-13.

**Auditor's update as of December 2012:** According to the Finance

Audit Report and Recommendation	Department	Current Status	Comments
			<p>Department, a new RFP will be issued spring 2013 to replace the current Business Tax System (BTS). The Department anticipates that the new BTS will have a custom interface with the FireHouse. Pending the implementation of the new BTS, Fire Department staff updates FireHouse manually to reflect new and closed businesses. Target date: 6-14.</p> <p><b>Auditor's update as of June 2013:</b> The Finance Department advises that it will issue a new RFP to replace the Business Tax System (BTS) in fall 2013. The Department anticipates that the new BTS will have a custom interface with FireHouse. Implementation of a new BTS is anticipated to begin in Spring 2014; meanwhile, the Finance Department manual reconciliation continues. Target date: 12-14.</p> <p><b>Auditor's update as of December 2013:</b> The Finance Department issued a new RFP to replace the Business Tax System (BTS) in January 2014. The Finance Department anticipates that the new BTS will have a custom interface with FireHouse. Implementation of a new BTS is anticipated to begin in Spring 2014 with a Go-Live date of July 2015; meanwhile the Finance Department manual reconciliation continues. Target date: 12-15.</p> <p><b>Auditor's update as of June 2014:</b> The Finance Department issued a new RFP to replace the Business Tax System (BTS) in January 2014. The Finance Department anticipates that the new Business Tax System will enable the comparison of the FIBS and Business License datasets. Implementation of a new BTS is anticipated to begin in Fall, 2014, with a go-live date of July 2015; meanwhile staff continues with manually adding new businesses to FireHouse. Target date: 12-15.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> In addition to potential safety issues, the Department may be forgoing revenue from unpermitted facilities (in 2013-2014, annual Fire Safety Permits will cost from \$389 to \$1,564 per permit plus applicable inspection fees at an hourly rate of \$83.00 per half-hour or portion thereof).</p>
<p>#3: Periodically compare the FIBS database with the Business License database using the SIC Codes that are most likely to require a fire safety inspection.</p>	<p>Fire and Finance</p>	<p>Not Implemented</p>	<p>See Recommendation #2. <b>POTENTIAL BUDGET IMPACT:</b> See Recommendation #2.</p>
<p>#10: Develop a risk assessment methodology to assign facility inspection frequencies.</p>	<p>Fire</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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> <p><b>Auditor's update as of December 2010:</b> No change.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> No change. Audit of fire prevention efforts currently in progress.</p> <p><b>Auditor's update as of December 2012:</b> No change. Audit of fire prevention efforts currently in progress.</p> <p><b>Auditor's update as of June 2013:</b> No change. The development of a risk assessment methodology remains suspended. The Department intends to continue pursuing additional resources, including funding for consulting services, to assist SJFD staff in developing a risk assessment methodology. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Fire Department advises that it is gathering information on a risk assessment being developed by the City of New York Fire Department. The Department intends to review the program's effectiveness and evaluate the possibility of developing a similar program in San José. The Department anticipates that if it decides to develop a risk assessment model in San José, it will then develop budget proposals for analytics and fire prevention expertise. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> To implement this recommendation, the 2014-2015 Operating Budget includes \$40,000 for a consultant study of the Fire Department's non-development fee program. An analysis of risk-based fee structures will be included in this study. It is anticipated that the study will be completed in early 2015, in time to include fee changes in the 2015-2016 Budget Process. Target date: 6-15.</p>
#12: Develop a workload analysis to determine its inspection staff needs to achieve its inspection goals and objectives.	Fire	Not Implemented	<p><b>Auditor's update as of June 2010:</b> 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> <p><b>Auditor's update as of December 2010:</b> No change.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> No change. Audit of fire prevention efforts currently in progress.</p> <p><b>Auditor's update as of December 2012:</b> No change. Audit of fire prevention efforts currently in progress.</p> <p><b>Auditor's update as of June 2013:</b> No change. The Department advises that the task will continue to remain suspended until more</p>

Audit Report and Recommendation	Department	Current Status	Comments
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resources are available. Target date: TBD.  
**Auditor's update as of December 2013:** No change. Target date: TBD.  
**Auditor's update as of June 2014:** The 2014-2015 Operating Budget includes \$40,000 for a consultant study of the Fire Department's non-development fee program. An analysis of workload to deliver services and meet inspection goals and objectives will be a component of this study. This study is expected to be completed in early 2015. Target date: 6-15.

**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, 16 were previously implemented or closed, and 1 is partly implemented.**

#16: Develop and implement a workplan to correct ADA noncompliant items and notify the City accordingly.	Economic Development and Public Works (Equality Assurance)	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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> <p><b>Auditor's update as of December 2010:</b> The City is awaiting secured funding from bond proceeds before approving the agreement. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> The City is currently in the Design-Build process for the renovation and expansion of the Convention and Cultural facilities. The ADA issues will be addressed in the Design Phase. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> The City is currently in the Design-Build process for the renovation and expansion of the Convention and Cultural facilities. The project design is nearly 30% completed and all State Building Codes will be adhered to. Target date: 9-13.</p> <p><b>Auditor's update as of June 2012:</b> The City is currently in the Design-Build process for the renovation and expansion of the Convention Center. According to City staff, all project plans and permits are approved and the project is expected to be complete in September 2013. Upon completion, the entire facility will comply with the American's with Disability Act. Target date: 9-13.</p> <p><b>Auditor's update as of December 2012:</b> As noted above, upon completion of the renovation and expansion of the Convention Center, the convention center will comply with the American's with Disability Act.</p>
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Audit Report and Recommendation	Department	Current Status	Comments
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However, not all cultural facilities are compliant with the ADA. According to Team San Jose, a need and cost assessment for ADA-related work at the Center for the Performing Arts (CPA) will be underway shortly. At this point, there is no timeline for the any ADA-related projects at the CPA. Target date: TBD.

**Auditor's update as of June 2013:** No change. Target date: TBD.

**Auditor's update as of December 2013:** According to staff, TSJ hired consultant to perform assessments of ADA-related issues at all TSJ-managed cultural facilities and expects the work to be completed by the end of fiscal year. Target date: 6-14.

**Auditor's update as of June 2014:** According to City staff, Team San Jose hired a consultant to conduct an ADA Compliance Evaluation study for the Center for the Performing Arts (CPA) and the study is scheduled to be completed by the end of September. The renovation and expansion of the Convention Center was completed, and staff says the facility is in compliance with the American's Disabilities Act. Remaining TSJ-managed cultural facilities will be evaluated for ADA compliance when a major renovation or expansion project triggers an evaluation. ADA improvements will be made (if needed) in conjunction with those projects as they are implemented. Target date: 12-14.

**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, 14 were previously implemented or closed and 7 are partly implemented.**

#9: Clarify when the 7-1 policy should apply to leases with CBOs of City facilities.	Economic Development	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> The Real Estate Services and Asset Management Division has been transferred from General Services to OED. There has been no change in the status of this recommendation. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Staff is reviewing the draft amendments to Council Policy 7-1 along with other applicable City ordinances. Staff will be moving forward with recommendations to the City Council in March 2012. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> No change. Staff met with the City Auditor and discussed the Real Estate Division's current streamlining</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			<p>efforts. Staff is evaluating the current policy and preliminary recommendations include increasing the Administration's approval limit on 7-1 leases. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> In process. Real Estate is focusing first on Recommendation 11 and plans to update policies once the universe of leaseholders is clearer. Target date: 12-14.</p> <p><b>Auditor's update as of December 2013:</b> In process. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Staff advise that they are completing the review of hard and soft copy lease files and identifying missing information (such as insurance certificates). They are preparing to bring any expired leases to Council for consideration and possible renewal. This action will also include any recommendations that may clarify when the 7-1 Council Policy should be applied. Target date: 12-14.</p>
<p>#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.</p>	<p>Economic Development</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> Staff is completing the list of leases and other long term use agreements that have terms of 12 months or longer. A Lease Management training held July 2010 (to be conducted bi-annually) in order to inform departments that staff will be coordinating with them bi-annually to update the information on CBO leases and other long-term agreements. Real Estate staff will be communicating with departments, as needed, if there are leases/agreements that are up for renewal or about to expire, and will maintain a master spreadsheet with all City lease information and provide oversight. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> OED Real Estate staff has developed a spreadsheet of all CBO leases and other agreements for long term use of City-owned properties that are managed by OED. Real Estate staff will continue to work with other City departments in developing a comprehensive inventory of all CBO's that are using City</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>facilities. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> No change. Staff met with the City Auditor and discussed the Real Estate Division's current streamlining efforts. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> Staff have completed the review of the Real Estate files for both City as Landlord and City as Tenant properties (including 7-1 tenants). Staff are now preparing to bring leases to City Council to determine which to keep and what rental rates to offer. Target date: 12-14.</p> <p><b>Auditor's update as of December 2013:</b> In process. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Staff advises that spreadsheets have been updated for City as Landlord, City as Tenant, and Revenue tracking for 2014-2015 that OED Real Estate has been monitoring. Staff are completing the review of hard and soft copy lease files identifying missing information (such as insurance certificates) and preparing to bring any expired leases to Council for consideration and possible renewal. Finally, staff advise that they have updated processes and procedures that will result in an annual review of all facility leases that are the responsibility of OED Real Estate. Target date: 12-14.</p>
<p>#11: We recommend the Real Estate Division:</p> <p>A. 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.</p> <p>B. Bring current all expired leases, rental payments, insurance certificates, and other required reporting documentation.</p>	Economic Development	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> See Recommendation #10.</p> <p><b>Auditor's update as of December 2010:</b> See Recommendation #10.</p> <p><b>Auditor's update as of June 2011:</b> See Recommendation #10 in response to item #11A.</p> <p>Recommendation #11B: Staff is reviewing expired leases (currently less than 10 with only nominal annual rents), rental payments, and insurance certificates. Staff will monitor insurance certificates related to City-owned properties that are leased to ensure that the certificates are renewed for the duration of the lease. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> No change. Staff met with the City Auditor and discussed the Real Estate Division's current streamlining efforts. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> In Process. Staff have completed the review of the Real Estate files for both City as Landlord and City as Tenant properties (including 7-1 tenants). Staff plans to bring lease information to City Council to determine which to keep what rental rates to</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>offer. Target date: 12-14.</p> <p><b>Auditor's update as of December 2013:</b> In process. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Staff advise that spreadsheets have been updated for the City as Landlord, City as Tenant, and Revenue tracking for 2014-2015. Staff also advise that they are completing the review of hard and soft copy lease files identifying missing information (such as insurance certificates) and preparing to bring any expired leases to Council for consideration and possible renewal. Target date: 12-14.</p>
<p>#13: Establish a Citywide policy for enforcement of lease provisions and include provisions for non-compliance in future leases.</p>	<p>Economic Development</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> No change.</p> <p><b>Auditor's update as of June 2011:</b> Staff is in the process of developing standardized lease agreements which would include provisions for enforcement of and non-compliance with the lease terms. In addition, the lease spreadsheet identifies the lease amount, lease duration, and insurance requirements. These items along with the specific terms of the standardized agreements will ensure compliance with City policy and enforcement of the lease terms. Target date: 6-12.</p> <p><b>Auditor's update as of December 2011:</b> No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in the Real Estate Division. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> Staff is first working through Recommendations 10 and 11 and will move on to policy changes next. Target date: 12-14.</p> <p><b>Auditor's update as of December 2013:</b> In process. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Staff advise that both new leases as well as lease renewals will include enforcement provisions as well as provisions regarding lease termination. Target date: 6-15 (dependent upon the expiration date of the current lease).</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#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.</p>	<p>Economic Development</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p>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.</p> <p><b>Auditor's update as of December 2010:</b> Staff is completing a list and developing a lease management process to ensure is the centralized oversight and monitoring of CBO leases and other long-term agreements. With the transition of the Real Estate Services and Asset Management Division to OED, staff will be coordinating this effort with OED's already existing oversight of CBO grants and other forms of financial assistance. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Staff has developed a process for coordinating and monitoring individual CBO leases and long term use agreements through the development of a spreadsheet that captures all of this information. In addition, OED staff coordinates and prepares an annual report which reflects the monitoring of CBO grants and other forms of financial assistance. The Auditor's office will test the completeness of this list during the upcoming CBO financial scan. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in the Real Estate Division. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> Staff are working through the other recommendations first before looking to coordinate with other forms of assistance for CBOs. Target date: 6-15.</p> <p><b>Auditor's update as of December 2013:</b> In process. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Staff advise that that spreadsheets have been updated for the City as Landlord, City as Tenant, and Revenue tracking for 2014-2015 that OED Real Estate has been monitoring these updates. Staff are completing the review of hard and soft copy lease files identifying missing information (insurance certificates) and preparing to bring any expired leases to Council for consideration and possible renewal. Finally, staff advise that they have updated processes and</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#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.</p>	<p>Economic Development</p>	<p>Partly Implemented</p>	<p>procedures that will result in an annual review of all facility leases that are the responsibility of OED Real Estate. Target date: 12-14.</p> <p><b>Auditor's update as of June 2010:</b> 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.</p> <p>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.</p> <p><b>Auditor's update as of December 2010:</b> Staff is identifying all of the City's leases and other long-term agreements to CBO organizations and their rental subsidy estimates. Real Estate Division and OED staff are working together to ensure that the list of all City funding to CBOs is complete and will be reported annually to City Council. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> See Recommendation #3.</p> <p><b>Auditor's update as of December 2011:</b> No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in Real Estate. Staff will be developing and implementing the streamlined processes during the next 18 months. Rental subsidies of the CBO leases will be included in the annual public report when available. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> Staff is working to provide this information to the City Council for each lease holder over the next 18 months. Target date: 12-14.</p> <p><b>Auditor's update as of December 2013:</b> In process. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Staff advise that spreadsheets have been updated for the City as Landlord, City as Tenant, and Revenue tracking for 2014-2015 and that OED Real Estate has been monitoring these updates. Staff are completing the review of hard and soft copy lease files identifying missing information (such as insurance certificates) and are preparing to bring any expired leases to Council for consideration and possible renewal. Finally, staff advise that they have updated processes and procedures that will result in an annual review of all facility leases that are the responsibility of OED Real Estate. The annual review of each lease will include an estimate of current market rent and a comparison of the current lease amount to the current market rent. Target date: 12-14.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#17: Establish an approval/renewal process for CBO leases and other agreements for long-term use for City-owned properties as they come due.</p>	<p>Economic Development</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> No change.</p> <p><b>Auditor's update as of June 2011:</b> The CBO leases and agreements for long-term use of City-owned facilities have different lease terms and conditions which is monitored by the Real Estate and Asset Management Division. As individual leases and agreements approach the expiration dates, the leases and agreements are re-negotiated in accordance with Council Policy. Revised policy will be presented to Council in March 2012. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in the Real Estate Division. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> In process. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> Staff will update policies and procedures once other recommendations are in place. Target date: 6-15.</p> <p><b>Auditor's update as of December 2013:</b> In process. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Staff advise that spreadsheets have been updated for City as Landlord, City as Tenant, and Revenue tracking for 2014-2015 that OED Real Estate has been monitoring. Staff also advise that they are completing the review of hard and soft copy lease files identifying missing information (such as insurance certificates) and preparing to bring any expired leases to Council for consideration and possible renewal. Finally, staff advise that they have updated processes and procedures that will result in an annual review of all facility leases that are the responsibility of OED Real Estate. Target date: 12-14.</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, 12 were previously implemented or closed, and 3 are partly 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.</p>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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 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.</p> <p><b>Auditor's update as of December 2010:</b> 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 a vendor has been selected.</p> <p>A Notice of Intent to Award was issued on December 6, 2010. The Department is currently negotiating a contract with the intended vendor and will bring the contract to the City Council for consideration on March 1, 2011.</p> <p>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 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.</p> <p><b>Auditor's update as of June 2011:</b> The contract with Versaterm was approved by the City Council in March 1, 2011. Training of Sworn Personnel on the new system is set to begin in January of 2012. The project is still scheduled to be implemented by April 2012.</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of December 2011:</b> Training of Sworn Personnel on the new system is now set to begin in March 2012. All three phases of the project are scheduled to be completed in June 2013.</p> <p><b>Auditor's update as of June 2012:</b> The new RMS will "go-live" on July 1, 2011. After "go-live," the Crime Analysis Unit will begin configuring the system to allow for limited near real-time mapping. This entire project is scheduled to be completed in June 2013. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> SJPD advises that the new RMS went live on 7-1-12. The Auto Theft unit currently gives periodic updates to Patrol. However, the real-time mapping information project is still in process and will continue once the contract with the vendor, The Omega Group, has been approved and paid. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> The Auto Theft unit gives periodic updates to Patrol with a quarterly newsletter. The Department advises that communication with the Auto Theft Task Force is minimal, and monthly meetings are no longer conducted due to staffing levels. The real-time mapping project is still in process. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#5: Explore the feasibility of using specially trained civilian staff for administrative assignments such as in-custody arrest documentation.</p>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> The Department continues to evaluate positions throughout the Police Department that could benefit from civilianization. Target date: TBD.</p> <p><b>Auditor's update as of December 2010:</b> The Police Department advises that it has developed a short-term plan to civilianize 15 positions in FY 2011-12. Positions in the Auto Theft Unit are not anticipated to be included in the FY 2011-12 proposal; however, the Department will continue to evaluate positions throughout the Police Department that could benefit from civilianization. Once positions are identified, the Department will work with the City's Budget Office and Human Resources in terms of identifying appropriate job classifications and recruitment processes. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Due to budgetary issues facing the Department in FY 10-11, a reorganization of the Bureau of Investigations took place in July 2011. The reorganization led to cuts in many BOI personnel, primarily in property-related crimes. The reorganization resulted in the Auto Theft Unit being reduced to two (2) officers. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. While the Auto Theft Unit has been reduced to two (2) officers, there are still elements of administrative work that could potentially be completed by civilians, thereby freeing up the sworn officers' time and responsibilities.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p>



Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
<p>#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.</p>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> The Automated Field Reporting/Records Management System (AFR/RMS) Request for Proposal (RFP) was finalized and a vendor has been selected. A Notice of Intent to Award was issued on December 6, 2010. The Department is currently negotiating a contract with the intended vendor and will bring the contract to the City Council for consideration on March 1, 2011. Quality control processes and elimination of redundancy are requirements mentioned in the RFP. Target date: 12-12.</p> <p><b>Auditor's update as of June 2011:</b> The Department has selected a vendor and the AFR/RMS implementation process is underway. Quality control processes and elimination of redundancy are requirements mentioned in the RFP. The Department has created an AFR/RMS Implementation Team consisting of employees from various Units within the Department. This team has worked with all Units, including Auto Theft, to ensure that quality control processes are implemented and redundancies are eliminated. Target date: 12-12.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> The new RMS will "go-live" on July 1, 2012. The AFR/RMS team will work with Auto Theft Unit personnel to ensure redundant processes are eliminated. Once the Department becomes comfortable with the new system, we will begin establishing quality control processes. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> SJPd advises that RMS went live on July 1, 2012. Currently RMS is being used for the management of the reports – all other paper processes and manual duplicate data entry processes remain the same. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> The Department advises that California Highway Patrol (CHP) 180 and CHP 555 forms are currently being scanned into the AFR system, but that the process is not yet automated. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

## 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, 7 were previously implemented or closed, and 3 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 amount that the City should attempt to recover from the Corps.

City Manager

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 – 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.

**Auditor's update as of December 2010:** As described in Recommendation #2 below, the Corps' fulfillment of obligations under the Settlement Agreement has been delayed. Prior to June 30, 2011, the Administration plans to recommend that the City Council extend the repayment date in the Settlement Agreement to grant the Corps time needed to fulfill its obligations. Target date: 3-12.

**Auditor's update as of June 2011:** See Recommendation #2 below.

**Auditor's update as of December 2011:** See Recommendation #2.

**Auditor's update as of June 2012:** See Recommendation #2 below.

**Auditor's update as of December 2012:** See Recommendation #2 below.

**Auditor's update as of June 2013:** See Recommendation #2.

**Auditor's update as of December 2013:** See Recommendation #2.

**Auditor's update as of June 2014:** No change. Target date: 12-14.

#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 Manager

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

Audit Report and Recommendation	Department	Current Status	Comments
			<p>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.</p> <p><b>Auditor's update as of December 2010:</b> The Corps completed the project to remove the footbridge at Thompson Creek. PRNS inspected the project on January 5, 2011 and determined that it met the standards and criteria agreed upon by the City and the Corps. According to the Administration, the project in Alum Rock Park will be implemented in the fall of 2011 just prior to the rainy season so that winter rains support the native vegetation the Corps will plant (there is no irrigation system in the project's vicinity). Prior to June 30, 2011, the Administration plans to recommend that the City Council extend the repayment date in the Settlement Agreement to grant the Corps time needed to complete its work. Target date: 3-12.</p> <p><b>Auditor's update as of June 2011:</b> In June 2011, the City Council extended the Settlement Agreement's repayment date to allow the Corps to complete the approved Additional Services in Alum Rock Park in the fall 2011. The work is expected to commence prior to the rainy season and be completed by December 31, 2011, thereby fulfilling Settlement Agreement repayment obligations at that time. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> The Corps has not been able to complete the work in Alum Rock Park due to unseasonably dry winter weather. As noted above, the project will be implemented just prior to the rainy season so that winter rains support the native vegetation the Corps will plant (there is no irrigation system in the project's vicinity). The lack of rain has caused the Corps to delay planting the California native plants. The Corps has requested an additional 12-month extension, as permitted under the City Council's prior extension to the Settlement Agreement's repayment date, to plant and hand water the vegetation if necessary. The work is now expected to be completed by December 2012, thereby fulfilling Settlement Agreement repayment obligations at that time. Target date: 12-12.</p> <p><b>Auditor's update as of June 2012:</b> The Corps has completed the Alum</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>Rock Park Trail Project to PRNS staff satisfaction. The Corps must also provide, within 120 days after the end of the Corps' fiscal year, certification by its independent auditor that the Corps has implemented and continuously maintained the "Additional Fiscal Management Capacity Measures" outlined in the Settlement Agreement. On August 6, 2012, the Corps submitted a request to extend the audit completion date to February 1, 2013. This request is currently under consideration by the City Manager. Target date: 3-13.</p> <p><b>Auditor's update as of December 2012:</b> On November 1, 2012, the Corps provided an independent auditor's certification, as required by the Settlement Agreement, which the City Manager's Office reviewed and deemed satisfactory. The City Attorney's Office will prepare an official response from the City releasing the Corps from the Settlement Agreement. Target date: 3-13.</p> <p><b>Auditor's update as of June 2013:</b> The City Attorney's Office has prepared a draft response from the City releasing the Corps from the Settlement Agreement. According to staff, the response is under review and is expected to be sent to the Corps by the end of August 2013. Target date: 9-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>

<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.</p>	City Manager	Partly Implemented	<p>See Recommendation #2.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
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**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, 14 were previously implemented or closed, 1 is partly implemented, and 2 are not implemented.**

<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>	Human Resources and Employee Relations	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> For unrepresented employees and employees represented by ABMEI, POA and ALP, the City implemented eligibility changes such that a City employee who receives health care coverage as a dependent of another City employee or retiree should be deemed not eligible for family coverage. As a result, employees who were receiving family in-lieu payments were moved to single lieu status-decreasing, but not eliminating, their monthly payment amount. 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</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			<p>Human Resources, the City will pursue a similar limitation for other City employees. Human Resources has begun identifying affected employees, and is working to develop ways of enforcing the limitation. Target date: Varies by employee group.</p> <p><b>Auditor's update as of December 2010:</b> Human Resources developed and implemented a process to identify double-covered employees, and during the 2010 open enrollment period, alerted affected employees of the change. The City is currently pursuing a similar change for other City employees who are not prohibited from double coverage (AEA, CEO, IAFF, IBEW, MEF, CAMP, OE3). Target date: Varies by employee group.</p> <p><b>Auditor's update as of June 2011:</b> City employees continue to collect health in-lieu payments even though they are covered as dependents on City-sponsored plans; however, payouts for most employees have decreased from \$5,768 per year (the family rate) to \$2,316 per year (the single rate). For employees represented by CEO and covered as dependents on City-sponsored plans, annual in-lieu payments will decrease from \$5,768 to \$2,316 beginning October 2011. Even though the new in-lieu amounts are significantly less than previous ones, they still qualify as dual coverage, and account for over \$100,000 per year in excess costs to the City. In addition to this excess cost, the health in-lieu program presents additional costs in the following ways:</p> <ul style="list-style-type: none"> <li>• Employees represented by IAFF who receive coverage as a dependent of another City employee continue to be eligible for \$5,768 per year in in-lieu payments.</li> <li>• Unrepresented employees who are covered by City-provided medical plans through City retirees' plans continue to be eligible for \$5,768 per year in in-lieu payments.</li> </ul> <p>City employees are prohibited from being simultaneously covered by City-provided medical benefits as a main subscriber and as a dependent of another City employee, so it would be consistent for the City to pursue a prohibition on employees from being covered by City medical benefits while collecting in-lieu payments. The intent of the in-lieu program was to provide an incentive for employees who could, to opt into outside medical coverage. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> The intent of the in-lieu program was to provide an incentive for employees who could, to waive City coverage and elect into outside medical coverage. However, City employees continue to collect health in-lieu payments even though they are covered as dependents on City-sponsored plans. We estimate the City incurs \$423,000 in excess costs per year because:</p> <ul style="list-style-type: none"> <li>• Employees represented by OE3, ABMEI, IBEW, AMSP, AEA, CAMP, POA, MEF, CEO and Unit 99 continue to collect single health-in-lieu payments (totaling \$2,316 per year) even though they are dependents on City family plans. This allowance</li> </ul>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>currently benefits an estimated 160 employees, and results in an estimated \$360K in annual excess costs to the City.</p> <ul style="list-style-type: none"> <li>Unrepresented employees and employees represented by IAFF who are covered by City plans continue to be eligible for \$5,768 per year in family in-lieu payments. This allowance currently benefits an estimated 11 employees, and results in an estimated \$63K in annual excess costs to the City.</li> </ul> <p>City employees are prohibited from being simultaneously covered by City-provided medical benefits as a main subscriber and as a dependent of another City employee, so it would be consistent for the City to pursue a prohibition on employees from being covered by City medical benefits while collecting in-lieu payments. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> Effective June 24, 2012, unrepresented employees are no longer eligible to collect \$5,768 per year in family in-lieu payments. However, employees represented by IAFF who are covered by City plans continue to be eligible for \$5,758 per year in family in-lieu payments. Furthermore, at least 125 employees continue to receive \$2,316 per year in single in-lieu payments, even though they are already covered by City plans. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> Employees represented by IAFF who are covered by City plans continue to be eligible for \$5,758 per year in family in-lieu payments. The Office of Employee Relations plans to begin negotiations with IAFF Local 230. Furthermore, citywide, at least 125 employees continue to receive \$2,316 per year in single in-lieu payments, even though they are already covered by City plans. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change.</p> <p><b>Auditor's update as of December 2013:</b> No agreement has been reached with IAFF.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
<p>#15: Clarify the rights of City retirees to suspend and re-enroll in their medical benefits.</p>	<p>Retirement and City Attorney</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>have potential meet-and-confer implications. Target date: TBD.</p> <p><b>Auditor's update as of December 2010:</b> No change.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> No change.</p> <p><b>Auditor's update as of December 2012:</b> The intent of this recommendation was to change the Municipal Code to allow retirees the flexibility to enroll in a retiree medical in-lieu plan as described in Recommendation #16. Recommendation #15 is on hold pending a determination of the feasibility of Recommendation #16. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> According to the City Attorney's Office, staff is drafting an amendment to the Municipal Code to address this issue and plans to bring it to the City Council for its consideration. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> 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, Human Resources, and Employee Relations</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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><b>Auditor's update as of December 2010:</b> No change.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> No change.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The City is currently in discussions with the City's bargaining units on this item as part of the Retiree Healthcare Working Group process. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> At the time of our audit, we conservatively estimated potential savings of between \$250,000 and \$1 million in the first year of a retiree in-lieu program. We should note that as premiums of City-sponsored medical plans and the number of qualified</p>

City retirees rise, so do the potential savings from implementing an in-lieu program for qualified City retirees. Such a program could also improve the City's projected long-term retiree healthcare liability – potentially impacting long-term retiree health care contribution rates.

## 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.**

While preparing the City's first annual *Service Efforts and Accomplishments (SEA) Report* 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 *management* 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.

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.

- Develop a performance management system.
- Promote data-driven decision making.
- Evolving meeting content and format should be expected.
- Periodic assessments of the performance management system.
- 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.

City Manager

Partly  
Implemented

**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.

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.

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.

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. 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.

**Auditor's update as of December 2010:** In addition to the above results, the City Auditor's Office coordinated 2009-10 performance measure data gathering with the Budget Office.

The City Auditor's Office continues to provide performance measurement and management trainings to interested City employees and in February



Audit Report and Recommendation	Department	Current Status	Comments
<ul style="list-style-type: none"> <li>• Consider use of information systems.</li> <li>• Clarify core service names.</li> <li>• Clarify the link between mission, goals, and objectives.</li> <li>• Obtain the net cost of services.</li> <li>• Allocate strategic support to individual core services.</li> <li>• Increase use of efficiency measures.</li> </ul>			<p>2011, to the City's Innovation Incubator teams.</p> <p>At the request of the City Manager's Office, in February 2011, the City Auditor's Office began presenting in depth performance information at weekly Issues Working Group meetings (IWG) to senior management to discuss departmental performance and problems.</p> <p><b>Auditor's update as of June 2011:</b> The Administration's IWG meetings were completed with a focus on basic service levels in each department. The Auditor's workplan for 2011-12 includes audits of the Airport's public safety level of service performance metrics and the Fire Departments' performance measures.</p> <p><b>Auditor's update as of December 2011:</b> The City has not yet begun the process of actively moving from measurement to management but has significantly improved performance measurement and is working to further improve in this area.</p> <p>The City Manager's Budget Office is leading the City's performance measurement management and reporting. Every year during budget preparation, departmental staff are encouraged to evaluate performance measures to determine if any reductions, modifications, or additions are necessary to ensure that the measures are useful, meaningful, and sustainable as well as reflective of the major services provided. In 2010-2011, there were a total of 839 measures city-wide. In 2011-2012, the total number of measures reported was reduced to 791. This effort is particularly important given the significant organizational changes that have been necessary in recent years due to deep budget cuts.</p> <p>In addition, the Budget Office evaluated the line items in the City-Wide Expenses category to determine if those expenditure items could be allocated to a particular department and core service. Based on this analysis, several line items in the City-Wide Expenses category were reallocated to departments as part of the 2010-2011 Adopted Budget.</p> <p>To continue with efforts to streamline the data reporting and collecting process, the Budget Office created a template in 2011-2012 that was used to collect actual 2010-2011 performance data from departments, report that data to the Auditor's Office for the 2010-2011 Service Efforts and Accomplishments Report, and prepare the Performance Measure tables that will be included in the 2012-2013 Proposed Operating Budget. This simplifies the data submittal process for departments and helps ensure consistency in the data reported.</p> <p>The Budget Office also continues to work with departments to streamline and clarify core service titles to provide more meaningful and clear names that better describe the particular City operations. Additional changes are expected to be brought forward as part of the 2012-2013 Proposed Budget.</p> <p><b>Auditor's update as of June 2012:</b> The City continues to make improvements to the performance measurement and reporting process.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p data-bbox="1220 175 2005 667">During the preparation of the 2012-2013 Proposed Budget, the Administration continued to clarify core service names for various departments such as the Airport Department and the Office of Economic Development. Also, 66 Performance Measures and Activity &amp; Workload Highlights were deleted and 22 measures were added from a starting point of 791 measures for a net reduction of 44 or 6 percent. The Administration updates these measures and considers the information reported through these measures as part of the development of the annual Proposed Budget. As an example of updating departmental performance measures, the Administration and the City Auditor worked closely together as part of the May 2012 issued audit titled “<i>Review of Fire Department Performance Measures: Improving the Usefulness of Data.</i>” As a result of this work, it was determined that there were several measures in the Fire Department that were not meaningful and could therefore be eliminated or language could be revised. In fact, from this detailed review of Fire Department measures, it was determined that a net of 10 performance measures out of a total of 49 (or 20%) could be eliminated.</p> <p data-bbox="1220 678 2005 870">The recent audit of the Fire Department’s measures brought together the Administration and Auditor’s experts in reviewing and improving a department’s performance measurement and management system. Due to the success of this effort, the Administration and the City Auditor’s Offices will identify more departments for a performance measure review, with a review of the performance measures for the Office of Economic Development on the Auditor’s FY 2012-13 workplan.</p> <p data-bbox="1220 881 2005 1127">As part of the FY 2012-13 City Manager’s Office workplan, the Administration will start the process to develop and/or standardize performance measure methodology sheets for all departments. Through this process, the Administration with assistance from the City Auditor’s Office, as needed, will guide departments to adjust and/or develop additional measures which are meaningful, useful, and sustainable or delete measures which cannot meet these goals. Parallel to this effort, the Administration has begun exploring automating the City’s Performance Measurement and Management System.</p> <p data-bbox="1220 1138 2005 1330"><b>Auditor’s update as of December 2012:</b> As part of the 2013-14 budget process, the Administration requested departments’ performance measure revisions (additions, reductions and modifications) two months earlier than in the past in hopes that the performance measures will be considered in the context of their budget proposal strategies since this earlier due date coincides with submission of the following year’s budget proposals.</p> <p data-bbox="1220 1341 2005 1442">The Budget Office and the Auditor’s Office also collaborated to provide performance measure and budget actuals data in one shared location rather than asking departments for data separately at different points in time.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>Also during this period, the Budget Office began the process of reviewing and updating performance measure methodology sheets for the entire organization including updating the Methodology Sheet form. In November 2012, departments were directed to use the new methodology sheet when submitting requests for new or revised performance measures. Departments were further directed to complete the methodology sheets for their unchanged measures by the end of August 2013, with the goal of having a complete set of methodology sheets for all departments by the fall of 2013. Once compiled, these methodology sheets will be reviewed as part of the annual performance measure review process.</p> <p>Further, the Auditor's Office began an audit (completed in February 2013) of the Office of Economic Development's performance measures which recommended changes to improve that departments performance measures.</p> <p><b>Auditor's update as of June 2013:</b> Progress has continued on the project to update the performance measure methodology worksheets, with the goal of having a complete set of methodology sheets by fall 2013. The Budget Office has also been working with the Information Technology Department to develop a SharePoint database for performance measures. In the first phase, departments will be able to enter the performance measure methodologies into the SharePoint site. Training on this phase is scheduled for July 31, 2013. The next phase will enable departments to enter the actual performance measure data that is used in the development of the Annual Budget and the City Auditor's Service Efforts and Accomplishments Report.</p> <p><b>Auditor's update as of December 2013:</b> There was significant work and collaboration between the Budget Office, Information Technology Department and performance measure contacts in each of the departments. The Budget Office held several training sessions to update staff city wide on the new Sharepoint performance measurement database. City departments were asked to submit complete sets of performance measure methodology worksheets directly into SharePoint this fall and the Budget Office found that for the most part, this had occurred although many methodology sheets were not highly detailed or complete. The Budget Office and Information Technology Department prepared the database to receive 2012-2013 year-end performance measure data actuals and many departments submitted their performance information through the system. Also, a module was added to SharePoint to enable the Auditor's Office to have access to the content in the methodology sheets and the year-end actuals data and to provide their comments, notes, and feedback. This was the first time the database became the primary source for sharing information with the Auditor's Office for the production of their Service Efforts and Accomplishments Report. The Budget Office will continue to work with departments to ensure that methodology sheets and performance</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>measure data are complete and accurate.</p> <p><b>Auditor's update as of June 2014:</b> Interdepartmental collaboration continues across the city-wide performance measures program. After the production of the Auditor's Service Efforts and Accomplishments (SEA) Report, the Auditor and Budget Offices met to exchange department performance measure data collection information. In preparation for the SEA Report, the Auditor's Office reviewed fiscal year 2012-13 data submitted by departments into the new SharePoint performance data system, which is also used by the Budget Office in their analysis of current and projected performance measure activity levels. The Auditor's review also contributed to the consideration and analysis of performance measure changes, leading to the continued modification of department performance measures. Several more performance measures were deleted or changed – and added when most appropriate – during this period. The SharePoint solution for performance measure reporting served as the primary resource to house all 2012-13 actual, 2013-14 Estimated, 2014-15 Target, and a set of a department's performance measure methodology sheets.</p>

**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 previously implemented or closed, 6 are partly implemented, and 7 are not implemented.**

<p>#2: Review the highest 12-month salary of all active beneficiaries starting in July 1, 2001<sup>1</sup> and work with Payroll to adjust those with retroactive lump sum payments to ensure that beneficiaries are receiving accurate pensions.</p>	<p>Retirement and Payroll</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> Payroll has run a Peoplesoft query of retroactive lump sum payments and is working to identify material amounts that will need further investigation. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Finance/Payroll will provide the query and work with Retirement Services to determine which retroactive transactions will need to be broken down into pay periods for their analysis of the highest 12-month salary and possible adjustment of benefits. Target date: 9-11.</p> <p><b>Auditor's update as of December 2011:</b> Going forward, Payroll began identifying and spreading lump sum payments for all sums received after the audit issuance and Retirement added a step to their benefits set-up procedures to identify any lump sum payments in a retiree's highest year. There has been no additional progress on fixing the errors already made that we identified in our audit report due to resource constraints. Payroll has a vacant Senior Accountant position and a vacant Accountant</p>
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<sup>1</sup> 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.

Audit Report and Recommendation	Department	Current Status	Comments
			<p>position. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> Payroll will provide to Retirement a list of employees who have retired and who received retroactive lump sum payments but needs direction from Retirement on how to proceed with adjustments. Target date: 3-13.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> Payroll sent a new file to Retirement Services in January 2014, which will be reviewed. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Retirement Services recently received a file with the retroactive lump sum payments in the format that they need to make adjustments. Retirement Services will review this file and make adjustments as needed to the pension administration system. Since all recalculations of the pension amounts are done manually, Retirement Services will coordinate all recalculations at the same time after all adjustments have been completed. Target date: December 2014 for the adjustments to the pension administration system. TBD for manual recalculation.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Corrections to pensions of sample retirees we reviewed can be expected to save the Retirement Funds \$648,000 over the life expectancy of the retirees. Additional savings could be identified based on a review of the entire retiree membership, and would lower City contributions by an amount TBD.</p>
<p>#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.</p>	<p>Retirement, Payroll, and Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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 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><b>Auditor's update as of December 2010:</b> In May 2010, Finance corrected the treatment of Higher Class Pay (HCL) on a go forward basis. Finance has computed the required adjustments to pensionable earnings</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>and the related retirement contributions, by pay period, for HCL retroactively which they will provide to Retirement Services by the end of March 2011. Higher Class Pay was used by almost 900 employees in FY 2009-10 for a total of about \$713,000 in earnings and by 714 employees for about \$455,000 through mid-February in FY 2010-11 in non-pensionable earnings. Management Allowances have not been corrected. Management Allowances were used by 28 employees in FY 2009-10 for a total of just over \$52,000 in pensionable earnings. Target date: 5-11.</p> <p><b>Auditor's update as of June 2011:</b> In June 2011, Payroll inactivated Management Allowances on a go forward basis. Also, Finance has calculated the contribution overpayment for Higher Class Pay and will prepare a transmittal memo to Retirement Services. Target date: 9-11.</p> <p><b>Auditor's update as of December 2011:</b> There has been no additional progress due to resource constraints. Payroll has a vacant Senior Accountant position and a vacant Accountant position. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> Payroll is finalizing the computations necessary to correctly reflect HCL payments as non-pensionable for all affected active employees. Payroll will provide the transmittal correction file to Retirement Services when completed. Target date: 9-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> Payroll has submitted a file to Retirement with corrections to the HCL payments. Retirement is still testing the data but meets with Payroll biweekly to review this outstanding issue and expects to begin HCL corrections soon. Target date: 6-14.</p> <p><b>Auditor's update as of December 2013:</b> The report received from Finance contained over 550 discrepancies that Retirement has asked Finance to review. Once the discrepancies have been resolved, Retirement will make the corrections as needed. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Retirement Services has narrowed down the discrepancies and will work with Finance to finalize adjustment amounts to the member files. The recalculation and adjustments to member accounts in the pension administration system is expected to be a long-term project because all the calculations have to be done manually. Target date: 12-14 for concurrence with Finance on the adjustment amounts. TBD for manual recalculation</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Corrections to pensions of sample retirees we reviewed can be expected to save the Retirement Funds \$925,126 over the life expectancy of the retirees. Additional savings could be identified based on a review of the entire retiree membership, and would lower contributions from the City to the funds by an amount TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<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>	Employee Relations	Not Implemented	<p><b>Auditor's update as of June 2010:</b> 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><b>Auditor's update as of December 2010:</b> In addition to ensuring future pays are specified as pensionable, the City should amend the Municipal Code to clarify which of the existing pay codes are pensionable. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> No change.</p> <p><b>Auditor's update as of December 2012:</b> No change.</p> <p><b>Auditor's update as of June 2013:</b> No change.</p> <p><b>Auditor's update as of December 2013:</b> The City is in the process of evaluating current pensionable earning codes to determine the necessary changes to the Municipal Code. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. 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 and Payroll	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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 &amp; 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><b>Auditor's update as of December 2010:</b> Macias, Gini &amp; O'Connell (MGO), the Plan's external auditor, has completed an Agreed Upon Procedures memo comparing data between Peoplesoft and PensionGold. This review included testing of the FLSA correction file prepared by Finance. The memo went to the Plan boards in December 2010 and found many discrepancies between the two systems. Most of the</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>discrepancies appeared to be explainable and/or immaterial differences such as slight differences in retirement start dates, however some discrepancies may have impacts on pension calculations and should be reviewed by Payroll and Retirement. Retirement has requested information from Payroll to correct the discrepancies but Finance has not had the resources to commit to researching and providing the calculations for the items requested by MGO to date. Retirement has stated that they are willing to accept that some discrepancies are not worth researching and correcting but they would like Finance to definitively state which. Additionally, the City Attorney's Office has stated in the past that the City has only a three year window to correct past retirement contribution mistakes; if that is the case for the FLSA mistake then the City is almost out of time to collect any overpayments to the Plans. The FLSA issue was corrected on a go forward basis in July 2008, two and a half years ago, so only six months of mistakes still fall in the three year window. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> Finance has responded to the Retirement board on the items identified by MGO. Their analysis on the difference found that many of the items were caused by differences in paper timecards and the adjusted electronic payroll system date used by Finance. As stated by Retirement Services, these items and other items in the audit report were immaterial. Finance will correct discrepancies identified, related to contribution and pensionable earnings related to FLSA during the period from July 1999 to October 1999. Finance will provide corrected reports even though this period is outside of the 3-year window. The adjusted report will be provided to Retirement Services by September 30, 2011. Target date: 9-11.</p> <p><b>Auditor's update as of December 2011:</b> Finance is working to complete their review of FLSA issues by March to present their changes to the March Police and Fire Board Meeting. Shortly thereafter, Finance plans to put the changed data into an uploadable format for Retirement to use. Retirement is optimistic that they will be finished with their data entry and pension adjustments related to FLSA issues by the end of 2012. Target date: 12-12.</p> <p><b>Auditor's update as of June 2012:</b> Finance completed the return of FLSA retirement contributions to active employees in June 2012, however, due to a problem in the file transfer Retirement has not been able to determine the potential impact on retirees and no determination has been made as to whether their records can be corrected. Target date: 10-12.</p> <p><b>Auditor's update as of December 2012:</b> The Finance Department provided a revised transmittal file to Retirement Services but Retirement found some discrepancies and asked for Finance to correct the discrepancies and resubmit the file. The Police and Fire Pension Board receives an oral update on the status of this recommendation at each</p>



Audit Report and Recommendation	Department	Current Status	Comments
			<p>meeting which should also aid in its implementation. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> Finance submitted another, corrected file to Retirement in March. Retirement is still testing the file and meets with Payroll biweekly to go over this and other outstanding issues. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> Retirement has identified discrepancies that they are still in the process of reconciling with Finance. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Retirement Services has narrowed down the discrepancies and will work with Finance to finalize adjustment amounts to the member files. The recalculation and adjustments to member accounts in the pension administration system is expected to be a long-term project because all the calculations have to be done manually. Target date: 12-14 for concurrence with Finance on the adjustment amounts. TBD for manual recalculation</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</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>	<p>Payroll and Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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 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.</p> <p><b>Auditor's update as of December 2010:</b> This item has been delayed due to other priorities related for payroll. It will be brought before the Human Resources/Payroll Steering Committee in the upcoming meetings. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The department plans to begin implementation early next year when it begins converting to an upgraded, new Payroll system. Target date: 12-15.</p>

Audit Report and Recommendation	Department	Current Status	Comments
#8: Conduct periodic reviews of all codes to cull duplicative or unused codes.	Payroll and Employee Relations	Not Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> See Recommendation #7.</p> <p><b>Auditor's update as of June 2011:</b> Payroll has conducted some minor reviews of codes when requested through the Steering Committee, however, due to staffing issues/other priorities there are no current plans to review all the codes. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The department plans to start conducting reviews in January 2015 as part of the implementation of the new Payroll System. Target date: 12-15.</p>
#9: Correct past errors and review all codes to ensure that codes are only available for use to applicable work groups.	Payroll and Employee Relations	Not Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> See Recommendation #7.</p> <p><b>Auditor's update as of June 2011:</b> See Recommendation #8. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The department plans to add codes to the new Payroll system in a way that ensures that codes are only used for applicable work groups. Corrections to past errors are not currently planned. Target date: Spring 2015 for ensuring code availability moving forward, TBD for correcting past errors.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#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.</p>	Payroll	Not Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> See Recommendation #7.</p> <p><b>Auditor's update as of June 2011:</b> Payroll has inactivated the Cancer Screening Release Time code that is no longer used. They currently do not have the staff to monitor and restrict usage for other strict-use codes. According to Payroll, effective monitoring of these types of codes would require advanced IT programming set up by ITD staff as well as querying run by Payroll. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> Payroll plans to delegate this type of review to department timekeepers once Payroll is able to provide comprehensive timekeeper trainings with some regularity. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#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.</p>	Payroll	Not Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> See Recommendation #7.</p> <p><b>Auditor's update as of June 2011:</b> Finance plans to coordinate with OER to combine the OER conducted annual training for timekeepers with Payroll to include supervisors and broaden topics covered in the training. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> : Payroll plans to begin trainings for timekeepers as part of the new Timekeeping module in the new Payroll system which is scheduled for implementation starting in January 2015. Target date: Spring 2015.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#12: Provide timekeepers with written procedures and consider having them conduct the periodic monitoring of time codes.</p>	Payroll	Not Implemented	<p><b>Auditor's update as of June 2010:</b> Payroll is in the process of developing written procedures for timekeepers requiring increased monitoring of the use of time codes. Target date: 3-11.</p> <p><b>Auditor's update as of December 2010:</b> Little progress has been made on this project due to year end processing priorities. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> The written procedures are still being developed and will be available for the next scheduled annual training for timekeepers. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Payroll plans to begin providing written procedures in conjunction with the new Payroll system. Target date: Spring 2015.</p>
<p>#13: Consider amending the Municipal Code to calculate final compensation as the highest base salary received, with suitable exceptions.</p>	Employee Relations	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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><b>Auditor's update as of December 2010:</b> The City has begun negotiating second tier benefits for all new hires and is proposing changing the determination of final average salary in the new plan. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> The City is continuing to negotiate the determination of final average salary. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> The City is planning to put opt-in and second tier retirement plans on the ballot in June which would address this issue. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> Measure B, which was approved by the voters in June 2012 addresses this issue, as does the proposed second tier for new Federated employees. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The final average salary in calculating pension benefits for Federated employees hired, reinstated or rehired on or after September 30, 2012, will be a three year final average salary calculation. The City is working towards implementing a voluntary opt-in retirement tier for current employees that includes this definition of compensation. The City is also working towards a second tier retirement benefit for the Police and Fire Plan. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The City has established second tier</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>retirement benefits for Police that will apply to all employees, hired, rehired or reinstated on or after August 4, 2013. Second tier for Police includes this provision. The City is still working on implementing a second tier for firefighters. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The City went to arbitration with IAFF Local 230 regarding second tier benefits and is awaiting the arbitrator's decision. Target date: Awaiting arbitration decision.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Potential savings as a result of our review of sample retirees can be expected to save the Retirement Funds \$720,000 over the life expectancy of the retirees we reviewed. Additional savings to the funds could be identified based on a review of the entire retiree membership and would lower annual required contributions by an amount TBD.</p>
<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>	<p>Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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><b>Auditor's update as of December 2010:</b> The City has begun negotiating second tier benefits for all new hires and is including changing the determination of final average salary in the new plan. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> The City has a proposal on the table in ongoing retirement reform negotiations to effect this change. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> See Recommendation #13. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> See Recommendation #13.</p> <p><b>Auditor's update as of December 2012:</b> Employees hired, reinstated or rehired on or after September 30, 2012, will earn one (1) year of Federated service credit for every 2,080 hours. The City is working towards implementing a voluntary opt-in retirement tier for current employees that includes this service credit. The City is also working towards a second tier retirement benefit for the Police and Fire Plan. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The City is waiting for the IRS to rule on whether the opt-in retirement plan can be offered to active employees. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The City has implemented a second tier retirement benefit for Police.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> See Recommendation #13.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<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>	<p>Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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><b>Auditor's update as of December 2010:</b> The City has begun negotiating second tier benefits for all new hires and is proposing changing the determination of final average salary in the new plan. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> Retirement reform negotiations with all bargaining units are currently underway. In addition the City Council has proposed a ballot measure that would effect this change for current and future employees. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> See Recommendation #13. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> See Recommendation #13.</p> <p><b>Auditor's update as of December 2012:</b> The final average salary in calculating pension benefits for Federated employees hired, reinstated or rehired on or after September 30, 2012, will be a three year final average salary calculation. The City is working towards implementing a voluntary opt-in retirement tier for current employees that includes this definition of highest salary. The City is also working towards a second tier retirement benefit for the Police and Fire Plan. Target date: TBD.</p> <p><b>Auditor's update as of June 2013 (Corrected):</b> The City has established second tier retirement benefits for Police that will apply to all employees, hired, rehired or reinstated on or after August 4, 2013. Second tier for Police includes this provision. The City is still working on implementing a second tier for firefighters. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Second tier benefits for IAFF are awaiting the arbitrator's decision. Target date: Awaiting arbitration decision.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Potential savings could be 4 to 6 percent of pension cost as estimated in our audit of pension sustainability September 2010, or about \$6 to \$9 million per year.</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, 5 were previously implemented or closed, 6 are partly implemented, and 2 are not implemented.

#2: Adopt a civilianization policy based on that of the International Association of Chiefs of Police or other best practices the Police Department identifies.

Police

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.

**Auditor's update as of December 2010:** No change. Target date: 9-11.

**Auditor's update as of June 2011:** No change. Target date: 7-12.

**Auditor's update as of December 2011:** No change. Target date: 7-12.

**Auditor's update as of June 2012:** No change. Target date 7-13.

**Auditor's update as of December 2012:** No change. Target date TBD.

**Auditor's update as of June 2013:** No change. Target date: TBD.

**Auditor's update as of December 2013:** No change. Target date: TBD.

**Auditor's update as of June 2014:** No change. Target date: TBD.

#6: Analyze its employment and assignment options regarding *Brady* 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.

Police

Partly  
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.

**Auditor's update as of December 2010:** The Police Department advises it has conducted research on best-practices throughout the State and developed a "Brady" policy which has been approved by the City Attorney's Office and the District Attorney's Office. Management advises that the policy is now in effect. The Auditor's Office notes, however, that the adopted policy differs from the IACP model in that it does not address how or whether Brady status may affect a sworn employee's continued employment. The problem identified in the audit was that the Brady employees were frequently assigned to administrative work that could have been performed by civilians. Target date: TBD.

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of June 2011:</b> The Auditor's Office notes that the current policy does not address how or whether Brady status may affect a sworn employee's continued employment, Police Department management advises that such additional changes in the policy will require further analysis. Such changes are also subject to "meet and confer" with SJPOA. The Department will continue to work with SJPOA, the City Attorney's Office, and all affected stakeholders. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department will continue to analyze the status of <i>Brady</i> officers moving forward. The Department advises that it continues to work with the identified stakeholders about the status of specific <i>Brady</i> officers, which has resulted in some officers returning to the Patrol function. The Department is also looking at utilizing body-worn cameras for the Department. The utilization of body-worn cameras by <i>Brady</i> officers may allow them to move from an administrative to law enforcement function. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Department advises that it developed a policy in 2010 to address this issue. In 2013, several officers meeting the Department's policy were deployed to patrol. Once body-worn cameras are deployed to patrol, the remaining officers meeting this criteria will be deployed to patrol. Any change to the Department's policy is subject to meet and confer. Target date: TBD.</p>
<p>#7: Work with the Human Resources Department to update or create job descriptions to accurately reflect job duties of non-Patrol sworn positions.</p>	<p>Police and Human Resources</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> The Police Department management advises that it will work with individual units to update job descriptions of non-Patrol sworn positions as resources allow. Management advises that the Department faces current and upcoming budget and staffing cuts and because of the challenges and constraints brought about by these cuts, making significant organizational and structural changes at this time will not serve the best interest of the Department and the public. Management advises that it will reevaluate this issue once it gets a better picture of the short-term and long-term impacts brought by the current and upcoming budget cuts. Target date:</p>



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			<p>9-11.</p> <p><b>Auditor's update as of June 2011:</b> The Police Department advises that due to current budget and staffing cuts the target date has been revised. Target date: 7-12.</p> <p><b>Auditor's update as of December 2011:</b> The Police Department advises that due to limited resources both in the Police Department and Human Resources, no progress has been made on this recommendation. Target date: 12-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#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.</p>	<p>Police and Human Resources</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> No change. Target date: 9-11.</p> <p><b>Auditor's update as of June 2011:</b> No change. Target date: 9-11.</p> <p><b>Auditor's update as of December 2011:</b> The Police Department advises that due to limited resources both in the Police Department and Human Resources, no progress has been made on this recommendation. Target date: 12-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Police Department advises that progress is on-going and that the Department has already civilianized several positions throughout the department. The Department advises that it is currently reviewing the Latent Fingerprint Examiner series. In addition, the Department advises that it is looking at other civilian classifications to create promotional or transfer opportunities in other units. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. The Department advises that work is ongoing. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that it has worked closely with HR on the evaluation and review of civilian jobs within the Department, and the departments regularly review status and prioritize work. This year, the Latent Fingerprint Examiner series was completed, and was presented to Council in February 2014 along with the Crisis Intervention Trainer and Assistant Communications Manager. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of June 2014:</b> The Department advises that it has developed a process to review classifications and opportunities to create new civilian classifications. Because the process to create new classifications is lengthy and both departments have limited resources, positions need to be prioritized. PD works closely with HR on the evaluation and review of civilian jobs within the Department, and the departments regularly review status and prioritize work. These efforts are ongoing and the Department considers this recommendation completed. This year, the Latent Fingerprint Examiner series was completed, and was presented to Council in February 2014 along with the Crisis Intervention Trainer and Assistant Communications Manager. Currently, the Department is working on the Crime and Intelligence Analyst series, civilian background investigator, and a supervising crime prevention specialist. Target date: TBD.</p>
<p>#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.</p>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> Police Department management advises that it has developed a short-term plan to civilianize 15 positions in the 2011-12 fiscal year. The proposal would eliminate the sworn positions and add new civilian positions in the appropriate classifications. Target date: 9-11.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that it has civilianized 15 positions in the FY 2011-12 budget. The proposal eliminated certain sworn positions and added new civilian positions. The Department advises that it will continue to explore civilianization opportunities and implement such measures provided that it will maximize efficiencies, result in cost savings, and enhance service delivery. Target date: 7-12.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: 12-12.</p> <p><b>Auditor's update as of June 2012:</b> The Police Department completed an analysis that was submitted to Council in May 2012 (MBA #34). To date, the Department has civilianized 22 positions, including 15 in FY 2011-12 and an additional seven in FY 2012-13 (consisting of four in the Gaming Division and two in the Permits Unit and one in the Personnel Unit). The Department advises that it will continue to explore civilianization opportunities in the context of recent budget reductions and redeployments. The May 2012 report indicated that an additional 52 positions were continuing to be evaluated for potential civilianization</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>opportunities. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Police Department advises that as a part of its ongoing effort of civilianization, SJPd has again proposed positions that can be civilianized in the 2013-2014 Budget Process.</p> <p><b>Auditor's update as of June 2013:</b> The Department advises that civilianization continues to be an ongoing effort. On June 18, 2013, Council approved the addition of 21 CSO positions and 3 Crime Prevention Specialists. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that it continues to work on the implementation of previous civilianization actions, including the CSOs. The short-term plan is to review civilianization opportunities each year through the budget process. The Department advises that it does not currently have the time or resources to establish a long-term civilian staffing plan and that, considering the instability of the budget, it would not be prudent to develop a long-term plan at this time. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> \$5.1 million per year was identified as potential savings in the audit (based on 88 positions). As of June 2012, the Police Department had civilianized 22 positions as well as eliminated various positions, some of which were recommended for civilianization in the audit. The 22 civilianized positions resulted in an estimated savings of \$1.4 million. Additional civilianization would result in more savings. Separate from the 88 positions identified for civilianization in the audit, the City Council approved the creation of 21 Community Service Officers and 3 Crime Prevention Specialists in the FY 2013-2014 Adopted Budget.</p>
<p>#10: Identify partial administrative roles filled by sworn and consider options for civilianization.</p>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that through the budget process, the Department continues to evaluate and consider options for civilianization. This is an ongoing review that the Department has incorporated in its budget development process. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> The Police Department advises that this is an ongoing process. The Department continues to review staffing and resource allocations to determine how best to deploy resources. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Police Department</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>advises that as a part of its ongoing effort of civilianization, SJPD has again proposed positions that can be civilianized in the 2013-2014 Budget Process.</p> <p><b>Auditor's update as of June 2013:</b> The Department advises that civilianization continues to be an ongoing effort. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Police Department management advises that through the budget process, it continues to evaluate and consider options for civilianization. This is an ongoing review that the Department has incorporated in its budget development process. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. The Department advises that work is ongoing. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> See Recommendation #9.</p>
<p>#11: Consider outsourcing the helicopter pilot duties as well as the fixed-wing airplane assignments on an hourly basis.</p>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> The Police Department advises that it has completed the analysis for such outsourcing but has not 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><b>Auditor's update as of December 2010:</b> The Police Department has suspended the Helicopter Program effective in March 2011. The Air Support Unit (of which the Helicopter Program is a part) was reassigned to the Airport Division for greater efficiency, consolidation of supervision and to save money but has not been considered for outsourcing. Target date: 9-11.</p> <p><b>Auditor's update as of June 2011:</b> In the FY 2011-12 budget, the Helicopter Unit continues to be suspended. The suspension includes the elimination (on a one-time basis) of 4 officer positions and 1 sergeant position resulting in a savings of \$1.2 million. The budget states that the Police Department will work to identify service delivery alternatives, including collateral assignment and contract pilots during the one-year suspension. It further states that the proposal does not impact the fixed-wing aircraft which is staffed as a collateral assignment. Target date: 7-12.</p> <p><b>Auditor's update as of December 2011:</b> The Department advises that the Helicopter Unit remains suspended and that the Department has considered outsourcing the helicopter pilots and is in the process of evaluating the cost impact of such a proposal in the FY2012/2013 budget process. Target date: 7-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: 7-13.</p> <p><b>Auditor's update as of December 2012:</b> SJPD advises that it is currently working with the Finance Department to release an RFP to</p>

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			<p>solicit proposals to outsource the helicopter pilot duties. Until this process is complete, the cost/benefit analysis is on hold. At that time, a recommendation will be made to the City Manager's Office or Council. Target date: 7-13.</p> <p><b>Auditor's update as of June 2013:</b> The Department advises that it completed an RFP process for Helicopter Services, but the process did not result in a contract due to cost concerns. The Department will work with HR to explore creating a civilian pilot position. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department has considered outsourcing these duties. An RFP was completed but no contract was sign due to cost concerns. The Department will continue to utilize sworn pilots at this time. However, as noted in recommendation #9 and #10, the Department continues to look for civilianization opportunities. The civilianization of the pilots is under consideration and currently on the workplan for HR and PD to review as time and resources become available. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</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>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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><b>Auditor's update as of December 2010:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> SJPD advises that it is working with the City Manager's Office and the Department of Parks, Recreation and Neighborhood Services to transition the Police Activities League to PRNS. Target date: Fall 2013.</p> <p><b>Auditor's update as of June 2013:</b> The Department is working with the City Manager's Office and PRNS to restructure the PAL program, which will be administered by the Police Department and PRNS. The new program will continue to be staffed by one sergeant and one officer position. Target date: Fall 2013.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that it is currently working with PRNS to develop a new, more efficient model for the PAL program. This new model will be a partnership between PRNS</p>

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and PD to ensure continued success of the PAL program. Target date: Fall 2014.

**Auditor's update as of June 2014:** The Department advises that SJPDPAL and PRNS continue to meet and have formulated business model that would assist PAL in delivery of service. The Department advises that PRNS recommended that PAL operate its programs so that costs are recovered. The Police Department continues to provide 1 sergeant and 1 officer. PAL's last financial statement audit was completed in 2010. Target date: TBD.

**POTENTIAL BUDGET IMPACT:** See Recommendation #9.

**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, 4 were previously implemented or closed, and 4 are partly implemented.**

#1: Complete the update of Finance Administrative Manual Sections 4.0 through 4.6 procedures governing cash handling and revenue collection.	Finance	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> Finance has completed updates to several policy sections. Target date: 3-11.</p> <p><b>Auditor's update as of June 2011:</b> According to Finance Department Administration, procedures are to be finalized and will be posted to the City Administrative Policy Manual. Target date: 10-11.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: 3-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> The Finance department has completed the update of the Finance Administrative Manual Sections 4.0 through 4.6. Updated procedures include check handling, revenue management and overage/shortage policies. The new updated policies will be included in the City Administrative Manual to be available citywide. We will consider this recommendation implemented once the procedures are included and available on the Citywide Administrative Manual. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
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Audit Report and Recommendation	Department	Current Status	Comments
<p>#2: Develop Citywide policies and procedures to require and periodically assess Payment Card Industry compliance at all distributed cash handling sites accepting credit cards.</p>	IT and Finance	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> According to City Administration, an October 1, 2010 deadline for Payment Card Industry (PCI) compliance has been established and the Information Technology Department (IT) is working with the Finance Department and Wells Fargo Bank to meet it. IT 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.</p> <p><b>Auditor's update as of December 2010:</b> According to IT, there has been a delay in identifying consulting resources to complete the information security policy. The City's merchant card processor (Wells Fargo) has granted an extension until the information security policy is approved. Target date: 4-11.</p> <p><b>Auditor's update as of June 2011:</b> According to Information Technology Department Administration, the department has sought additional contractual assistance to complete the information security policy. Target date: 1-12.</p> <p><b>Auditor's update as of December 2011:</b> ITD is currently working the City's information security consultant to finalize a security policy that will be sent forward for Council approval. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> The City's security policy has been drafted and is currently under review by key stakeholders. A final version is expected to be sent to Council for adoption in October 2012. Target date: 10-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: 3-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
<p>#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.</p>	Finance	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> Finance is currently evaluating the feasibility of converting the existing petty cash process from a traditional cash disbursement process to an electronic (Pcard) non-cash process. Pending the outcome of the evaluation Finance will either update existing procedures as currently conceived or draft new procedures to reflect new processes. Target date: 7-11.</p> <p><b>Auditor's update as of June 2011:</b> According to Finance Department Administration, the current process is still under review. Target date: 1-12.</p>

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			<p><b>Auditor's update as of December 2011:</b> No change. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

<p>#5: Complete the update of the 1986 cash shortage/overage procedure to increase the reporting threshold from \$50 to \$100, and implement a reporting form on the Finance Department's intranet website to allow departments to easily file cash shortage/overage reports.</p>	Finance	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> According to the Finance Department, an updated cash overage/shortage procedure has been drafted and will be finalized by December 2010. Target date: 12-10.</p> <p><b>Auditor's update as of December 2010:</b> No change. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> According to Finance Department Administration, the Overage/Shortage reporting form has been posted on the Finance Department's intranet website. In addition, the Overage/Shortage procedure has been drafted and will be posted to the City Administrative Policy Manual. Target date: 10-11.</p> <p><b>Auditor's update as of December 2011:</b> Finance Department is in the process of updating the cash overage/shortage procedure and plans to post it to the City Administrative Policy Manual. Target date: 3-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> The Finance department has increased the reporting threshold for overage/shortage to \$100. The Finance Department's intranet website includes a overage/shortage form. These updates are included in its overage/shortage policy which will be included in the City's Administrative Manual and available to all City employees. We will consider this recommendation implemented once this has been done. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
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**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. Of the 17 recommendations, 14 were previously implemented or closed and 3 are partly implemented.**

<p>#1: Enhance data collection methodology to track community center traffic, daily and hourly attendance, and program participation.</p>	PRNS	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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 staff believes collecting hourly attendance data for other sites is not</p>
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			<p>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.</p> <p><b>Auditor's update as of December 2010:</b> According to PRNS, an initial market scan of people counter systems revealed higher than budgeted costs for hardware and installation. PRNS says that it will continue to pursue people counter systems in the first half of FY 2011-12 by searching for more affordable hardware/installations and/or alternative funding sources. In the interim, PRNS states it has focused data collection efforts on using the Registration and E-Commerce System (RECS). Since the December 2008 initial implementation of RECS, PRNS has implemented a number of functionalities to improve data collection, including class registration, facility reservation and memberships. Target date: 12-11.</p> <p><b>Auditor's update as of June 2011:</b> The process of evaluating different people counter systems was temporarily postponed so staff could evaluate the impact of FY 2011-12 budget reductions on community center staffing and programs. Contingent on securing necessary funding, PRNS estimates implementation of people counter systems in June 2012. Target date: 6-12.</p> <p><b>Auditor's update as of December 2011:</b> The Department is moving forward with securing estimates for people counter systems to install at select community centers. The Division has submitted a budget proposal to the PRNS Capital Unit to secure funds in FY 2012-13 for the purchase of the door counters. The estimated costs per site will range from \$8,500-\$12,500. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> The FY 2012-13 capital budget includes \$65,000 for the Department to install the people counter systems. According to staff, PRNS is currently developing the bid specifications to procure the most viable system for community center use. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> According to PRNS staff, Public Works will be managing the project. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> According to staff, PRNS explored the potential use of the Library Department's current people counter system for community centers and determined that the Library's system does not meet PRNS needs. The Library primarily uses its system for anti-theft and self-checkout purposes, whereas PRNS needs to track community center traffic by hour, day, week and month in order to fully analyze staffing needs.</p> <p>PRNS met with the Department of Public Works (DPW) and will continue to research specific solutions that meet its needs. Once a solution is identified, PRNS will engage the solution manufacturer to determine lead time for material delivery. DPW will perform an initial review of one joint entry facility, one multiple entry facility, and one simple entry facility.</p>

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			<p>DPW will collect and review the floor plans for the 10 hub community centers and will coordinate site visits at each Hub community centers to quantify the number of access points for each site and determine access points that capture the largest share of traffic. DPW will then provide an estimate of work to be performed as well as a project rollout plan. Target date: 9-14.</p> <p><b>Auditor's update as of December 2013:</b> PRNS staff has worked with DPW to select a people counter solution (Sensource) to pilot at three PRNS community centers (Evergreen, Roosevelt and Seven Trees). PRNS expects to launch the pilot in partnership with IT and DPW in April 2014. The pilot is scheduled to end in October 2014. After the pilot period, PRNS and DPW will work with Purchasing to draft an RFP to procure an ongoing solution. Target date: 12-12.</p> <p><b>Auditor's update as of June 2014:</b> PRNS staff is working with IT and DPW to install the people counter solution (Sensource) jointly with the City's Wifi project. This change was mutually agreed upon by PRNS and IT due to the scope of work described in the people counter solution (e.g., Web-based platform, wireless network). According to staff, the Wifi contract is scheduled to be awarded in August 2014 with installation following in September. People counter installation should begin soon thereafter. In preparation, PRNS has supplied IT with the inventory of community centers subject to this joint project, emphasizing HUB centers as the priority. According to Public Works, people counter installation will start with a 6-month pilot period at up to three community centers. After the pilot period, PRNS and DPW staff will evaluate and install people counter equipment in the remaining City-operated community centers as funding allows. Target date: 9-15.</p>
<p>#2: Invest in a people counter system to capture more complete and consistent data on community center usage.</p>	<p>PRNS</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> See recommendation #1.</p> <p><b>Auditor's update as of June 2011:</b> See recommendation #1.</p> <p><b>Auditor's update as of December 2011:</b> See recommendation #1.</p> <p><b>Auditor's update as of June 2012:</b> See recommendation #1.</p>

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			<p><b>Auditor's update as of December 2012:</b> See recommendation #1 above.</p> <p><b>Auditor's update as of June 2013:</b> See recommendation #1.</p> <p><b>Auditor's update as of December 2013:</b> See recommendation #1.</p> <p><b>Auditor's update as of June 2014:</b> See recommendation #1.</p>
<p>#8: Estimate the fair market value of re-use facilities.</p>	<p>Economic Development</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> According to Real Estate, staff developed a draft methodology for estimating the fair market value of reuse facilities, and will begin evaluating each property when the methodology is finalized. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> Real Estate staff has moved from Public Works and General Services into the Office of Economic Development, and is in the process of gathering information related to City owned property assets, including re-use facilities. As part of that project, staff is working with appraisal consultants to obtain estimates of value for City owned property and estimates of current market rents. This effort will result in an inventory of City property assets, including an estimate of their fair market value and anticipated annual income. Target date: 6-12.</p> <p><b>Auditor's update as of December 2011:</b> No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in the Real Estate Division. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of December 2013:</b> According to staff, a review of the Real Estate files for both City as Landlord and City as Tenant properties has been completed. The next step in the process is to estimate the fair market value of the re-use facilities. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Real Estate updated tracking spreadsheets for City as Landlord, City as Tenant, and Revenue sites for 2014-15. Staff is now reviewing hard and soft copy lease files to identify missing information (i.e., insurance certificates) and prepare any expired leases for Council consideration and possible renewal. Staff is also updating processes and procedures that will result in an annual review of</p>

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all facility leases that are the responsibility of Real Estate, which will include a comparison of the current lease amount to the estimated current market rent. Target date 12-14.

**AUDIT OF THE CITY'S LICENSING AND PERMITTING OF CARDROOM OWNERS AND EMPLOYEES (Issued 4/7/10)**  
**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, 6 are partly 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 employee's violations of Title 16. These revisions should apply to all new, pending, and incomplete license investigations.</p>	<p>Police, and City Manager</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> The City Attorney's Office plans to propose amendments to Title 16 in Fall 2010. Target date: 12-10.</p> <p><b>Auditor's update as of December 2010:</b> According to the City Attorney's Office amendments to Title 16 have been deferred to Summer 2011. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> The City Attorney's Office will be bringing forward amendments to Title 16 in October 2011. The amended Title 16 will require the City to accept Key Employee Licenses that have been granted by the State while retaining the DGC's ability to impose limitations or conditions on the license. However, this new amendment would not apply to those key employees that are designated as such only by the City's DGC. For these employees, the old licensing process would still apply. According to the SJPd, guidelines on the scope of the investigations and internal procedures would be addressed by its Business Plan which is currently awaiting final approval from the Chief of Police. We will revisit this recommendation, once Title 16 amendments have been adopted and DGC's new procedures are in place. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> Title 16 changes were approved by the City Council on February 14, 2012 with direction to return to the Rules Committee in April 2012 regarding changes to non-key employee licensing and permitting. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The City is currently accepting State-issued key employee licenses. The City has however continued to perform background investigations on those employees that the City designates as key employees but the State does not. Staff has continued to work on the February 14, 2012 City Council direction. The City Manager's Office, City Attorney's Office and the DGC meet monthly and go over outstanding issues. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> See recommendation #2. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> As reported above, Title 16</p>
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			<p>has been amended to accept State-issued key employee licenses. For cardroom personnel not designed by the State as key employees but designated as such by the City, the DGC performs its own background investigation.</p> <p>The DGC reports that it has issued 19 key employee licenses (including 5 renewals) for Bay 101 employees on the basis of their State-issued license since January 2013. In addition, DGC has approved 6 City-only key employee licenses for Bay 101 employees, 2 of which have been issued and 4 of which are awaiting pick up by employee.</p> <p>The DGC reports that it has issued 9 key employee licenses for Casino M8trix employees on the basis of their State-issued license since January 2013. In addition, DGC has issued temporary licenses to 9 Casino M8trix employees who hold interim licenses from the State, pending State approval of their licenses (one of those employees has been working on a temporary license since 2012 due to delays in the State approval process). In addition, DGC is allowing two other M8trix employees to work with expired licenses due to unresolved issues with their licenses at the State level. Finally, one additional Casino M8trix City-only key employee license was filed in December 2013 and is pending.</p> <p>Policies and procedures (“unit guidelines”) are still pending. Also see recommendations 2, 3 and 4. Target date: 6-14.</p> <p><b>Auditor’s update as of June 2014:</b> No change. Target date: 1-15.</p>
<p>#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.</p>	<p>Police and City Manager</p>	<p>Partly Implemented</p>	<p><b>Auditor’s update as of June 2010:</b> 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.</p> <p><b>Auditor’s update as of December 2010:</b> No change.</p> <p><b>Auditor’s update as of June 2011:</b> The City Attorney’s office will be bringing forward amendments to Title 16 in October 2011. Those amendments do not address when investigations should extend beyond 180 days. According to the SJP, this will be addressed in its Business Plan which is awaiting the Chief of Police’s final approval. We will revisit this recommendation once the Business Plan is approved, and procedures are in place. Target date: 12-11.</p> <p><b>Auditor’s update as of December 2011:</b> The Business Plan does not contain the relevant guidelines pertaining to work that went beyond 180 days. Title 16 changes were approved by the City Council on February 14, 2012 with direction to return to the Rules Committee in April 2012 regarding changes to non-key employee licensing and permitting. Target date: TBD.</p>

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			<p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> As mentioned above, Title 16 changes were approved by the City Council on February 14, 2012. The amended Title 16 requires the City to accept Key Employee Licenses that have been granted by the State while retaining the DGC's ability to impose limitations or conditions on the license. However, this new amendment does not apply to those key employees that are designated as such only by the City's DGC and the DGC continues to do these investigations.</p> <p>As of August 20, 2013, the DGC's own records showed a number of employees at both cardrooms were still holding "temporary" permits – some of which had expired. Employees continued to work at the cardrooms with expired licenses while the DGC continued to review their applications even though Title 16 expressly forbids it.</p> <p>Furthermore, the Division still lacks any policies and procedures, including guidelines for when license investigations can extend beyond 180 days, documents required for a "complete" application, how and who would complete the investigations, process for contacting the State to get information about the employee's State license, etc. Finally, the procedures need to include any additional type of investigations that the DGC or its consultants take on- such as investigations for funding sources. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> Division Unit guidelines (policies and procedures) are pending. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> See Recommendation #3. Target date: 1-15.</p>
<p>#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.</p>	<p>Police and City Manager</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> No change.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> The business plan does not provide any guidance on the desired scope of the license investigations. Further, it does not address the reporting mechanism of the costs of the investigations nor does it provide for reporting the costs of the pending and incomplete license investigations through the Annual Report. Title 16</p>

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			<p>changes were approved by the City Council on February 14, 2012 with direction to return to the Rules Committee in April 2012 regarding changes to non-key employee licensing and permitting. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> According to the department it has begun tracking costs and is in the process of revising the scope of the investigations which is pending approval by the Chief of Police. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> Division unit guidelines (policies and procedures) are pending. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The DGC has recently begun tracking its license investigations in SalesForce. It is currently in the process of investigating two City-designated key employee applications. In addition, the department plans to provide the PSFSS committee a report on the state of the Division in addition to the Division's Annual Crime Report. Unit guidelines are still pending. Target date: 1-15.</p>
<p>#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.</p>	<p>Police and City Manager</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2010:</b> The Division has not made any progress on tracking time and cost of each licensing review. Target date: 12-10.</p> <p><b>Auditor's update as of December 2010:</b> As stated in the audit, the DGC purchased a web-based time sheet management portal in 2009 which can track the time that DGC staff has expended on each and every investigation. Further, as stated in recommendation # 3, the DGC has discontinued license investigations pending changes to Title 16. We will revisit this recommendation once we have reviewed the DGC's new license investigations guidelines detailed in a Business Plan. This Plan is pending approval by the Chief of Police. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change. See recommendation #3.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> See response to #3 above.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> According to the Administration, the City reports a total regulation cost to each cardroom because the regulation fee is paid for by the cardrooms. It is our understanding it does not include an itemized cost of each license investigation. Furthermore, the DGC has not publicly provided an average cost per applicant. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> See Recommendation # 3. Target date: 1-15.</p>

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#5: Liquidate the two encumbrances in the DGC's fund and use the funds to offset DGC costs.	City Manager and Police	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> In November 2010, the City Manager's Office selected Whitesand Gaming LLC to provide gaming consultant services with regard to the City's gaming operations. According to the City Manager's Office, the consultant is in the process of completing a staffing configuration plan of the DGC. The Police Department requested and received approval to liquidate \$50,000 from the encumbrance to fund the consultant's services. Funds will be used on an as needed basis to pay for the consultant. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> The consultant hired by the City Manager's Office completed its review of the City's gaming operations and presented its recommendations to the City Manager's Office. Currently the DGC still has an encumbrance of at least \$50,000 in the fund. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> As of December 2012 the City has spent a portion of the encumbered funds to pay for advisory consultant services on operational issues related to the opening of the new Casino M8trix. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The department has not yet fully spent the outstanding encumbrance but has used a bulk of the remainder on consulting services by WhiteSand Gaming, LLC. The department will continue to determine appropriate uses for the outstanding encumbrance. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 1-15.</p>



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<p>#6: We recommend the City Administration:</p> <p>A. Propose revisions to Title 16 to discontinue the City's permitting function and accept State-issued portable gaming work permits, or</p> <p>B. Process work permits within the DGC.</p> <p>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 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>	Police and City Manager	Partly Implemented	<p><b>Auditor's update as of June 2010:</b> 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.</p> <p><b>Auditor's update as of December 2010:</b> The DGC has been processing work permits in-house since September, 2010. Appointments are scheduled based on a list of applicants the cardrooms send on a weekly basis. Each cardroom has two 30 minute slots each day (Monday to Thursday). Since September 2010, the DGC has processed more than 100 work permits. On average it took the DGC about 12 days to process and issue a work permit. According to the DGC, it has allocated 0.5 Police Officer and 0.25 staff technician to the work permitting process. The SJPD's fiscal division will be working on analyzing the cost-recovery of work permit fees based on the total hours that the DGC spends on work permits, however this analysis has not yet started. Target date:3-11.</p> <p><b>Auditor's update as of June 2011:</b> The DGC has been processing work permits in house and appears to be processing most completed applications in a timely manner. However, DGC lacks a mechanism to track the timeliness of processing. The DGC has also revised the pre-approval portion of the work permit process. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> At the 2-14-12, Council meeting, the City Council directed the Administration to determine the feasibility of accepting State-issued portable gaming work permits. The Administration response is expected by April 2012. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> The Administration reported to the May 12, 2012 Rules Committee meeting and requested more time to respond to the February 14 City Council direction. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The City Manager's Office reports that in 2012 most of its effort was focused on the opening of and issues related to the new Casino M8trix which opened in August 2012. The City Attorney's Office has continued to work with State officials to develop a draft ordinance to address the feasibility of accepting State-issued portable gaming work permits. In addition, the DGC with assistance from the City Manager's Office, has implemented a new software to hold the DGC accountable for timeliness. It tracks time from when an application comes in to when the applicant's background is completed by the Department of Justice. Staff is also working on developing an auto notification process to inform permit holders and new applicants on key dates. Finally, the DGC provides each cardroom with pre-determined dates when their employees can come in for work permits. Target date: 6-13.</p>

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			<p><b>Auditor's update as of June 2013:</b> The DGC has continued to process work permits in-house while the Administration explores the possibility of accepting State issued work permits.</p> <p>The DGC has been providing a one-stop permit application and processing service where the applicants submit their application, and have their fingerprints and photographs taken at the same place. Between January 1, 2013 and June 30, 2013 the DGC processed 174 new work permits in an average of 7 working days. It also renewed 171 work permits in an average of 7 working days. However, the DGC has determined that the 20-day response time guideline should not include the time it takes to make an appointment, or the time for the Department of Justice (DOJ) to process the fingerprints – it can take an applicant up to 12 days to schedule an appointment at the DGC, and the DOJ has taken an average of 10 days to process fingerprints. Finally, in our opinion, the work permitting process needs to be addressed in the DGC's policies and procedures.</p> <p>Sworn officers continue to handle work permit applications and investigations due to an unsuccessful recruitment effort. The work permit fee reflects this higher cost sworn component. The department anticipates reducing the fee when civilians are hired for performing the work. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The DGC reports that it has processed about 90 new work permit applications between July 1, 2013 to December 31, 2013. On average it took about 17 working days for an application to be completed including the time that it took to get a response from the Department of Justice (DOJ). The DGC also processed about 150 renewals. On average it took about 7 working days to issue renewals. The DGC continues to use sworn staff to do work permit background investigations; written policies and procedures ("unit guidelines") are pending.</p> <p>On January 28, 2014 the City Council directed the City Administration to return with options for a revised work permitting process by May 1, 2014. We will follow-up on this recommendation at that time. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Division tracks all work permits in Salesforce. This information and process is detailed in the Unit guidelines which are pending. Target date: 1-15.</p>

## CITY PROCUREMENT CARDS: POLICIES CAN BE IMPROVED (Issued 9/8/10)

The objective of this audit was to review p-card transactions from three departments (Environmental Services, Police, and Parks, Recreation and Neighborhood Services) for compliance with the City's p-card policy and other applicable policies. Of the 8 recommendations, 5 were previously implemented, and 3 are partly implemented.

<p>#1: Revise the p-card policy to require simple descriptive annotations on receipts or statements that describe the intended use of the purchases, as well as the intended location, and if applicable, the number of people intended to use the purchased items or services.</p>	Finance	Partly Implemented	<p><b>Auditor update as of December 2010:</b> The Finance department plans to propose changes in the purchasing process which may result in increasing the p-card limit. Finance staff has deferred making revisions to the p-card policy pending the outcome of this proposal. Target date: 6-11.</p> <p><b>Auditor update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Finance department conducts an annual P-card review providing department heads with their departments' P-card activity and expenditure. Per City policy, Department Directors shall submit a memorandum to the Director of Finance certifying that the Department is in full compliance with the City Procurement Card Policy, and that adequate controls are implemented to ensure proper use of the cards. The Finance department plans to use this review to inform departments to require its P-card users to provide simple descriptive annotations on receipts or statements that describe the intended use of the purchases, as well as the intended location, and if applicable, the number of people intended to use the purchased items or services. It plans to follow-up with a formal revision to the Citywide P-card policy. Target date: 3-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> Finance has updated the P-Card policy to require simple descriptive annotations on receipts. City departments were informed of this requirement through the annual P-card process. The draft policy is currently under review. We will consider this recommendation implemented once the policy is finalized. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
<p>#5: Update its cardholder training on the revised p-card policy to emphasize the following restrictions against:</p> <ul style="list-style-type: none"> <li>• Allowing other employees to use the p-card;</li> <li>• Providing itemized receipts or using the missing receipt form when needed;</li> </ul>	Finance	Partly Implemented	<p><b>Auditor update as of December 2010:</b> See recommendation #1.</p> <p><b>Auditor update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. The Finance department needs to update its 2006 online training to include some</p>

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<ul style="list-style-type: none"> <li>• Using the p-card for purchasing services over \$1,000;</li> <li>• Using the p-card for employee use;</li> <li>• Splitting transactions to circumvent spending limits;</li> <li>• Filing required memos of violation with the Finance department;</li> <li>• Using the City Warehouse or Open Purchase Orders when available;</li> <li>• Making personal purchases with the City's p-card; and</li> <li>• Renting equipment that requires employee signatures.</li> </ul>			<p>violations we observed during are review such as using the missing receipt form when needed, filing required memos of violation with the Finance department and renting equipment that requires employee signatures. Further, because some of the other violations we found included some of the same restrictions that are currently in the online p-card training, in our opinion, the program would benefit from re-emphasizing these commonly seen violations. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. In calendar year 2012, citywide P-card users spent over \$12 million on P-card purchases. This was an increase from the previous years' P-card expenditures of about \$9.8 million. As mentioned above, our 2010 review found that many of the policy violations were included in the online p-card training and would therefore benefit from reemphasizing these commonly seen violations. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> Finance has updated the online P-Card applicant quiz for new P-card applicants. The quiz includes the new policy of annotating P-Card receipts. However, the online training is from 2006, has not been updated and includes employee contacts of employees no longer with the City. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. The online training is from 2006 and does not include policy updates and changes since that time. For example, the City Warehouse is closed and not available for making purchases. Further, Finance is in the process of finalizing a policy change that would require employees to annotate receipts as to the intended use of the purchase. The training also provides employees that have long left the City as contacts. In our opinion, these should be updated and the policy changes incorporated in the training. Target date: TBD.</p>
<p>#6: Annually distribute the p-card policy and restrictions and require annual certification by p-card holders, department coordinators and approving officials that they have received and agree to comply with the City's p-card policy.</p>	Finance	Partly Implemented	<p><b>Auditor update as of December 2010:</b> Finance has not made any program changes. According to Finance due to staffing limitations they will only be able to begin work on this recommendation by June 2011. Target date: 12-11.</p> <p><b>Auditor update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> See recommendation #1. Target date: 3-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> Finance has included the annual certification in the draft P-card policy. Further, in September 2013, Finance notified departments of the new requirement as part of the annual P-Card review. Each department is responsible for ensuring that</p>

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P-card holders review and acknowledge their understanding of the P-card policy on an annual basis. Finance needs to include the P-card policy in its annual notification to departments as stated in the recommendation. Target date: 12-14.

**Auditor's update as of June 2014:** No change. Target date: 12-14.

## PENSION SUSTAINABILITY: RISING PENSION COSTS THREATEN THE CITY'S ABILITY TO MAINTAIN SERVICE LEVELS – ALTERNATIVES FOR A SUSTAINABLE FUTURE (Issued 9/29/10)

The purpose of this audit was to assess the long-term sustainability of the City's pension benefits and the potential impact of increases in pension costs on City operations, and provide background information on pension reform and alternatives being pursued by other retirement systems. Of the 6 recommendations, 1 was previously implemented, 3 are partly implemented and 2 are not implemented.

<p>#1: Explore prohibiting:</p> <ul style="list-style-type: none"> <li>A. Pension benefit enhancements without voter approval</li> <li>B. Retroactive pension benefit enhancements that create unfunded liabilities</li> </ul>	Employee Relations	Partly Implemented	<p><b>Auditor's update as of December 2010:</b> The City Manager's Office will include these two issues as components of Retirement Reform to be addressed in a future phase of the overall reform effort. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> The City Council is considering a ballot measure that would include these changes. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> The target date for the ballot measure has been revised to 6-12.</p> <p><b>Auditor's update as of June 2012:</b> Measure B, the Pension Modification Ballot Measure, was passed by the voters on June 5, 2012, and provides that future retirement benefit increases be approved by the voters. Additionally, all of the City's pension and retiree healthcare plans must be actuarially sound. Measure B is in the process of being implemented. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change.</p> <p><b>Auditor's update as of June 2013:</b> No change.</p> <p><b>Auditor's update as of December 2013:</b> Measure B's provisions requiring voter approval for pension benefit enhancements and that the pension plans remain actuarial sound were challenged as part of litigation surrounding implementation of Measure B. These provisions were upheld in the Superior Court of California's tentative decision in December 2013. The decision is expected to be appealed.</p> <p><b>Auditor's update as of June 2014:</b> A final decision upholding Measure B's provisions that require voter approval for pension benefit enhancements and that the pension plans remain actuarial sound was issued in February 2014. A notice of appeal was filed in May 2014. Target date: TBD</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
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<p>#2: To ensure the reasonableness of the methods and assumptions used in the retirement plans' actuarial valuations, we recommend that the City Council amend the Municipal Code to require an actuarial audit of such valuations every five years if the actuary conducting the valuation has not changed in that time.</p>	<p>Retirement and City Attorney</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of December 2010:</b> Retirement Services plans to work with the City Attorney to bring forth to City Council a proposal to amend the Municipal Code that would require an actuarial audit of the retirement plans' actuarial valuations every five years if the actuary conducting the valuation had not changed during that time. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> No change.</p> <p><b>Auditor's update as of December 2012:</b> No change.</p> <p><b>Auditor's update as of June 2013:</b> No change.</p> <p><b>Auditor's update as of December 2013:</b> No change.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
<p>#3: Pursue at least one or a combination of pension cost-containment strategies, including:</p> <ul style="list-style-type: none"> <li>• Additional cost sharing between the City and employees</li> <li>• Eliminating the Supplemental Retirement Benefit Reserves (SRBRs) or at least prohibiting transfers in and distribution of "excess earnings" when the plans are underfunded</li> <li>• Negotiating with employee bargaining groups for changes to plan benefits for existing employees</li> <li>• Establishing a second tier pension benefit for new employees</li> <li>• Considering whether to join the California Public Employees Retirement System in order to reduce administrative costs</li> </ul>	<p>Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2010:</b> The City will be in negotiations with all 11 of the bargaining units in 2011 and will consider these issues as components of the retirement reform efforts. Target date for establishing a 2<sup>nd</sup> tier pension benefit: 6-11. Target date for changes for current employees and/or retirees: TBD.</p> <p><b>Auditor's update as of June 2011:</b> The City is engaging all bargaining units in retirement reform negotiations and currently has proposals on the table to eliminate SRBR and second tier pension benefits. The City has reached tentative agreements with five bargaining units to eliminate SRBR. In addition, the City Council is considering a proposed ballot measure to change benefits and cost sharing for existing employees. Negotiations are expected to conclude in October 2011 and the ballot measure could go before the voters in March 2012. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> The target date for the ballot measure has been revised to 6-12.</p> <p><b>Auditor's update as of June 2012:</b> Measure B, the Pension Modification Ballot Measure, as approved by the voters on June 5, 2012, provides for additional employee retirement contributions for current employees who do not opt into a Voluntary Election Program (VEP) with reduced benefits for future years of employment. Measure B also discontinued the Supplemental Retiree Benefit Reserve (SRBR) and established the parameters for a Tier 2 defined benefit plan and the VEP. Measure B is in the process of being implemented (pending the outcome of legal challenges).</p> <p>A Tier 2 plan was approved by the City Council on June 12, 2012, for new employees in the Federated City Employees' Retirement System and ordinances are currently in review and are expected to be effective in the Fall of 2012. The City is proceeding to arbitration with the San José</p>

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			<p>Police Officers Association and the International Association of Firefighters regarding a Tier 2 plan.</p> <p>The City has researched joining the California Public Employees' Retirement System and has determined not to move forward with this at this time. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The SRBR was eliminated effective January 4, 2013 for the Federated Retirement System. The City is in the process of eliminating SRBR for the Police and Fire retirement system (expected effective date is March 2013). The new Tier 2 plan became effective September 30, 2012, for new, rehired or reinstated Federated employees. The rest of Measure B is in the process of being implemented (pending the outcome of legal challenges). Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The SRBR has been eliminated in the Federated and Police and Fire retirement systems. The elimination resulted in the City's fiscal year 2013-14 annual required contribution for the plans being reduced by \$13.4 million in the General Fund and \$17.8 million in all funds. These savings were included in the City's budget; however, this is a subject of pending litigation. In addition, the City has established second tier retirement benefits for Police members (effective date is August 4, 2013). Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The City has established second tier benefits and eliminated the SRBR for both retirement systems. The elimination of the SRBR was subject to litigation surrounding the implementation of Measure B, the 2012 Pension Modification Ballot Measure. This was upheld in the Superior Court of California's tentative decision in December 2013. The decision is expected to be appealed.</p> <p><b>Auditor's update as of June 2014:</b> A final decision upholding Measure B's elimination of the SRBR was issued in February 2014. A notice of appeal was filed in May 2014. In May, the City went to arbitration with IAFF Local 230 regarding second tier benefits and is awaiting the arbitrator's decision. Target date: TBD</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD (any combination of these strategies could result in millions of dollars of savings to the City and the pension funds).</p>
<p>#4: To ensure that pension cost projections for negotiations with employee bargaining groups are actuarially sound, the Administration should provide the Office of Employee Relations an ongoing budget for actuarial services.</p>	<p>Budget and Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2010:</b> The 2010-11 Adopted Operating Budget provides one-time funding for actuarial studies for the retirement system and consultant services related to labor negotiations for employee groups. According to the Budget Office, as pension reform efforts move forward, any additional one-time funding needs associated with actuarial services or other consultant services to support these efforts will be identified and funding recommendations will be brought forward for City Council approval. After pension reform is completed, a process which may span multiple fiscal years, the Budget Office plans to</p>

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			<p>work with the Employee Relations to determine ongoing funding needs for actuarial services to address retirement issues. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> Budget actions in the 2011-2012 Adopted Budget as well as recommended actions in the 2011-2012 Mid-Year Budget Review allocate one-time resources for retirement actuarial services to address the projected needs in 2011-12. After pension reform is completed, the Budget Office plans to work with OER to determine ongoing funding needs for actuarial services to address retirement issues. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> Budget actions in the FY 2012-13 Adopted Budget allocate one-time resources for retirement actuarial services to address the projected needs in FY 2012-13. The Budget Office plans to work with OER to determine ongoing funding needs for actuarial services to address retirement issues as part of the FY 2013-14 budget process. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change.</p> <p><b>Auditor's update as of June 2013:</b> In the FY 2013-14 Adopted Budget, funding was rebudgeted for retirement actuarial studies. This funding need will also be considered as part of the FY 2014-15 budget development process. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change.</p> <p><b>Auditor's update as of June 2014:</b> In the FY 2014-15 Adopted Budget, funding was rebudgeted for retirement actuarial studies. This funding need will also be considered as part of the FY 2015-16 budget development process, in which the Budget Office will work with OER to determine ongoing funding needs for actuarial services to address retirement issues. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
<p>#6: To improve communication and understanding of the financial health of the retirement systems, the Retirement Services Department should prepare an annual summary report containing current and historical financial and actuarial information to be distributed to all plan members and posted on the Retirement Services Department website.</p>	<p>Retirement</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of December 2010:</b> The City Auditor believes it is critically important for Retirement Services to keep plan members informed about the financial health of the retirement systems. Basic information about the current and historical health of the plans can be summarized in a short 2-4 page report and distributed to members. Due to competing priorities Retirement Services at this time does not plan on preparing such a report for plan members. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> No change.</p> <p><b>Auditor's update as of December 2011:</b> No change.</p> <p><b>Auditor's update as of June 2012:</b> The Retirement Boards are currently exploring options to improve communication with plan participants. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change.</p>



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			<p><b>Auditor's update as of June 2013:</b> In November 2012 and June 2013, the Federated and Police and Fire plans, respectively, posted memos on their websites containing information on each plans' asset allocations. According to the department, it is on their workplan to improve communications with stakeholders, including developing a quarterly or semi-annual newsletter with information related to financial, investment, actuarial, and operational activities. The Retirement Boards are also considering holding an annual general meeting and possibly creating a Stakeholder Committee to address concerns about communications with members. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> According to Retirement Services, the recently hired new accounting manager will evaluate the resources available to tackle this project. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> According to Retirement Services, this report is expected to be prepared in conjunction with the preparation of the FY 2013-14 CAFR. Target date: 10-14.</p>

**AUDIT OF THE CITY'S TAKE-HOME VEHICLES (Issued 10/14/10)**  
**The objective of our audit was to assess the cost and reasonableness of current practices, and opportunities to reduce the number of take-home vehicles. Of the 11 recommendations, 9 were previously implemented or closed, and 2 are partly implemented.**

<p>#6: We recommend that departments maintain and update records on the number of call backs for individuals, positions, and units with take-home vehicles, and provide these records with their annual requests for take-home vehicles.</p>	<p>Public Works (Fleet Management)</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2010:</b> Staff is drafting revisions to the vehicle policy that would require departments to provide take-home vehicle records as noted in the audit recommendation. Target date: 12-11.</p> <p><b>Auditor's update as of June 2011:</b> No change. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> The City's revised vehicle policy, effective September 13, 2012, includes requirement for departments to submit annual call-back data. This requirement enables the City to identify opportunities to reduce its take-home fleet annually, based on evidence of sufficient call-back use of the vehicles. However, the call-back numbers that departments submitted with their calendar year 2013 take-home authorization requests were in many cases identical to those submitted with calendar year 2012 requests. Departments should include updated data on actual call-back frequency in their calendar year 2014 take-home vehicle requests. Target date: 12-13.</p> <p><b>Auditor's update as of June 2013:</b> According to staff, Public Works – Fleet Management has contacted departments with take-home vehicles and departments have responded affirmatively that they are now tracking call backs and will provide data with their annual take-home vehicle requests moving forward. The City Auditor's Office will consider this</p>
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			<p>recommendation implemented when departments with take-home vehicles provide call back records as part of their take-home vehicle requests for calendar year 2014. Target date: 3-14.</p> <p><b>Auditor's update as of December 2013:</b> Public Works is currently finalizing the annual take-home vehicle requests for 2014; according to staff, most departments are providing call-back data and Public Works expects to receive call-back data from all departments by next year. Target date: 3-15.</p> <p><b>Auditor's update as of June 2014:</b> In April 2014, the City Manager's Office approved the 2014 annual take-home vehicle request submitted by Public Works. In preparing the request, Public Works received actual call back figures from most departments. However, it received estimated call backs for each police officer in 2013; PD indicated it will provide total call back data to Public Works for 2014. Public Works expects to receive 2014 call back data from each department by early January 2015 and will submit the 2015 take-home vehicle request memo to the City Manager's Office by the end of February. Target date: 3-15.</p>
<p>#10: Work with the City Attorney's Office to clarify the process for determining whether use of a City vehicle is personal or business, and review whether the City may need to calculate and remit to the IRS imputed vehicle usage of Fire Department and Chaplain vehicles.</p>	<p>Finance</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2010:</b> The Finance Department, plans to meet with the City Attorney's Office in the coming months to clarify the process for determining whether use of a City vehicle is personal or business, and to review whether the City may need to calculate and remit to the IRS imputed vehicle usage of Fire Department and Chaplain vehicles. Target date: 6-11.</p> <p><b>Auditor's update as of June 2011:</b> The Finance Department has not yet met with the City Attorney's Office on this recommendation, but plans to meet in the next few months. Target date: 12-11.</p> <p><b>Auditor's update as of December 2011:</b> The Finance Department has revised the take-home vehicle imputed reporting period to facilitate the recommended reporting period of the City Manager's Office in recommendation #11. In addition the Finance Department plans to meet with the City Attorney's Office in March 2012 regarding implementation of this recommendation and recommendation #11. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> According to staff, Finance will request annually via a memo to the City Attorney's Office the taxability criteria for the determination of business and personal vehicle usage. Finance plans to incorporate these criteria into annual reporting once it receives the information from the City Attorney's Office. The City Auditor's Office will consider this recommendation implemented when the City Attorney's Office provides Finance with taxability criteria and Finance has applied those criteria. Target date: 6-14.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p>

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**Auditor's update as of June 2014:** The Finance Department proposed changes to the City's take-home vehicle tax rules to the City Attorney's Office for consideration, but staff has not yet met to discuss them. Target date: 12-14.

**POLICE DEPARTMENT STAFFING: OPPORTUNITIES TO MAXIMIZE THE NUMBER OF POLICE OFFICERS ON PATROL (Issued 12/9/10)**  
**The purpose of our audit was to review several FY 2010-11 budget proposals related to the Police Department and to identify efficiencies to maximize the number of police officers on patrol. Of the 8 recommendations, 1 was previously implemented, 4 are partly implemented, and 3 are not implemented.**

<p>#1: To promote transparency and provide the public with information about how resources are allocated in the Police Department, the Police Chief should report to the Public Safety, Finance, and Strategic Support Committee of the City Council at each shift change (every six months) on the changes in staffing by unit and function.</p>	Police	Partly Implemented	<p><b>Auditor's update as of December 2010:</b> The Chief of Police plans to update the Public Safety, Finance, and Strategic Support Committee once every six months as to organizational changes made within the Department. The next update is expected to occur after the Department's March 2011 shift change. The Auditor's Office notes that the intent of the recommendation was to provide a one-page summary of Department-wide staffing that shows the changes in each unit's staffing levels from one shift change to the next. Target date: 3-11.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that the Chief of Police reports organizational and staffing changes to the Public Safety, Finance, and Strategic Support Committee on a bi-monthly basis. The most recent report included a general summary, but the intent of the audit recommendation was to provide a one-page summary of Department-wide staffing that shows the changes in each unit's staffing level from one shift change to the next. The Department is exploring the possibility of providing such data. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> The Department continues to report operational changes and staffing changes to the PSFSS Committee, but has not presented the simplified one-page summary of Department-wide staffing changes as described above. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department continues to report operational changes and staffing changes to the PSFSS Committee, but has not presented the simplified one-page summary of Department-wide staffing changes as described above. The Department advises that it continually provides information about how resources are allocated in the Police Department. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Staff advise that the Department will provide information on Bureau staffing levels at PSFSS. The Department</p>
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			<p>advises that it has concerns about providing unit staffing information because this would result in the public release of too much information about Department operational tactics. Target date: TBD.</p>
<p>#2: To better align staffing with workload, SJPD should propose additional shift start times.</p>	<p>Police</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of December 2010:</b> The Police Department is considering implementing an early swing shift car deployment. Management further advises that it is in talks with the Office of Employee Relations (OER) and the San José Police Officers' Association (SJPOA) as this issue requires the Department to "meet and confer" with SJPOA. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that it has considered implementing an early swing shift car deployment but that plans to implement such a shift have been delayed due to budgetary and staffing cuts. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> The Department continues to review staffing allocations and schedules as staffing levels fluctuate. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Department advises that a pilot committee was formed to evaluate in detail potential start and end of shift times for patrol officers. However, with the recent change of high-level Departmental management, this process has been put on hold. The Department advises that a new timeline to evaluate this recommendation will be determined by the new Chief of Police. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that due to current Police staffing levels, there is no change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Department advises that it currently has a patrol staffing committee that is evaluating its patrol deployment given the current police staffing levels. Target date: TBD.</p>
<p>#3: As an option to reduce costs in the near term and decrease span of control, SJPD should assess the feasibility of reducing the current number of divisions and associated supervisory positions without simultaneously redistricting.</p>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2010:</b> Police Department management advises that in an effort to reduce costs it has evaluated the possibility of changing the number of divisions as well as other cost-saving measures. Management further advises that it has submitted a budget proposal that would potentially decrease the span of control without reducing the number of divisions and may achieve a similar effect as reducing the number of divisions. If implemented, effective July 2011, the proposal would reduce the number of lieutenant, sergeant, and police officer positions (in addition to the police officer positions already anticipated to be eliminated as of June 30, 2011). Target date: 7-11.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that it is continuing to explore the possibility of reducing the</p>

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number of divisions. With regard to span of control, the FY 2011-12 budget eliminated 23 positions (9 lieutenants and 14 sergeants) in Patrol as well as related maintenance and operating funding for six marked vehicles in Patrol. These eliminations were offset by the restoration of 8 police officer positions. Department management advises that the Department is continuing to review its span of control. The table below shows the Auditor's calculation of the span of control at the time of the audit (Dec. 2010) and in August 2011. Target date: TBD.

	Dec. 2010 – Dept. Overall	Aug. 2011 – Dept. Overall	Dec. 2010 – Patrol	Aug. 2011 – Patrol
Cpts. to Lts.	1 to 5.2	1 to 7.8	1 to 5.8	1 to 5.3
Lts. to Sgts.	1 to 4.6	1 to 4.7	1 to 4.7	1 to 5.4
Sgts. to Officers	1 to 4.5	1 to 4.7	1 to 5.5	1 to 6.2

**Auditor's update as of December 2011:** The Department advises that an internal workgroup has been formed to review the issue. Target date: TBD.

**Auditor's update as of June 2012:** The Department submitted a Manager's Budget Addenda (MBA#35) during the 2012-2013 budget that outlined the change from four to three divisions, which will take effect September 16. As noted in the June 2011 update, 9 lieutenants were eliminated from Patrol in the FY 2011-12 budget. The Department advised in MBA#35 that in order to return to its deployment model of one lieutenant per division per shift, the Department will reduce the City back to three divisions and redeploy five lieutenants currently assigned elsewhere to the Bureau of Field Operations (BFO). Target date: 9-12.

**Auditor's update as of December 2012:** The Department advises that in September 2012, it restructured the Bureau of Field Operations (BFO) from 4 to 3 divisions. This action decreased the span of control between lieutenants and sergeants and allowed SJPD to reduce the overall number of lieutenants assigned to the BFO Patrol Division. The on-going departures of sworn staff have also resulted in a decrease of span of control. The Auditor's Office will re-analyze the Department's span of control after many of the Department's numerous vacancies have been filled.

**Auditor's update as of June 2013:** As of September 2013, Patrol will return to having 4 divisions instead of the 3 divisions that were established in September 2012. The Auditor's Office will re-analyze the Department's span of control after many of the Department's numerous vacancies have been filled.

**Auditor's update as of December 2013:** In 2012, the Department went from 4 to 3 divisions. After consideration, the Department determined that

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			<p>having 3 divisions presented operational problems. In September 2013, the Department returned to 4 divisions. The Department is currently operating with 4 divisions with no plans to change. The Auditor's Office notes that the intent of the recommendation was to decrease the span of control. Due to the current fluidity of staff in the Department, the Auditor's Office will re-analyze the Department's span of control after many of the Department's numerous vacancies have been filled. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Department advises that in September 2013, the Department returned to 4 divisions after several operational issues emerged operating under 3 divisions and is currently operating with 4 divisions with no plans to change. The Auditor's Office notes that the intent of the recommendation was to decrease the span of control. A recalculation of current span of control data indicates that it has not changed much since 2010. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> At the time of the audit, we estimated the potential budget impact at \$15 million or more depending on the span of control. Net savings from elimination of 23 lieutenants and sergeants, and restoration of 8 officers in the FY 2011-12 budget was approximately \$3.5 million. Additional savings: TBD.</p>
<p>#4: If SJPD decides that redistricting is needed, the Department should conduct further study on the possibility of 12 districts and should reconsider its assumptions regarding span of control, proactive patrol time, call saturation, and hourly workload demand versus average hourly workload demand.</p>	<p>Police</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2010:</b> Police Department management advises that it conducted a verbal analysis and will postpone any consideration of redistricting until after it has a better picture of the short-term and long-term impacts brought by the current and upcoming budget cuts. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that it conducted an analysis after conducting interviews with various Units within the Department which would be directly involved and affected if redistricting were implemented. Department management advises that the analysis indicated extensive resources would be required if redistricting were to be implemented in order to ensure that the Department's operations and service delivery would not be compromised. Department management advises that it has decided to postpone any consideration of redistricting until it has a better picture of the short-term and long-term impacts brought about by the current and upcoming budget cuts and layoffs. Department management further advises that it may work with an outside consultant to review span of control. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> The Department advises that it formed an internal committee and had a telephone conference call with the outside consultant in November 2011, who had done prior work for the Department regarding police districts in San Jose. The Department will also continue the review of its span of control, and will conduct analysis for the policy as resources become available. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> The Department reports that it has</p>

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			<p>reviewed and considered redistricting, and determined that the existing model is appropriate. (However, the Department will reduce the number of divisions from four to three at the September shift change, as noted in Recommendation #3.) Target date: 9-12.</p> <p><b>Auditor's update as of December 2012:</b> The Department advises that in September 2012 SJPD restructured the Bureau of Field Operations (BFO) from 4 to 3 divisions. This action decreased the span of control between lieutenants and sergeants and allowed SJPD to reduce the overall number of lieutenants assigned to the BFO Patrol Division. The ongoing departures of sworn staff have also resulted in a decrease of span of control. The Auditor's Office would like to re-analyze the Department's span of control after many of the Department's numerous vacancies have been filled.</p> <p><b>Auditor's update as of June 2013:</b> The Department agrees that redistricting should occur, but further analysis is needed before a redistricting plan can be implemented. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> In 2012, the Department went from 4 to 3 divisions. After consideration, the Department determined that having 3 divisions presented operational problems. In September 2013, the Department returned to 4 divisions. The Department is currently operating with 4 divisions with no plans to change. The Auditor's Office notes that the intent of the recommendation was to decrease the span of control. Due to the current fluidity of staff in the Department, the Auditor's Office will re-analyze the Department's span of control after many of the Department's numerous vacancies have been filled. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Department advises that it currently has a patrol staffing committee which is evaluating its patrol deployment given the current police staffing levels. Target date: TBD.</p>
<p>#5: SJPD should assess and report on (to the Public Safety, Finance, and Strategic Support Committee of the City Council) the feasibility of changing the Patrol schedule to a potentially more efficient schedule.</p>	<p>Police</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of December 2010:</b> Police Department management advises that in 2010 (prior to the audit), the Bureau of Field Operations (BFO) Administrative Unit revised the scheduling of approximately one-third of the total patrol teams to improve operating efficiencies. The Department believes this change has resulted in greater operational efficiencies but is still evaluating the impact and the Chief will report on any changes to the Patrol schedule when appropriate. The Auditor's Office notes that the intent of the recommendation was for the Department to assess and report on the possibility and potential impact of switching to a patrol schedule other than the current four-days-per-week, 10 hours-per-day schedule (4-10). Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that its current shift schedule provides maximized efficiencies. Management further advises that In light of the latest budgetary and staffing cuts, the Department is constricted in exploring and experimenting with any new patrol schedule as recommended by the</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>Auditor's Office due to the negative impacts that such experimentation can create to the Department's service delivery model. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> The Department reports that as staffing is restored within the Department, the Department will review this again to determine if there is opportunity for a change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that due to current Police staffing levels, there is no change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT: TBD.</b></p>
<p>#7: To ensure that span of control is reasonable from both a safety and a cost perspective, the San José Police Department should develop a policy that provides guidance on how the department determines appropriate spans of control. The policy should incorporate criteria such as: complexity of work; quality, skills, and experience of supervisors and employees; administrative requirements; dispersed workforce; stability of the organization, etc.</p>	Police	Not Implemented	<p><b>Auditor's update as of December 2010:</b> Police Department management advises that the Department has not created a formal policy for span of control. As resources become available, the Department will conduct analysis for the policy. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that it is reviewing span of control and may work with an outside consultant to review it. The Auditor's Office notes that in the FY 2011-12 budget, the Police Department eliminated 23 supervisory positions in Patrol and restored 8 officer positions for a net savings of about \$3.5 million (see Recommendation #3). Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> The Department advises that an internal workgroup has been formed to review the issue. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> The Department provided the PSFSS Committee an informational memorandum regarding span of control. The Committee accepted the written report and no further action is expected at this time. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that due to current Police staffing levels, there is no change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>



Audit Report and Recommendation	Department	Current Status	Comments
<p>#8: The San José Police Department should develop a high level staffing and resource allocation framework that: a) Reflects today's economic realities and focuses on improving efficiency of existing staffing levels; b) Includes both an assessment of community priorities determined via community involvement and management's staffing priorities by unit or function; c) Incorporates span of control guidance and targets; and d) Considers how prior recommendations regarding civilianization, outsourcing, and use of alternative personnel and schedules will be implemented.</p>	Police	Partly Implemented	<p><b>Auditor's update as of December 2010:</b> Police Department management advises that with the current budget and staffing cuts the Department is facing, the Department does not have the staffing resources to conduct this type of analysis. As resources become available, the Department will consider this recommendation. Target date: TBD.</p> <p><b>Auditor's update as of June 2011:</b> Police Department management advises that with the current budget and staffing cuts the Department is facing, the Department does not have the staffing resources to conduct this type of analysis. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> The Department advises that it has implemented a verified response program to address the high number of false alarm calls. The Department has also modified its responses to non-emergency calls including non-injury accidents, street peddling violations, and other events not requiring an immediate police officer presence. The Department has civilianized some positions and will continue to evaluate the possibility of contracting and civilianizing additional positions. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that due to current Police staffing levels, there is no change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

**DISABILITY RETIREMENT: A PROGRAM IN NEED OF REFORM (Issued 4/14/11)**  
**The purpose of our audit was to assess potential factors leading to a high disability retirement rate in the City. Of the 6 recommendations, 1 was previously implemented, and 5 are partly implemented.**

<p>#2: Take steps to amend the Municipal Code to reconfigure the City's process for reviewing disability retirement applications so that: (1) the decision to grant or deny an application for a disability retirement is made by a disability committee made up of individuals with experience in disability and workers' compensation laws; (2) applicants who wish to appeal the decision of the disability committee may appeal the committee's decision to a board-appointed Hearing Officer; and (3) the City has its own legal counsel to advocate for its interests at the disability hearings.</p>	City Attorney and Employee Relations	Partly Implemented	<p><b>Auditor's update as of June 2011:</b> The City Council is considering a ballot measure that would establish an independent panel of medical experts, appointed by the City Council that would make disability determinations for both plans with the right of appeal to an administrative law judge. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> The revised ballot measure is scheduled for the June 2012 election. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> San Jose voters approved Measure B on June 5, 2012. Measure B provides that an independent panel of medical experts, appointed by the City Council will make determinations of disability for both plans. It also provides the City and the employees the right to appeal the decisions to an administrative law judge. Measure</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			<p>B is in the process of being implemented. As far as the City having its own legal counsel at the disability hearings is concerned, according to the Office of Employee Relations the plan is to have a process that will include an advocate for the City however, they have not developed the process yet. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> A position was added in the budget for FY 2013-14 for a position in the Office of Employee Relations to work specifically on retirement related issues and help coordinate proposals to amend the Municipal Code. The City is currently in the process of hiring for this position. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#3: We recommend the City Council consider amending the City Charter and the Municipal Code to clarify that the purpose of the disability retirement benefit is to provide a stable source of income for employees who are incapable of engaging in any gainful employment but are not yet eligible to retire (in terms of age or years of service), and to limit disability retirement benefits to those employees who are incapable of engaging in any gainful employment.</p>	<p>City Attorney and Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2011:</b> The City Council is considering a ballot measure that would include changes to the definition of "disability" and the requirement to qualify for a disability retirement. Target date: 3-12.</p> <p><b>Auditor's update as of December 2011:</b> The current ballot language, as revised, is less restrictive than proposed by the audit. The ballot measure is scheduled for June 2012. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> Measure B as approved by the voters on June 5, 2012, states that in order to receive any disability retirement benefit under any pension plan, City employees must be incapable of engaging in any gainful employment for the City, but not yet eligible to retire (in terms of age and years of service). An employee is considered "disabled" if they cannot do the work they did before, cannot perform any other jobs described in the City's classification plan (in the employee's department for Police and Fire employees) because of his or her medical condition and the employee's disability has lasted or is expected to last for at least one year or to result in death. Measure B is in the process of being implemented. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> Implementation of Measure B provisions related to disability retirement for federated employees in Tier 1 are on hold until at least July 1, 2014.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#4: We recommend the City Council take steps to amend the Municipal Code to require employees to declare their intention to apply for a disability retirement at the same time that they file for a service retirement.</p>	<p>City Attorney and Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2011:</b> The Administration generally agreed with this recommendation, but has not initiated the process to do so. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> Measure B as approved by the voters on June 5, 2012, states that in order to receive any disability retirement benefit under any pension plan, City employees must be incapable of engaging in any gainful employment for the City, but not yet eligible to retire (in terms of age and years of service). Measure B is in the process of being implemented. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> Implementation of Measure B provisions related to disability retirement for federated employees in Tier 1 is on hold until at least July 1, 2014.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#5: Take steps to change the Municipal Code to impose a retirement benefit payment offset for sworn employees receiving disability retirement payments that replicates the offset for retired non-sworn employees.</p>	<p>City Attorney and Employee Relations</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2011:</b> According to City Administration, the City is currently engaged in retirement reform negotiations with both the Police Officers' Association and Firefighters Local 230 and intends to include this issue in those negotiations. Target date: 10-11.</p> <p><b>Auditor's update as of December 2011:</b> This change has been incorporated into the ballot measure approved for the June 2012 election. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> Measure B as approved by the voters on June 5, 2012, provides that the City will not pay workers' compensation benefits for disability on top of disability retirement benefits without an offset to the service connected disability retirement allowance to eliminate duplication of benefits for the same cause of disability, consistent with the current provisions in the Federated City Employees' Retirement System. Measure B is in the process of being implemented. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> The estimated cost per year to the pension plan of not offsetting Police and Fire disability retirement pension benefits when workers' compensation benefits are paid is \$2.8 million.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#6: We recommend that the City take aggressive steps to collect the outstanding balances it is owed from those retirees who still have not fully repaid the City the amounts they were overpaid for their unused sick leave. If sick leave payouts are not eliminated as part of contract negotiations, payouts should be reduced when a disability retirement is pending to avoid future overpayments.</p>	<p>Finance</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2011:</b> According to Finance Administration, Finance/Payroll will work with Retirement Services to reduce sick leave payouts when disability retirement payments are pending. In addition, Finance/Payroll will also focus more on the accuracy of the billings in order to avoid delays in the collection process by Revenue Management.</p> <p>Also, Finance staff: (1) has collected approximately \$70,000 in overpaid sick leave payouts, (2) has utilized the small claims court process, (3) set up payment plans with the debtors, (4) sent accounts to the collection agencies to collect on the City's behalf, and (5) worked with the City Attorney's Office to collect these past due amounts. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> According to the Finance department, a total of about \$100,000 of the \$148,000 in overpayments as pointed out by the audit has been collected. Efforts to collect the remaining continue.</p> <p>We should note that sick leave payouts have not yet been eliminated for a majority of the employee groups. The City is currently in negotiations with various bargaining groups to eliminate this. If agreement is not reached, then the City would still need to develop a process for reducing payouts when a disability retirement is pending. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> Finance department staff has continued to work with six retirees to collect about \$50,000 outstanding sick leave payout overpayments. According to Finance, the City has begun legal proceedings on two of the six accounts, agreed upon a payment plan with three retirees and is currently reviewing an amount dispute with the one retiree. In addition, Finance staff identified three additional sick leave payout overpayments of about \$87,000 and has been successful in collecting \$9,800.</p> <p>However as mentioned in the previous recommendation follow-up update, sick leave payouts have not been eliminated for all the employee groups and if an agreement on its elimination is not reached, the City would still need to develop a process for reducing payouts when a disability retirement is pending. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> Sick leave payouts have not been eliminated for all employee groups, and payouts have not been reduced when a disability retirement is pending. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The City has eliminated sick leave payout for all new employees hired on or after September 30, 2012, with the exception of the San Jose Fire Fighters, The City has reached agreements with the Municipal Employees' Federation (MEF), the Confidential Employees Organization (CEO), the Association of Maintenance Supervisory Personnel (AMSP), and the City Association of Management Personnel (CAMP) that current employees' sick leave balances and hourly rates will be frozen effective June 22, 2013. This</p>

Audit Report and Recommendation	Department	Current Status	Comments
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change has also been added for employees in Unit 99. Sick leave balances and hourly rates will be frozen effective July 6, 2013 for current employees represented by the POA. The City is currently in negotiations with the remainder of the bargaining units on this issue. While there are no sick leave payouts anticipated for new employees that are in the above employee groups, the recommendation still applies for the frozen sick leave balances for current employees. For those employees, the Finance department still needs to develop policies to reduce payouts when a disability retirement is pending. Target date: 12-13.

**Auditor's update as of December 2013:** According to Measure B provisions, employees will not be eligible for a disability retirement if they are eligible for a service retirement. Therefore, sick leave payout amounts will not need to be reduced. Implementation of Measure B provisions related to disability retirement for federated employees in Tier 1 is on hold until at least July 1, 2014. We will consider this recommendation implemented once the related provisions have been implemented. Target date: TBD.

**Auditor's update as of June 2014:** No change. Target date: TBD.

**KEY DRIVERS OF EMPLOYEE COMPENSATION: BASE PAY, OVERTIME, PAID LEAVES AND PREMIUM PAYS (Issued 5/11/11)**  
**The objective of our audit was to define and quantify the various components and major cost drivers of employee cash compensation. Of the 7 recommendations, 1 was previously implemented, 2 are partly implemented and 4 are not implemented.**

#1: We recommend the City Administration take steps to move towards a merit-based system by: (1) requiring a current positive performance appraisal before implementing any pay increase (including step and general wage increases), (2) considering elimination of the automatic step increase process and/or establishing minimum performance thresholds for receiving step increases, and (3) automating the current performance appraisal system.

City Manager Not Implemented

**Auditor's update as of June 2011:** This is part of the City Manager's May 2011 Fiscal Reform Plan and will be a part of upcoming contract negotiations with the City's bargaining units. Target date: Varies by employee unit.

**Auditor's update as of December 2011:** No change. Target date: Varies by employee unit.

**Auditor's update as of June 2012:** No change. Target date: Varies by employee unit.

**Auditor's update as of December 2012:** No change. Target date: Varies by employee unit. Target date: Varied by employee unit.

**Auditor's update as of June 2013:** No change. Target date: Varies by employee unit.

**Auditor's update as of December 2013:** No change. Target date: Varies by employee unit.

**Auditor's update as of June 2014:** No change. Target date: Varies by employee unit.

**POTENTIAL BUDGET IMPACT:** TBD.

Audit Report and Recommendation	Department	Current Status	Comments
<p>#2: To reduce the cost of overtime, the City should (1) conduct a Citywide FLSA overtime review or at a minimum review job specifications for specific positions and whether they would qualify for an FLSA overtime exemption; (2) pursue reductions in overtime to align with FLSA requirements (including but not limited to calculating overtime on hours worked, not paying overtime to exempt employees, and not paying overtime to employees receiving executive leave); and (3) prepare full cost estimates of contract provisions that exceed FLSA provisions.</p>	Employee Relations	Partly Implemented	<p><b>Auditor's update as of June 2011:</b> The City achieved changes in overtime eligibility for some employees. Specifically, effective July 2011, employees represented by OE#3, IBEW, MEF and CEO (September 2011) are compensated at the rate of time-and-one-half hourly rate for hours worked in excess of forty hours per week, and paid time off shall not be considered time worked for the purposes of calculating eligibility for overtime. Reducing overtime costs is part of the City Manager's May 2011 Fiscal Reform Plan and will be a part of upcoming contract negotiations with the City's bargaining units.</p> <p>The City has not yet conducted a citywide FLSA overtime review or a review of job specifications to determine whether some positions would qualify for FLSA overtime exemptions. The City has not prepared full cost estimates of contract provisions that exceed FLSA provisions, but OER reports this analysis will be done in preparation for the upcoming contract negotiations.</p> <p>Changing overtime eligibility for employees that receive executive leave may be subject to meet-and-confer and would be considered within the context of labor negotiations. Target date: Varies by employee unit.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: Varies by employee unit.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: Varies by employee unit.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: Varies by employee unit.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: Varies by employee unit.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Between the date the audit was issued (May 2011) and August 2014, overtime costs to supervisory employees approached \$4 million. We estimate pursuing reductions in overtime and comp time for supervisory employees could save over \$1.6 million per year (depending on actual usage).</p>
<p>#3: We recommend that the City include eligible paid time off in calculations of total compensation, and consider aligning paid leaves, particularly holidays, with other comparable employers.</p>	Employee Relations	Not Implemented	<p><b>Auditor's update as of June 2011:</b> The Administration generally agreed with this recommendation and will initiate efforts to develop and communicate a uniform definition of total compensation, including base and other eligible pays as well as benefits. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#4: To reduce costs, the City Council should consider eliminating or reducing the sick leave payout. If the City decides to leave a payout option for employees and caps the total payout, disclose the expected costs of the remaining benefit over the long-term.</p>	<p>City Manager</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2011:</b> Effective January 2012, employees represented by CEO, IBEW, MEF and OE#3 will not be eligible for sick leave payouts. The City has side letters to continue negotiations over changes to sick leave payout with the remaining 7 bargaining units. The City Manager's Fiscal Reform Plan recommends eliminating the sick leave payouts by Fiscal Year 2012-2013. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> Effective January 2012, the City eliminated sick leave payouts for employees represented by CEO, IBEW, MEF and OE#3, and the City Manager's Office of Employee Relations is currently engaged in negotiations regarding more changes. Target date: 6-12.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: Varies by employee unit.</p> <p><b>Auditor's update as of December 2012:</b> Effective September 2012, employees represented by AEA, AMSP, CAMP, ABMEI and unrepresented employees in Unit 99 and Units 81/82 hired on or after September 30, 2012 are not eligible for sick leave payout. Even though many employees are no longer eligible for sick leave payouts, the potential expense of providing them to employees who retain eligibility is significant. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> Except for those represented by IAFF Local 230, the City has eliminated sick leave payouts for all new employees hired on or after September 30, 2012. In addition, based on tentative agreements, employees represented by MEF, CEO, AMSP, and CAMP, have had their sick leave balances and hourly rates frozen to levels reached as of June 22, 2013. This change was also added for employees in Unit 99. For current employees represented by the POA, sick leave balances and hourly rates will be frozen effective July 6, 2013. The City Manager's Office of Employee Relations reports that the City is currently in negotiations with the remainder of the bargaining units on this issue.</p> <p>These limits to sick leave payout eligibility and payment amounts, reduce the City's future sick leave payout liability, but even with it, the City faces a liability of tens of millions of dollars. Moreover, the City has not reached agreements with ABMEI, AEA, ALP, CEO, IBEW, OE3, about existing employees. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The City Administration reports that for most employees, sick leave balances and hourly rates are frozen to levels reached as of June 22, 2013. The mediator's recommended settlement with the International Union of Operating Engineers, Local 3 (OE#3) freezes employees' sick leave balances and hourly rates as of June 22, 2013; the agreement is pending ratification by</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>the membership and approval by City Council. Employees represented by IAFF have not yet seen restrictions to sick leave payouts. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Except for those represented by IAFF Local 230, the City has eliminated sick leave payouts for all new employees hired on or after September 30, 2012. In addition, with the exception of IAFF Local 230, all employees have had their sick leave balances and hourly rates frozen to levels reached as of June 22, 2013. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
<p>#5: We recommend the City Administration (1) seek to eliminate obsolete premium pays, (2) disclose the direct and indirect costs associated with rolling in premium pays, and (3) consider discounting the value of premium pays to maintain cost neutrality when rolling in premium pays OR identify and disclose the full cost associated with rolling in these premium pays into base pay.</p>	Employee Relations	Not Implemented	<p><b>Auditor's update as of June 2011:</b> OER reports that premium pays will be evaluated during the upcoming negotiations. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
<p>#6: The City should discontinue including POST in its calculation of overtime and leave payouts, or should roll POST pay into base pay on a discounted, cost neutral basis.</p>	Employee Relations	Not Implemented	<p><b>Auditor's update as of June 2011:</b> As part of the 2011-12 labor negotiations, the City proposed excluding POST pay from the calculation of separation payouts for employees represented by the San Jose Police Officers' Association (POA). However, POST continues to be included in calculations of overtime and leave payouts. In our audit, we estimated this treatment of POST has cost the City over \$4.7 million between 2000-01 and 2009-10. Until this recommendation is implemented, these costs will continue to grow. Target date: TBD.</p> <p><b>Auditor's update as of December 2011:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No Change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Between the date the audit was issued (May 2011) and August 2012, we estimate this treatment of POST has cost the City over \$1 million.</p>



## AIRPORT PUBLIC SAFETY LEVEL OF SERVICE (Issued 10/12/11)

The objective of this audit was to benchmark the current level of police and fire services at Mineta San José International Airport. Of the 5 recommendations, 2 were previously implemented or closed, 2 are partly implemented, and 1 is not implemented.

#1: In order to better monitor the levels of service provided by law enforcement and aircraft rescue and firefighting services, performance metrics should be continuously reviewed and discussed amongst the Airport and its public safety and security partners.

Airport

Partly  
Implemented

**Auditor's update as of December 2011:** The Airport is working on clarifying a Memorandum of Understanding with SJPD-Airport Division and SJFD, respectively, that includes staffing and equipment agreements, operational requirements regarding public safety and security, as well as performance-related reports to be provided to the Airport on a weekly and monthly basis. Target date: 6-13.

**Auditor's update as of June 2012:** The Airport completed the Memorandum of Understanding (MOU) with SJPD-Airport Division. The MOU includes a staffing agreement, operational requirements and identifies performance reports to be provided. Work with SJFD continues. Target date: 6-13.

**Auditor's update as of December 2012:** No change. Target date: 6-13.

**Auditor's update as of June 2013:** The Airport reviews SJPD-Airport Division quarterly reports on staffing and response times and meets with the Division periodically to discuss coordination. Work with SJFD continues. Target date: 1-14.

**Auditor's update as of December 2013:** Work to complete a MOU with SJFD continues. Key performance metrics have been identified for SJFD to report on a quarterly basis and the Airport will begin regular review and discussion of these items with Fire Department staff. The Airport identified key, useful, and meaningful performance metrics for San Jose Fire Department to provide to Airport Operations. Specifically, Airport seeks quarterly reports on FAA requirements:

1. Mandatory ARFF training requirements for Fire Fighters and Reserve Fire Fighters;
2. Fuel truck inspections and results;
3. Fuel Farm facility inspection and compliance assessment.

Target date: 12-14.

**Auditor's update as of June 2014:** Airport staff has partnered with SJFD staff on the FAA requirements for fuel truck and fuel farm inspections. An initial draft Letter of Agreement (LOA) has been drafted to detail those inspections as well as the coordination required. Review of the draft LOA is underway in the SJFD. A meeting is scheduled for August 2014 between Airport and SJFD staff to review the draft LOA and incorporate any input from the participating staff. Staff then plans to submit the LOA for approval by Department Directors.

Airport staff has also developed an initial draft MOU which provides a

Audit Report and Recommendation	Department	Current Status	Comments
			<p>more holistic overview of each Department's responsibilities, duties, and expectations. This initial draft of the MOU is anticipated to be shared with SJFD for their initial review and input at the August 2014 meeting. Staff believes that this MOU will serve as the foundation to better document the responsibilities, duties and expectations of each Department.</p> <p>Currently, Airport staff continues to partner with SJFD personnel to provide a quarterly over-the-shoulder review of the mandatory ARFF training records for all personnel either permanently assigned or serving in a reserve capacity to ensure compliance with FAA regulatory requirements. Target date: 12-14.</p>
<p>#2: Airport Operations should summarize and distribute key performance metrics such as gate and door alarms, TSA red alarms, FAA alerts, and a summary of other significant events to its public safety and security partners (currently the San José Police Department and the San José Fire Department) on a regular basis.</p>	<p>Airport</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2011:</b> Representatives of SJPD-Airport Division and SJFD (Station 20) typically receive daily activity reports from Airport Operations via email of all significant airport events; however, key activities and performance metrics are not yet being summarized and distributed on a regular basis. The Airport needs to discuss which measures to focus on for data collection and how often such data should be compiled and shared with the City and other departments. Target date: 6-13.</p> <p><b>Auditor's update as of June 2012:</b> Key performance metrics are being developed for distribution to appropriate entities. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 1-14.</p> <p><b>Auditor's update as of December 2013:</b> According to staff, Airport Operations, SJPD and SJFD have enhanced the collaboration and sharing of information in a variety of ways. SJFD receives quarterly Aircraft Rescue and Fire Fighting response testing results that summarize performance on communications with the Control Tower, response timing and additional FAA requirements. The Airport Manager on Duty (MOD) regularly reviews the reports with the SJFD staff. SJPD and the Airport Security Coordinator work in partnership in bi-weekly operational meetings to discuss a wide variety of topics including expenditure tracking to ensure the safe, effective, efficient provision of public safety and security services.</p> <p>Quarterly Public Safety Meetings with Airport, SJPD, SJFD, local federal/state safety and law enforcement agencies are held to share and disseminate information on current trends and best practices. When there are significant events at the Airport, public safety and security partners meet to debrief about the incident and discuss issues and lessons learned.</p> <p>There is regular ongoing cooperation between the public safety and security partners (Airport, SJPD, and SJFD) to ensure the safety of passengers, staff and other visitors. The implementation of a variety of methods of communicating is intended to ensure that information is shared and efforts aligned to effectively and efficiently provide for public</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>safety. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Airport staff has developed a list of performance metrics that may be beneficial to SJFD. During the August 2014 meeting with SJFD, Airport staff will verify that these metrics are meaningful, useful and enhance the communications and meetings which already occur. Target date: 12-14.</p>

<p>#5: In order to better monitor levels of service, the San José Fire Department should summarize and distribute key performance metrics such as incidents by type, response times, and a summary of off-field responses to its public safety and security partners (currently Airport Operations and the San José Police Department) on a regular basis.</p>	Fire	Not Implemented	<p><b>Auditor's update as of December 2011:</b> Review of Fire Department performance measures is currently being undertaken. An update will be provided in June 2012. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Department is reviewing available resources. It is anticipated that work will begin June 2013. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The Fire Department continues to work on key performance metrics. As more resources become available, the Department advises that it will be better positioned to distribute summary reports on off-field responses to its public safety and security partners (Airport Operations and San Jose Police Department) on a regular basis. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Fire Department advises that it has made progress on performance measures related to emergency response times, but that work on summarizing and distributing key performance metrics is not currently in progress and will not be undertaken until more resources can be devoted to the project. Target date: TBD.</p>
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**AUDIT OF ANNUAL FORM 700 FILERS (Issued 11/10/11)**  
**The purpose of this audit was to determine whether the City had identified everyone who should be filing these forms, and to document whether the forms were filed timely or not. Of the 5 recommendations, 1 was previously implemented, 1 was implemented during this period, and 3 are partly implemented.**

<p>#1: During each reporting cycle, the City Clerk should notify the City Manager and department heads of non-filers in their departments and should impose penalties on late and non-filers. Furthermore, the City Manager and department heads should consider disciplinary action on designated City employees who file untimely or not at all.</p>	City Clerk	Partly Implemented	<p><b>Auditor's update as of December 2011:</b> The City Clerk plans to implement this recommendation immediately, beginning with annual statements due April 1, 2012 and for all assuming and leaving office statements after February 1, 2012. Target date: 4-12.</p> <p><b>Auditor's update as of June 2012:</b> The City Clerk has notified employees who did not file the required Form 700 and Family Gift Report by the April 1 deadline. Final notices to the employees and notification to the City Manager and Departments of non-compliant designated persons is underway. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of June 2013:</b> The City Clerk's Office reports that it sent email reminders to all Form 700 filers between January 2013 up to the April 2, 2013 filing deadline. The City Clerk's Office also coordinated with the City Manager and department heads regarding non-filers in their departments throughout the filing season, though they still need to discuss the possibility and/or necessity of disciplinary action on delinquent and non-filers. In an effort to streamline processes as well as to prepare for the Biennial review, the City Clerk's Office will continue coordinating with all departments regarding employee and consultant filers. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The City Clerk's Office sent multiple reminder emails to all Form 700 filers between January 2014 and the April 1, 2014 filing deadline. The City Clerk's Office also coordinated with the City Manager and department heads regarding non-filers in their departments. However, the email reminders may not have reached all required filers. Target date: 12-14.</p>
<p>#2: The City Attorney's Office should provide instructions to department and Purchasing staff to facilitate the identification of consultants who should be Form 700 filers. In addition, City departments should notify the City Clerk in cases where a contract terminates early or the designated consultant's assigned employee(s) change.</p>	City Attorney	Partly Implemented	<p><b>Auditor's update as of December 2011:</b> Not Implemented. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> Instructions have been developed and training given for consultant contracts involving Public Works. In addition, instructions and training for other consultant contracts will be developed and will be reviewed with departments as a part of the Biennial review of the City's Conflict of Interest Code. The Biennial review will be submitted for Council approval by December 2012. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The City Attorney's Office reports that it will need to develop and conduct additional instructions and training for consultant contracts. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> The City Attorney's Office will conduct training in coordination with the general contracts training that the Administration plans to provide staff per the Contract management audit. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#3: To ensure designated consultant firms' assigned employees file their Form 700s timely, (a) the City Clerk should require such firms to coordinate and file assuming office statements for their assigned employees upon the commencement of work, and (b) the City Clerk should annually notify those firms whose contracts are still valid of the requirement for their assigned employees to file the Annual Form 700.</p>	City Clerk	Partly Implemented	<p><b>Auditor's update as of December 2011:</b> Not Implemented. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> Procedures are being developed and will be reviewed with departments as a part of the Biennial review of the City's Conflict of Interest Code. The Biennial review will be submitted for Council approval by December 2012. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The City Clerk's Office requires Form 700s to be filed by all applicable consultants before the contracts are entered into CHAD with an active status. The consultant firms are also included in the annual reminder emails to all Form 700 filers. However, the City Clerk's Office did not have completed forms for all required filers. Target date: 12-14.</p>

<p>#5: Include information about Form 700 filing requirements in new employee orientation materials and employee exit checklists, as appropriate.</p>	<p>Human Resources</p>	<p>Implemented</p>	<p><b>Auditor's update as of December 2011:</b> HR is in discussions with the Clerk's Office to include a one page introduction to Form 700 filing requirements for all new employees during new employee orientation. Target date: TBD.</p> <p><b>Auditor's update as of June 2012:</b> HR is coordinating with the Clerk's Office and the Attorney's office to include a one page introduction to Form 700 filing requirements for all new employees during new employee orientation. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> HR is revising the employee exit checklist and notice of separation to include information about filing requirements upon leaving office. Target date: 1-14.</p> <p><b>Auditor's update as of December 2013:</b> The City Clerk's Office has provided Human Resources with information about filing requirements to be included with new employee orientation and employee exit checklist. Target date: Early 2014.</p> <p><b>Auditor's update as of June 2014:</b> Human Resources reports that as of March 1, 2014, all new full time employees are notified of Form 700 filing requirements at new employee orientation.</p>
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**OFFICE SUPPLY PURCHASES: THE CITY DID NOT RECEIVE ALL ANTICIPATED DISCOUNTS NOR DID IT FULLY TAKE ADVANTAGE OF OFFICEMAX'S ENVIRONMENTALLY FRIENDLY OFFERINGS (Issued 1/18/12)**

**The objective of our audit was to determine if the City was receiving all applicable discounts. Of the 5 recommendations, 4 were previously implemented or closed and 1 is partly implemented.**

<p>#4: We recommend that the City Manager aggressively seek to phase out City-owned printers, scanners and faxes and divert those needs to the Ricoh machines.</p>	<p>IT</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2012:</b> IT has benchmarked the usage of laser printers citywide and is analyzing the data to make a vendor neutral recommendation to the City Manager. Fax machines are being analyzed for possible efficiencies as part of the hosted Voice over IP implementation. Ricoh, the City's current printer vendor for rented machines, has also reviewed machine usage in City Hall to identify areas where machines could be eliminated. They are working with IT to implement this recommendation. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> IT is working on the portion of</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			<p>this recommendation related to fax machines. They are currently preparing to pilot Fax over IP (FoIP) which would use the rented multi-function devices and expects to coordinate a printer and fax rollout strategy in conjunction with a new telephone system by the end of the calendar year. Target date: 12-13.</p> <p><b>Auditor's update as of June 2013:</b> IT is working towards using Fax over IP for the City's faxing needs and would like to roll out changes to printing and scanning capabilities at the same time as the roll out of hosted VoIP. IT is currently developing the infrastructure for the faxing changes and expects to enter into a testing phase in January 2014. Purchasing is in discussions with Ricoh to offer a greater variety of rented machines, including some smaller models, based on need in smaller remote locations. IT and Purchasing have not yet begun the process of phasing out City-owned printers and scanners. Target date: 12-14.</p> <p><b>Auditor's update as of December 2013:</b> On January 28, 2014, Council approved an amendment and multi-year extensions to the Ricoh contract. The amendment includes the purchase and implementation of Fax over IP at no cost to the City (a \$100K value). Ricoh is scheduled to implement the faxing solution by 6/30/14, with Citywide rollout to be completed by the end of 2014, eliminating most of the City's stand-alone fax machines. A solution for City-owned printers has not yet been outlined. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> IT and Ricoh have installed the new faxing solution which is currently being tested prior to system acceptance. Following system acceptance, staff will work with Ricoh to develop a transition plan for printers. Target date: 12-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> We estimate the City could save approximately \$300,000 (much of the savings coming through reduced purchasing of toners) by shifting the City's printing, copying, and faxing use to rented Multi-function devices.</p>

## AUDIT OF INFORMATION TECHNOLOGY GENERAL CONTROLS (Issued 1/18/12)

The objective of our audit was to assess the general controls ensuring that the City's information systems are properly safeguards, that applications programs and data are secure, and that computerized operations can be recovered in case of unexpected interruptions. Of the 11 recommendations, 1 was previously implemented, 7 are partly implemented, and 3 are not implemented

#1: To ensure changes to the City's network and mission-critical enterprise systems are tightly controlled, ITD should immediately change the password to its shared administrative account, ensure that administrative log-ins to the City's network are traceable, and strictly limit administrative log-in privileges to those who absolutely need such privileges. Furthermore, we recommend that the ITD CIO annually review and approve the memberships of shared accounts that can access the City's network and enterprise systems, and if necessary make changes based on current business needs.

IT

Partly  
Implemented

**Auditor's update as of June 2012:** ITD has changed passwords for the highest level administrative log-ons as recommended. Staff is currently upgrading Microsoft Active Directory (the City's identify management system). According to ITD, this will reduce the number of shared accounts and enforce automated password rotations of shared accounts without staff intervention. Target date: 11-12.

**Auditor's update as of December 2012:** ITD has completed the upgrade of Microsoft Active Directory. Included as part of this upgrade are limitations on passwords to its shared administrative accounts, traceable log-ins to the City's network and strict limitations on administrative log-in privileges. ITD's next step is to develop a policy for shared accounts and access reviews which will be drafted and distributed to its stakeholders. Target date: 3-13.

**Auditor's update as of June 2013:** No change. Target date: 12-13.

**Auditor's update as of December 2013:** ITD has implemented changes to its shared administrative account. The CIO intends to work with enterprise systems' owners to determine the most efficient way to limit that access. Target date: TBD.

**Auditor's update as of June 2014:** ITD is in the process of reviewing all Active Directory accounts to ensure they are tied to current City employees, identify generic accounts for relevancy, and review privilege levels. ITD has engaged a security consultant to review Active Directory controls. These include role and responsibility delineation, updated permissions and access, etc. Target date: 1-15.

Audit Report and Recommendation	Department	Current Status	Comments
<p>#2: To improve password and access controls over the City's network and data, ITD should:</p> <ul style="list-style-type: none"> <li>a) Establish minimum length and complexity requirements for users' passwords, automatic periodic expiration schedules, and "lock-outs" when users reach a pre-determined number of consecutive unsuccessful login attempts.</li> <li>b) While granting access to additional server drives, etc., ITD should by default, terminate transferring employees' access to the drives of the departments they are departing, or explore a system through which employees' access levels are tied to their employment status as recorded in the City's personnel system.</li> <li>c) Develop a review process requiring departments to periodically review the users with access to their departmental drives.</li> </ul>	IT	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> ITD's draft security policy addresses many security concerns addressed in the audit. Further, according to ITD, this recommendation will also be addressed as part of the active directory upgrade. Target date: 12-12.</p> <p><b>Auditor's update as of December 2012:</b> ITD's Microsoft Active Directory upgrade has provided ITD the ability to set password length, complexity and expiration schedules. ITD is in the process of testing this new environment. In addition, the Information Security Policy addresses password and access controls. ITD expects that it can begin deploying the new requirements once the policy has been approved by City Council. Finally, ITD has drafted a formal first day/last day procedure to remove employee access from the City's network at the time the notice of separation is received from a department. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> ITD staff has completed testing the users' password policy which includes requirements for minimum length and complexity. An enterprise password policy will be a part of the Office 365 roll-out. Target date: 6-14.</p> <p><b>Auditor's update as of December 2013:</b> ITD is in the process of Office 365 implementation. Many of these recommendations will be addressed as a result of this implementation. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Office 365 includes a password protocol and includes minimum length and complexity requirements and automatic periodic expiration schedules. Target date: 12-14.</p>
<p>#4: In order to fully comply with Data Security Standards (PCI-DSS), immediately develop an Information Security Policy and include within this policy (applicable to all users who are connected to the City's network) the following minimum standards:</p> <ul style="list-style-type: none"> <li>a) Updated password and access protocols (see Recommendation #2);</li> <li>b) Required schedules for periodic reviews of people with access to data center (including restricting the number of people with access);</li> <li>c) Improved guidelines to departments for facilitating IT network changes during inter-departmental transfers and terminations;</li> <li>d) Training and implementation of the City's information security policy;</li> <li>e) After developing and implementing a Council-adopted Information Security Policy, initiate a citywide data security assessment to identify City's PCI-DSS status.</li> </ul>	IT	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> ITD has worked with an Information Security consultant to draft a Citywide Information Security Policy. Elements of the policy are currently under review by key stakeholders. The policy is anticipated for Council approval in October 2012: While most recommendations are addressed by this policy, ITD will still need to develop schedules for periodic reviews of people with access to the data center, training and implementation of the City's Information Security Policy, and initiating a citywide data security assessment to identify the City's PCI-DSS status. Target date: 10-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: 3-13.</p> <p><b>Auditor's update as of June 2013:</b> ITD has established a procedure for monthly review of Data Center access (4b). The remainder of the items continue to be part of the draft Citywide Information Security Policy, currently under review by stakeholders. Target date: 10-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Office 365 includes updated password and access protocols. ITD has re-engaged the services of its data security consultant and performed a current PCI assessment. The consultant is working with staff to draft an updated information security policy that includes guidelines and training. Target date: 12-14.</p>



Audit Report and Recommendation	Department	Current Status	Comments
<p>#5: The City should expand its Identity Theft Prevention Program to include all programs that collect personally identifiable information and:</p> <ul style="list-style-type: none"> <li>a) Annually review, amend and report on the status of handling private information.</li> <li>b) Annually review the business needs of employees with access to private information and update accordingly.</li> <li>c) Provide periodic training for all employees handling private information and/or annually highlight (through an email) and inform employees of their responsibilities on safeguarding this data.</li> <li>d) Include boilerplate language in its contracts to protect the City from liability when personally identifiable information is collected and ensure that the contractor has controls in place to secure and protect this information.</li> <li>e) Ensure that the ITPP guidelines are posted publicly and easily accessible by City employees.</li> </ul>	IT and Employee Relations	Not Implemented	<p><b>Auditor's update as of June 2012:</b> ITD is currently working with the City Attorney's Office on data classification and examples of personally identifiable information (PII) to better raise awareness in the identification of PII within the organization. Once this area is complete, ITD plans to work with OER, HR and the CMO to update policies and develop an education program with respect to the identification of PII. As part of this coordinated effort, departments will be required to formalize specific PII handling procedures. ITD anticipates that because this is much larger than a technology issue, completion must be phased and the adoption of the Information Security Policy is the beginning of this process. ITD expects that this recommendation may take up to year to complete. Target date: 8-13.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#6: We recommend that ITD develop the following written policies and procedures:</p> <ul style="list-style-type: none"> <li>a) Internal policies and procedures on day-to-day operations within ITD;</li> <li>b) Citywide policies on technology usage such as ITD responsibilities in enforcement, principles of least privilege, and acceptable use of computer equipment. Within these policies develop clear guidelines on which departments would be exempt and why, from some of these policies.</li> </ul>	IT	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> Staff has been working on formalizing key system administration procedures. These procedures are centrally stored and accessible. The draft Information Security Policy addresses principles of least privilege and acceptable use of computer equipment and is expected to be presented to the City Council for approval in October 2012. Target date: 10-12.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
<p>#7: In order to ensure that the City's critical data is protected ITD should:</p> <ul style="list-style-type: none"> <li>a) Ensure that backups are done and tapes are sent off-site at the pre-determined intervals;</li> <li>b) Get end-user input to determine if the current back-up process meets individual departments' business needs and City Council-approved document retention schedules; and</li> <li>c) Formalize, document and implement these processes.</li> </ul>	IT	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> Since January 2012, ITD has begun following pre-determined schedules of vaulting tapes. In addition, on September 4 2012, ITD released an RFP for data storage which will automatically vault backups to the cloud. This will minimize the reliance on tapes, manual processes and staff intervention. Following the procurement of the new storage system, ITD will work with end-users to ensure business needs and adopted retention policies are met. Target date: 3-13.</p> <p><b>Auditor's update as of December 2012:</b> ITD has developed a formal back-up policy. The RFP for data storage has closed with an award of contract expected in February 2013. ITD expects implementation of the new system to begin in late 2013. Target date: 12-13.</p> <p><b>Auditor's update as of June 2013:</b> An award of contract for cloud storage was approved by Council on June 18, 2013. Technical implementation is underway and expected to complete by mid-2014.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>Target date: 6-14.</p> <p><b>Auditor's update as of December 2013:</b> ITD has completed migrating user directories and workgroup shared folders to cloud storage. ITD anticipates that local storage with cloud archive will significantly reduce the need for the use of tape technology as most data is automatically backed up to the cloud. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> One-Drive in Office 365 will allow users to store working documents in the cloud rather than locally. ITD received \$250,000 in the 2014-15 Operating Budget to complete migration of applications off of the Storage Area Network (SAN). This includes FMS, Human Resources/Payroll and AMANDA. ITD reports that it has engaged Microsoft and City stakeholders in a discussion regarding enhancement of data management. This includes streamlining data storage, search and records retention, aiding in the future development of formalized policies and procedures based on current rather than the legacy environment. Target date: 3-15.</p>
<p>#8: ITD take the lead to develop (and test) a Disaster Data Recovery Plan and ensure that end-user business needs are included in the final plan.</p>	IT	Not Implemented	<p><b>Auditor's update as of June 2012:</b> ITD has developed a draft framework of requirements for disaster recovery for key systems. Although ITD plans to take the lead in facilitating coordination of the responses, technical solutions will be driven by business requirements developed by the system owners in individual departments. Target date: 12-13.</p> <p><b>Auditor's update as of December 2012:</b> ITD has developed an inventory of applications, identified the business owners and support teams and defined the administrative services for each application. Staff is currently in the process of developing a customer agreement that defines services, service hours and data recovery objectives. Staff is in the process of gathering infrastructure and cost requirements to implement a virtual off-site data center. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 6-15.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#9: ITD should collect, maintain and periodically update a central inventory of computer equipment and software, and should use its inventory management system and records of technology purchases to:</p> <ul style="list-style-type: none"> <li>a) better evaluate purchasing needs,</li> <li>b) identify opportunities to redistribute and/or share equipment and software, and</li> <li>c) to the extent possible, ITD should pursue opportunities to centrally-install packages, rather than installing packages at individual workstations.</li> </ul>	IT	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> ITD is creating a process to leverage the current asset management system, and to track asset management lifecycles. Staff is also working with current vendors to implement electronic order processing and inventory management. Further, the 2012-13 Adopted Operating Budget provided ITD with funding for purchasing the tools necessary for software centralization, and reports that it met with software vendors to begin planning for the project. Target date: 1-13.</p> <p><b>Auditor's update as of December 2012:</b> ITD is pursuing centralization of Adobe Acrobat. It also plans to upgrade the Office Productivity suite and deploy it using cloud-based subscription services. Target date: 8-13.</p> <p><b>Auditor's update as of June 2013:</b> Office 365, a subscription-based office productivity suite was approved by Council on May 7, 2013. Training for ITD staff and project plans for implementation and change management are currently underway for a Citywide roll-out. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> ITD is in the process of a citywide roll-out of Office 365. In addition, ITD has included Adobe Acrobat in its Ricoh contract which would eliminate the need for an Adobe Acrobat installation. This is expected to roll-out by the end of the year. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> We estimate that using centrally managed software and subscription based model could potentially save the City \$800,000 in labor and equipment costs.</p>
<p>#10: Because computer equipment may contain personal identifiable information and other sensitive information, ITD should develop, distribute, and implement a Citywide policy for decommissioning computer equipment, and include it in the citywide surplus inventory policy.</p>	IT	Not Implemented	<p><b>Auditor's update as of June 2012:</b> The draft Information Security Policy addresses some aspects of protecting personal identifiable information and other sensitive information. However, ITD still needs to address decommissioning computer equipment and including it in the Citywide surplus inventory policy. Target date: 1-13.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#11: Review the life expectancies of critical computer systems and determine a replacement schedule and budget for the highest-priority systems and hardware.</p>	<p>IT and Budget</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2012:</b> ITD and user departments are in the process of reviewing life expectancies and usefulness of various critical computer systems. These include FMS, Payroll system, Budgeting system, the Business Tax system and Integrated Billing System.</p> <p>As part of the approval of the 2012-2013 Adopted Budget, the City Council allocated funds for mapping the FMS system. Further, Finance has completed Phase I of the HR/Payroll RFP. In addition, ITD has mapped the "as is" state of the budget process and the Budget Office plans to release an RFI for a budget system in 2012-2013. Finally, options for the Integrated Billing System (IBS) are currently under evaluation including the replacement of the existing system, alternative service delivery for the Recycle Plus billings, and the migration of remaining systems such as the Business Tax to a new platform. Funding for the Business Tax replacement was included in the 2011-2012 and 2012-13 Adopted Operating Budget. Target date: 1-13.</p> <p><b>Auditor's update as of December 2012:</b> A Request for Information (RFI) for a budget system has been released and staff is currently reviewing responses. Per Council direction, the in-house option for upgrading the Recycle Plus component of the IBS system has been removed. However, other components of the IBS system still need to be addressed. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> Staff reviewed the RFI responses for a budget system and invited a number of respondents to provide presentations on their budget systems. Finance is currently drafting specifications to release an RFP for the Business Tax application. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> ITD reports that its assessment of citywide systems determined the immediate need to replace the HR/Payroll system, the Budget system and the Integrated Billing system. ITD determined that the City's Financial Management System, while not meeting the needs of the organization is still a vendor-supported solution. Further, the current budget does not allow for its replacement in the near future. The City is in the process of developing an RFP for a new Operating and Capital Budget system and an HR/Payroll system. It anticipates releasing RFPs for these two systems in March 2014. In addition, RFPs to replace modules of the Integrated Billing System (IBS) such as the Business Tax System (BTS) and Muni Water have been released. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> ITD, along with departmental business owners, are in the process of replacing multiple enterprise systems. FMS is not currently included in that replacement schedule. Funding has been set aside for FMS business process mapping. Target date: TBD.</p>

## 2010-11 ANNUAL PERFORMANCE AUDIT OF TEAM SAN JOSE'S MANAGEMENT OF THE CITY'S CONVENTION AND CULTURAL FACILITIES (Issued 1/18/12)

The objective of our audit was to determine whether Team San Jose (TSJ) met its performance measures as specified in the Management Agreement for FY 2010-11. We also assessed the costs and services of TSJ's Convention and Visitor Bureau efforts. Of the 4 recommendations, 2 were previously implemented or closed, 1 was implemented during this period, and 1 is partly implemented.

#2: To make its reporting of its results more meaningful to readers, we recommend that Team San Jose reformat its monthly report so that CVB's accomplishments for the month covered are shown next to the Team San Jose's performance targets.

TSJ

Partly  
Implemented

**Auditor's update as of June 2012:** TSJ plans to reformat its monthly report to City staff in the coming months. Target date: 12-12.

**Auditor's update as of December 2012:** TSJ established monthly goals for FY 2012-13 and is tracking results internally. For FY 2013-14, TSJ will establish and report monthly on performance accomplishments against established monthly goals for media impressions, tradeshow and events exposure, unique website visitors. Target date: 12-13.

**Auditor's update as of June 2013:** TSJ modified its monthly reports to the Administration and Community and Economic Development Committee but can still better reflect actual results against performance measure targets. Target date: 12-13.

**Auditor's update as of December 2013:** TSJ's reports to the Community and Economic Development Committee still do not include its internal targets for certain CVB activities, such as the number of media impressions generated or the number of tradeshows in which its staff participated. Including these targets will improve transparency. Target date: 6-14.

**Auditor's update as of June 2014:** City staff is working with Team San Jose to ensure CVB measures and accomplishments will be reported next to performance targets in public reports beginning in the fall. Target date: 9-04.

#3: In recognition of the shared strategic direction of the convention and cultural facilities and the CVB, we recommend that the City consolidate the two operating agreements with the Team San Jose and the CVB into one agreement. The best time to consolidate the two agreements will be June 2014, when both agreements expire. We recommend that the City adopt a single agreement that covers both the convention and cultural facilities and the CVB and that establishes one set of performance measures for Team San Jose. Also, a new single agreement should eliminate the requirement for a separate set of accounts and separate financial audits for each of the two organizations.

Economic  
Development  
and City  
Attorney

Implemented

**Auditor's update as of June 2012:** The City and Team San Jose have begun discussions to combine the agreements. Target date: 9-13.

**Auditor's update as of December 2012:** No change. Target date: 9-13.

**Auditor's update as of June 2013:** According to staff, the City is currently negotiating with Team San Jose new agreements for the operation of the convention center and cultural facilities, and for CVB services. The Administration believes keeping the agreements separate affords the City and TSJ greater flexibility. Nonetheless, if the agreements are kept separate, TSJ's performance measures should be aligned. Target date: 6-14.

**Auditor's update as of December 2013:** No change. Target date: 6-14.

**Auditor's update as of June 2014:** For the reasons stated above, the City and Team San Jose entered into two new agreements on July 1, 2014 for CVB services and for the operation of the convention center and

Audit Report and Recommendation	Department	Current Status	Comments
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cultural facilities. The agreements, while separate, include aligned performance measures.

**POLICE DEPARTMENT SECONDARY EMPLOYMENT: URGENT REFORM AND A CULTURAL CHANGE NEEDED TO GAIN CONTROL OF OFF-DUTY POLICE WORK (Issued 3/07/12)**

**The objective of the audit was to assess the cost and effectiveness of the San José Police Department’s program allowing sworn personnel to work second jobs in uniform in addition to their City work. Of the 30 recommendations, 3 were previously implemented, 21 are partly implemented, and 6 are not implemented.**

<p>#1: The Police Department should develop and immediately implement a written procedure for periodic review of off-duty employment timecards including comparisons of: (a) City timecards to off-duty timecards, and (b) timecards for multiple off-duty jobs to each other to test for fraud, and (c) hours taken for administrative/disability/sick leave to hours worked off-duty. The Department should also hold supervisors accountable for paying attention to on-duty and secondary employment time keeping.</p>	Police	Partly Implemented	<p><b>Auditor’s update as of June 2012:</b> The Police Department updated procedures for the Secondary Employment Unit (SEU) to include audits of timecards to test for fraud/overlapping hours as well as secondary employment worked simultaneously with disability or other leaves. However, SEU management advises that the SEU does not currently have the staff to conduct the audits. The Department advises that there are sections of the Duty Manual that hold supervisors accountable. Target date: TBD.</p> <p><b>Auditor’s update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor’s update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor’s update as of December 2013:</b> No change. Target date TBD.</p> <p><b>Auditor’s update as of June 2014:</b> The Department has purchased a software that has yet to be implemented but that will be beta tested in the future and will address some of these problems. For example, the Department advises that this software will prevent employees from scheduling both a secondary employment job and a City shift simultaneously. Target date: TBD.</p>
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<p>#2: The Police Department should develop a system to compile real-time data regarding the number of hours worked and pay earned from off-duty work.</p>	Police	Partly Implemented	<p><b>Auditor’s update as of June 2012:</b> Department management advises that they are exploring the potential for real-time tracking of hours worked. The Department has recently submitted a Request for Proposal (RFP 10-12-10) to implement a shift bidding and workplace scheduling software/technology-based solution. The system would potentially allow real time data regarding the number of regular and secondary employment hours worked by an individual employee. Secondary Employment Unit staff continues to work with the Department’s Bureau of Technical Services (BTS) and Bureau of Administration (BOA) to identify key components specific to secondary employment. Target date: TBD.</p> <p><b>Auditor’s update as of December 2012:</b> The Department advises that Department management, along with City Purchasing, has selected a vendor for development and implementation of the above system. Target date: 12-13.</p> <p><b>Auditor’s update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor’s update as of December 2013:</b> The Department advises that</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			<p>SEU continues to work with the vendor and anticipates beta testing to begin by June 2014. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Department advises that due to other priorities, the new anticipated beta testing has been postponed. Target date: 10-14/</p>
<p>#3: The Police Department should: (a) keep lists of work permits and employers updated and be able to provide summary data, (b) include tests in periodic reviews to ensure the completeness of pay job hours that are reported to the City, (c) specify in the Duty Manual the disciplinary consequences for both employees and supervisors for failure to consistently report off-duty hours worked, (d) develop a way to track enforcement actions taken at pay jobs; one possibility is a special code or call sign in CAD to designate calls from those working secondary employment.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> (a) With the assistance of temporary employees, the SEU has developed detailed spreadsheets of updated work permit and employer lists. However, SEU management advises that the unit does not have sufficient staffing to keep the lists current. (b) The SEU Procedures Manual has been revised to require verification of hours worked based on secondary employers' records. However, SEU management advises that the unit does not have sufficient staffing to conduct the verifications. (c) SEU management advises that several sections of the Duty Manual document policy and discipline as it relates to secondary employment. Specific disciplinary consequences cannot be listed as discipline can vary based on an employees past history. (d) SEU management advises that this has been accomplished through the use of specific call signs dedicated to secondary employment officers. Any enforcement action is captured under this call sign specific to the date, time, and officer. Duty Manual Section C1548 (Secondary Employment Logs) also requires officers to log their time and hours worked, call sign, and any enforcement action taken. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD..</p>
<p>#4: The SEU should report to the Police Chief at least annually on the following data about the secondary employment program: (a) the number of hours worked, (b) the amount of pay earned by employee from each off-duty employer, (c) the number of employees who have off-duty work permits, (d) the total number of permits, and (e) the number of employers participating in the program. The report should also note major changes or challenges with program during the prior year.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> Regarding (a) and (b), the Department has recently submitted an RFP for a shift bidding system that may potentially allow for tracking of hours worked and pay earned (see description in Recommendation #2). Regarding (c),(d), and (e) while the SEU has updated the list of employees who have work permits, SEU management advises that the unit lacks sufficient staffing to keep the lists updated going forward. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Department advises that Department management, along with City Purchasing, has selected a vendor for development and implementation of the above system. Target date: 12-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that SEU continues to work with the vendor and anticipates beta testing to begin by June 2014. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> See Recommendation #2. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#5: To promote transparency and accountability, the Police Department should know and post annually, on the City's web site, total compensation earned by Police Department employees working secondary employment in SJPD uniform. The Department should know and post information for each employee by name, each employer where that employee worked, and the amount earned from each employer during the year as reported by the employee to the Police Department.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> Department management advises that if the Chief of Police were to comply with this recommendation, an increase in SEU staff would be needed and that the current decentralized structure of secondary employment would make it a labor-intensive task. Department management anticipates that the new staffing and scheduling software-based solution (see Recommendation #2) would assist with the implementation of this recommendation. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Department advises that Department management, along with City Purchasing, has selected a vendor for development and implementation of the above system. Target date: 12-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#6: The SEU should provide information in the secondary employer application or contract about the process to file complaints (from secondary employers or others) through the Internal Affairs Unit or the Independent Police Auditor's Office about officers working secondary employment.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> Department management advises that the SEU has begun work on a new public webpage that will be accessible through the City's home page. The SEU page will include Frequently Asked Questions (FAQs) (including the procedure for filing complaints). The page will also include a link to Internal Affairs and the Independent Police Auditor's Office. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#8: The Police Department should enforce rules from the Duty Manual that have been ignored in the past including: (a) reporting of secondary employment hours, (b) CAD log-on from off-duty jobs, (c) approvals for use of City vehicles and equipment (d) prohibitions against working secondary employment while on disability, sick, or administrative leave, and (e) pay rates. The Department should inform employees that failure to comply could result in the suspension or revocation of an employee's secondary employment permit.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> Parts of the Duty Manual have been revised to better address some of these provisions, but Department management advises that additional SEU staffing will be needed to sufficiently monitor and enforce these rules. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>



Audit Report and Recommendation	Department	Current Status	Comments
<p>#9: The Police Department should enforce its procedure for periodic inspections of secondary employers. As specified in the procedure, such inspections should include reviews of: (a) current business license and proper regulatory permits, (b) other required licenses or professional certificates, (c) employer logs of officer work hours, (d) consistency of job with description on work permit and employer approval form, (e) whether officers at site have current/authorized work permits on file. Inspections of a sample of employers should occur at least quarterly, be documented, and notes maintained on the resolution of problems. The Police Department should inform employers and employees that such reviews will occur.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that additional SEU staffing will be needed to conduct inspections of secondary employers. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The Department advises that the SEU commander conducts inspections in response to complaints about employer or employee conduct. As specified in the audit, inspections include reviews of: (a) current business license and proper regulatory permits, (b) other required licenses or professional certificates, (c) employer logs of officer work hours, (d) consistency of job with description on work permit and employer approval form, (e) whether officers at site have current/authorized work permits on file. There has been no change regarding periodic or regular inspections. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#10: The Police Department should clarify (in writing) the City's limited liability with regard to workers' compensation in the context of secondary employment.</p>	Police	Not Implemented	<p><b>Auditor's update as of June 2012:</b> Police Department management advises that the Department's Research and Development Unit and SEU should work with Office of Employee Relations, the City Attorney's Office and City Risk Management to determine the feasibility of this recommendation. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The Department advises that it met with the Office of Employee Relations recently to discuss this topic, but there was no definitive guidance for moving forward. The Department will continue to work with OER, the City Attorney's Office, and Risk Management on a case by case basis as issues arise. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#11: The Police Department should immediately eliminate the practices of allowing Department employees to solicit off-duty work and allowing them to be paid in cash. The Department should develop and implement a written procedure that includes a business card SJPD employees can provide to businesses or individuals who inquire about hiring off-duty police. The card could include contact information for SEU and inform businesses that calling SEU is the only way to arrange the hiring of SJPD employees. A provision should also be added to secondary-employer agreements to prohibit cash payments to SJPD employees for off-duty work and to require employers to issue appropriate tax documents to pay job employees.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> The Duty Manual has been revised to prohibit Department members from soliciting secondary employment and from being paid in cash (with exceptions allowed if approved by SEU commander or the Chief of Police). In addition, Department management advises that the Secondary Employer application has been removed from the intranet and all applications must now be processed through SEU (in the past they could be handled by individual officers). A tax document provision has not yet been added to the Secondary Employer application. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#12: Assuming that the City continues to offer uniformed off-duty employment to private employers, then the Department should contact local business organizations as well as existing approved employers and inform them of (a) revisions to the secondary employment program, and (b) new procedures that prohibit officers from soliciting jobs or accepting cash payments or gratuities, and (c) how to contact the Department if they are interested in secondary employment, (d) pay rates for secondary employment and prohibitions on gratuities or other forms of compensation, and (e) how to lodge a complaint or suggestion, and (f) the requirement that SJPD employees may only enforce the law and may not enforce employer rules. The Department should also provide guidance, in writing, about how employees should address potential situations in which there is a conflict between what a private employer requests of them and their role as a City employee.</p>	Police	Not Implemented	<p><b>Auditor's update as of June 2012:</b> The Police Department is considering options for the future structure of the secondary employment program. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#13: The Police Department should prohibit employees from having a financial interest or management role in businesses that are secondary employers.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> The Duty Manual was revised to prohibit officers from working a "uniformed secondary employment assignment for a private employer in which the officer has a monetary interest, family interest, is part owner, or is employed in any capacity other than the secondary employment role." The Auditor's Office notes that the intent of the recommendation was for it to apply to all sworn Department members. While this may be the intent of the revised Duty Manual language, a strict interpretation of it means it applies only to officers. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#14: The Police Department should clarify the Duty Manual to ensure that careful consideration is given to the potential for the appearance of a conflict with an on-duty assignment. The Department should further specify in the Duty Manual the criteria upon which the Police Chief will determine whether a pay job conflicts with an on-duty assignment.</p>	Police	Not Implemented	<p><b>Auditor's update as of June 2012:</b> Neither the Duty Manual nor SEU procedures specify the criteria upon which the Police Chief determines whether a pay job conflicts with an on-duty assignment. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#15: The Department should: (a) reinstate its prohibition against employees working as private investigators and (b) write and implement a procedure for periodic review for appropriateness of access to criminal databases by sworn employees working secondary employment.</p>	Police	Not Implemented	<p><b>Auditor's update as of June 2012:</b> Department management has stated that employees should be allowed to continue working as private investigators and that the prohibition should not be reinstated. While the Department does have written policies in place regarding the use of criminal information and other City/Departmental databases, there is not a specific procedure for periodic review of the accessing of such data by employees working secondary employment. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#16: The Police Department should develop and implement written guidelines that include criteria for how pay jobs are assigned by SEU and by coordinators. The Department should also prohibit employees who work in the Secondary Employment Unit from working pay jobs, even if they were working such jobs before being assigned to the unit. Reasonable exceptions should be included related to oversight of special events.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> The Duty Manual has been revised to prohibit employees who work in the SEU from working pay jobs. SEU management advises that in order to assign jobs based on criteria, software would be required. Management advises that the RFP described in Recommendation #2 could potentially assist with assigning jobs. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Department advises that while the Duty Manual was revised to prohibit employees who work in the SEU from working pay jobs, they may work jobs coordinated through SEU if they get the approval of the SEU commander. This is designed to allow SEU employees who were heavily involved in the oversight of planning a special event to be able to work at that event due to their familiarity with it. Target date: 12-13.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> The Department intends to implement a shift bidding and workplace scheduling software/technology-based solution, as described in Recommendation #2. The system would potentially allow real time data regarding the number of regular and secondary employment hours worked by an individual employee. The Department advises that SEU continues to work with the vendor and anticipates beta testing to begin by June 2014. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> See Recommendation #2 regarding new software. Target date: TBD.</p>
<p>#17: The Police Department should revise its written guidelines for the exercise of discretionary judgment in determining the number of police employees the Department requires event organizers to hire for special events. The guidelines should specify the criteria upon which the decisions will be made and should also address how the Department determines an appropriate mix of private security and police.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that the SEU is currently working with the Office of Cultural Affairs to find an appropriate mix of security, non-sworn personnel, and police. SEU advises that it is also exploring alternative methods to police staffing and is establishing criteria for special events and an appropriate staffing model. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of June 2013:</b> The Department has been working with the Department of Transportation and the Office of Cultural Affairs on developing a new traffic control and security model for Special Events. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> A new traffic control model was created, but does not address the issue of written guidelines. The Department will continue to evaluate each event, and discuss traffic and security needs with the Department of Transportation to decide on a proper mix of personnel and equipment. Although the Department continues to use discretionary judgment, it advises that it looks at historical data related to repeat events and works closely with promoters to determine the proper staffing levels. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#20: The Police Department should fully implement the Independent Police Auditor's recommendation for ongoing ethics training and should try to do so as soon as possible.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> Department management advises that the ethics training has begun and is expected to be completed within the next year. Target date: 6-13.</p> <p><b>Auditor's update as of December 2012:</b> The Department advises that ethics training began in April 2011. The Department further advises that the Video Unit is creating video version of the training for future training of other sworn employees. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> Ethics training was provided to all Department members and concluded June 2013. The Department advises that due to the large amount of POST mandated training officers must receive, training of this nature will not be provided on an ongoing basis until resources become available. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#21: If the Police Department retains the system of decentralized coordination, the SEU should be solely responsible for appointing coordinators and providing them with the lists of employees available to work pay jobs. The SEU should also maintain an up-to-date list of coordinators and the jobs they oversee. The Department should also establish and implement clear written guidelines regarding: (a) roles and responsibilities of coordinators and how they fit within the chain of command, (b) a prohibition against any form of compensation other than pay, (c) a fixed hourly rate for coordinators as well as not-to-exceed limits on coordinators pay, (d) clarify that coordinators can only be paid for actual hours of coordination rather than an agreed upon estimate or "plug", and (e) expressly prohibit coordination on City time.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that the SEU has an updated list of all coordinators. Additional work, though, is pending decisions regarding the future structure of the secondary employment program. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The Department advises that SEU appoints all new coordinators and discusses roles and responsibilities with them. They are required to know all new SEU policies, which address SEU coordination policy. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The SEU lieutenant advises that he is researching an appropriate fixed pay rate for coordinators and will recommend the adoption of such a rate once identified. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#22: The Police Department should: (a) calculate the cost of bringing all coordination into SEU and the related impact on employers' fees (b) assess the impact on the hourly rate charged to employers, as well employer fees, if coordination were brought into SEU and employees were paid at an overtime rate. Given that information, the Department should seriously consider three options moving forward: (1) phasing into SEU the coordination of additional pay jobs, (2) bringing all coordination into SEU, (3) bringing all coordination into SEU and also paying employees on overtime through the City.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that some cost-benefit analysis has been conducted and that the Department is exploring the options for the future structure of the secondary employment program. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#23: The Police Department should: (a) immediately develop and enforce a reasonable daily hour limit and should consider a rest period prior to a regular shift; (one possibility is to reinstate the 14-hour daily limit previously in place), and (b) apply the 24-hour weekly limit for off-duty jobs even in weeks when employees have taken time off, and (c) develop a way to ensure sufficient days off per month.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> The Duty Manual has been revised to limit to 16 the number of hours worked in a 24-hour period. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Department advises that in November 2012 the Duty Manual was revised to increase the 24-hour weekly limit on secondary employment hours to 30-hours per week. This change is contrary to the intent of the recommendation, which is to help reduce potential fatigue. The audit report included the following quote from research about police fatigue: "Everything we know about fatigue indicates that it will tend to impair officers' ability to perform their duties safely and deal with job stresses in a healthy manner." In 1995, when the Independent Police Auditor first issued a report about secondary employment, the weekly limit on hours was 20 per week. It was subsequently increased to 24 and is now at 30 per week following the November change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#24: The Police Department should train employees on the topic of police fatigue and the risks associated with it.</p>	Police	Not Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that there is not currently any department curriculum that addresses police fatigue and the risks associated with it. Management further advises that it is not a POST-mandated topic and that any training in this topic would need to be researched. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#25: Because engaging in secondary employment may prolong the recovery of a member who has been injured, the Police Department should (a) ensure that the existing Duty Manual provision prohibiting secondary employment while on disability leave is enforced and (b) develop a process for identifying employees who are working secondary employment hours either concurrently or in the same time frame as taking disability leave hours.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> The SEU Procedures Manual includes a provision for auditing employee timecards to check whether an employee was on disability leave while working secondary employment. However, SEU management has advised that it lacks sufficient staff to conduct such audits. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> See Recommendation #2. Target date: TBD.</p>
<p>#26: The SEU should be housed in the Police Chief's office with the appropriate mix of civilian and sworn employees, with an emphasis on civilians to perform administrative duties and an emphasis on stable staffing and sufficient staffing to provide oversight. Sworn employees should be of sufficient rank to oversee all lower ranks that work secondary employment.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> The Secondary Employment Unit has been moved to the Office of the Chief. The Department advises that it requested but did not receive additional civilian staffing. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#27: The Police Chief should set clear goals and a timetable for restructuring the secondary employment program and should propose a plan as soon as possible to the City Council for secondary employment going forward.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that the Department is currently exploring the possibilities for the future structure of the secondary employment program. Target date: 3-13.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b></p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#28: The Police Department should: (a) calculate the comprehensive cost of the secondary employment program (personnel, administrative costs, etc.), (b) compare those costs to the revenue generated by related fees, and (c) determine the fees that would be required to make the program 100% cost recovered and present this data to the City Council.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that some cost-benefit analysis has been conducted and that the Department is exploring the options for the future structure of the secondary employment program. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> The personnel costs of operating the SEU unit were estimated at \$747,000 in the audit. Recovery of these costs through fees would reduce the subsidy by the General Fund.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#29: The Police Department should fully recover the cost of secondary employment liability policy either through increased employee contributions or by a fee charged to secondary employers.</p>	Police	Not Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that the Department is currently exploring the possibilities for the future structure of the secondary employment program. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> The General Fund subsidy of the secondary employment liability policy was \$59,000 at the time of the audit. If the program remains in its current format, requiring participating employees to pay the full cost of the insurance would eliminate the subsidy by the General Fund.</p>

<p>#30: Assuming that the City continues to offer uniformed off-duty employment to private employers, the City should assess the public and private benefits of the current provision of uniformed security services to a broad range of private and public entities. The Department should analyze the costs and benefits of continuing to provide this service on such a broad scale as well as the potential effects of limiting the program to certain types of jobs. The Department should propose a plan for the future of the program to the City Council that includes the results of this analysis.</p>	Police	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> SEU management advises that the Department is currently exploring the possibilities for the future structure of the secondary employment program. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
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## REVIEW OF FIRE DEPARTMENT PERFORMANCE MEASURES: IMPROVING THE USEFULNESS OF DATA (Issued 5/10/12)

The objective of our review was to assess the appropriateness and accuracy of the Fire Department's publicly reported performance measures. Of the 3 recommendations, 3 are partly implemented.

<p>#1: For those performance measures that it will continue to track, the Fire Department should document methodologies for calculating measures. In particular, the Bureau of Fire Prevention should document its methodologies for calculating and reporting key performance measures, including but not limited to measures for internal day-to-day management and public reporting.</p>	Fire	Partly Implemented	<p><b>Auditor update as of June 2012:</b> The department is reviewing methodologies used for standard performance measures reporting related to Field Operations. Staff has begun working with Bureau of Fire Prevention and will continue to review methodologies and standardized reports during the first half of FY 2012-13. An audit of fire prevention efforts is currently in progress. Other divisions, such as, EMS, Training, Arson, and Haz-Mat will be evaluated using a similar consultative approach with Bureau and Division managers to create meaningful daily operational measures and identify opportunities to further automate their production and posting. Staff expects to complete a status report by June 2013. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Department has experienced staffing turnover, but is now reviewing available resources. It is anticipated that work will begin June 2013. Target date: TBD.</p>
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Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of June 2013:</b> The Fire Department continues to work on documenting methodologies for calculating performance measures. Performance methodology worksheets are expected to be completed and submitted to the City Manager's Budget Office by August 30, 2013. In addition, the Fire Department has organized an IT Work Group to provide ongoing technical support. The Department plans to use the staff to address any training needed on data input, and to develop a comprehensive plan that includes an analysis of the current hardware and software being used for Performance Measure reporting. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
<p>#2: The Fire Department should continue to review—by core service—its performance measures and determine which are most important to monitor and track on an ongoing basis for internal use, management purposes, and for public reporting.</p>	Fire	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> The department intends to use a comprehensive review process to clarify terminology, methodology and relevance. Staff initiated the effort during the preparation of the proposed FY 2012-13 budget. Staff will continue to work with upper and middle management to obtain a more in-depth understanding of day-to-day reporting needs to create a process that addresses the daily informational needs of both internal and external customers. Target date: TBD.</p> <p><b>Auditor's update as of December 2012:</b> The Department has experienced staffing turnover, but is now reviewing available resources. It is anticipated that work will begin June 2013. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The Department advises that Fire senior staff has reviewed performance measures by core service. An analysis of the performance measures that are most important to monitor and track on an ongoing basis continues to be undertaken. The newly-formed IT Work Group will perform an analysis of the current Performance Measures data. Changes would be submitted to the City Manager's Budget Office by August 30, 2013. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that it has completed an analysis of performance measure data and methodologies, primarily regarding emergency response. The IT work group will continue monitor, track and analyze data on an ongoing basis. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
<p>#3: The Fire Department should assess—by core service—how performance data can be used by management and staff on an ongoing basis to help analyze past performance, establish next performance objectives, and examine overall performance strategies.</p>	Fire	Partly Implemented	<p><b>Auditor's update as of June 2012:</b> It is anticipated that by December 2012, the Department will begin a review of department-wide performance measures. This review will assess and document the Fire Department's performance management practices, methodology, and supporting systems; and identify opportunities for improving the accuracy and reliability of performance measurement data. Initial analysis of current sources and methodologies for creating process and outcome data for the Bureau of Fire Prevention has already begun. Target date:</p>



Audit Report and Recommendation	Department	Current Status	Comments
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TBD.

**Auditor's update as of December 2012:** The Department has experienced staffing turnover, but is now reviewing available resources. It is anticipated that work will begin June 2013. Target date: TBD.

**Auditor's update as of June 2013:** The recent establishment of an IT Work Group will provide tools to enable the Department to work on evaluating department-wide strategies, including the use of performance data to analyze past performance and set short and medium-term performance objectives. Target date: TBD.

**Auditor's update as of December 2013:** No change. Target date: 12-14.

**Auditor's update as of June 2014:** No change. Target date: 12-14.

**ENVIRONMENTAL SERVICES: A DEPARTMENT AT A CRITICAL JUNCTURE (Issued 8/08/12)**

**The objective of this audit was a broad review of staffing and management with a special focus on how ratepayer funds are used and the proposed Water Pollution Control Plant rehabilitation project. Of the 22 recommendations, 4 were previously implemented, 4 were implemented during this period, 12 are partly implemented and 2 are not implemented.**

<p>#1: The Administration should continue pursuing ways to retain high-performing, critical Plant staff, such as skill-specific, time-limited retention incentives/bonuses, requesting the Department of Human Resources/Office of Employee Relations conduct formal salary surveys for critical Plant work sections, and working with the Office of Employee Relations on potential meet-and-confer issues that such changes would present.</p>	ESD	Partly Implemented	<p><b>Auditor's update as of December 2012</b> ESD staff met with affected bargaining units. The department also hired a human resources consultant to analyze critical Plant job classifications. The consultant's results are expected by June 2013. In the interim, ESD has proposed entering into a Master Agreement for temporary staffing resources for Plant operations and maintenance. Additionally, as part of the FY 2013-14 budget process, ESD plans to propose the addition of 7 Plant attendant positions that are expected to create a pipeline for entry-level Plant operators and Plant mechanics. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> HR and ESD have developed revisions to the Plant Mechanic and Plant Operator classification series based on consultant recommendations, including salary surveys, for implementation in August 2013. Staff is developing additional proposals, such as TBD. Target date: 1-14.</p> <p><b>Auditor's update as of December 2013:</b> Having implemented new classifications and salary adjustments for the Wastewater Mechanic and Wastewater Operator series in August 2013, ESD and HR are now working with a consultant to review the class specifications for several other job series. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> ESD's human resources consultant completed a review of other critical Plant classifications. ESD and HR are reviewing and finalizing updated job descriptions. Target date: 12-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
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Audit Report and Recommendation	Department	Current Status	Comments
#2: The Department of Human Resources/Office of Employee Relations should conduct a formal salary survey for consideration in an evaluation for retaining critical Plant engineering staff.	HR/Employee Relations	Partly Implemented	See Recommendation #1 above.
#3: To ensure that contract deliverables, goals and performance standards are clearly defined, the Environmental Services Department and the Department of Public Works should consider utilizing outside consultants to help solicit and draft agreements for program management services and future Design/Build or Design/Build/Operate contracts related to the Water Pollution Control Plant's capital projects. The City Attorney's Office should determine whether retaining counsel to assist with the negotiation and drafting of these contracts is warranted.	ESD	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> In January 2012, ESD contracted with a Technical Coordinator to assist with the coordination and implementation of the Plant CIP. ESD is negotiating an agreement with an Executive Program Advisor with agreement anticipated to go to the City Council in March. An Owner's Engineer has been retained to develop an RFP for a Design/Build or Design/Build/Operate contract for energy generation. The City Attorney's office is in the process of evaluating whether retaining specialized outside counsel is necessary to negotiate and draft Design/Build and Design/Build/Operate agreements. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> ESD contracted with the Executive Program Advisor in March. Staff is working with the consultant to finalize an Owner's Engineer contract for the Biosolids transition. The City Attorney's office expects to issue a RFQ this fall for outside counsel to assist with alternative project delivery agreements. Target date: 1-14.</p> <p><b>Auditor's update as of December 2013:</b> ESD contracted with MWH Americas, Inc. for Program Management consultant services in September, 2013. The consultant's scope of work includes assisting the City with hiring, monitoring, and reviewing the work of Design/Builders. An Owner's Engineer for Biosolids Transition was retained in October 2013 (Brown &amp; Caldwell). The City Attorney's Office is currently working on an RFQ for outside counsel to assist with alternative project delivery agreements. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> An RFQ for Legal Services for the San Jose/Santa Clara Regional Wastewater Facility Capital Improvement Program was advertised on April 2, 2014. According to ESD, they, along with the CAO and PW, are currently in the process of evaluating proposals with a contract award recommendation planned for September 2014. Target date: 9-14.</p>
#4: During implementation of Plant Master Plan projects, the Environmental Services Department should provide for ongoing construction audit or other audit work.	ESD	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> ESD anticipates procuring program management services by the end of FY 2012-13. The program management contract is expected to include services like construction and financial audits. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> ESD is currently negotiating with a program management firm and anticipates bringing forward the agreement to Council in September. The scope of services in the agreement is expected to include program and other audit work. Target date: 9-13.</p> <p><b>Auditor's update as of December 2013:</b> ESD contracted with MWH</p>

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			<p>Americas, Inc. for Program Management consultant services in September, 2013. The consultant's scope of work includes quality assurance/quality control services, and construction management services. Included sub-tasks include internal program audits and third-party oversight of construction management firms. In addition, they plan to engage outside auditors to conduct ongoing construction or other audit work as necessary. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> A program-wide procurement strategy for the Wastewater Facility CIP is in progress, A draft procurement plan is being prepared to identify upcoming consultant services procurement needs, including construction auditing services. Target date: TBD.</p>
<p>#6: The Environmental Services Department and the Department of Public Works should continue to develop a management oversight structure to monitor overall CIP effort and ensure projects remain on budget and on schedule.</p>	<p>ESD</p>	<p>Implemented</p>	<p><b>Auditor's update as of December 2012:</b> In December 2012, ESD brought to the City Council's Transportation &amp; Environment Committee a CIP Update memo which included an organizational structure that will be used to deliver the CIP once various contractors is in place. Currently, key leadership staff from ESD and Public Works meets on a weekly basis to coordinate the overall CIP effort. In addition, senior and executive staff meets on a monthly basis to check in on status of the CIP and provide direction on any issues. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> ESD and Public Works staff, the Technical Coordinator, and the Executive Program Advisor meet on a weekly basis on the overall CIP effort. In addition, senior and executive staff continue to meet on a monthly basis. ESD is currently negotiating with a program management firm. Once this firm is in place, the oversight structure can be fully implemented. Cost and schedule controls and reporting are expected to be a significant portion of the scope of services for the program management firm. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> ESD contracted with MWH Americas, Inc. for Program Management consultant services in September, 2013. The consultant's scope of work includes establishing new processes, systems, and tools to enable improved project controls over the life of a project. According to ESD, a dedicated program controls manager and program scheduler have been assigned to the program and are currently co-located with City staff. A senior cost estimator is also available on an as-needed basis and has been working with the program's start-up and validation teams to provide updated and independent cost estimates for projects. The start-up team is also developing an overall program governance structure and a comprehensive Program Execution Plan, and setting up program control tools such as a web-based collaborative portal, a Master Program Schedule, and Program Status Reports to ensure projects remain on budget and on schedule. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> ESD and PW staff, in collaboration</p>

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			<p>with the Program Management consultant team, has developed a number of management oversight and project delivery tools to ensure projects remain on budget and on schedule. These include: 1) developing a program delivery organization structure, 2) preparing a resource/staffing gap analysis, 3) creating a decision log database to document project decision making , 4) developing a program risk register to escalate issues and response actions, 5) developing a Program Master Project List, 6) developing a Program Master Schedule, and 7) developing Monthly Program/Project status reports.</p> <p>These items are located on the CIP Portal, a centralized program collaboration website that serves as a communications, reporting, and document management hub for all City and consultant staff involved with implementation and delivery of the CIP. The CIP Portal can be accessed at <a href="https://sanjose.cipportal.com">https://sanjose.cipportal.com</a>.</p>
<p>#8: The Environmental Services Department should continue to improve communication between Operations &amp; Maintenance and capital program staff, and coordinate involvement of Operations &amp; Maintenance staff in capital project delivery.</p>	<p>ESD</p>	<p>Implemented</p>	<p><b>Auditor's update as of December 2012:</b> Weekly and bi-weekly meetings are held between O&amp;M and CIP staff to ensure coordination on projects in design and construction. The Technical Coordinator is meeting with staff to develop a program level framework for coordination. In addition, the Program Management firm will also facilitate coordination on both, the overall program and individual projects.</p> <p><b>Auditor's update as of June 2013:</b> According to the department there are now regularly scheduled coordination meetings between O&amp;M and CIP staff with standardized agenda (City Engineering and O&amp;M Coordination meeting). When coordination occurs within a Consultant Agreement/Contract for a particular project, meeting minutes are drafted, distributed, reviewed, and returned as FINAL, and made a part of the permanent record of the project/contract via decision logs, etc. The program management firm, which is expected to help further facilitate O&amp;M and CIP coordination, is expected to start in September.</p> <p><b>Auditor's update as of December 2013:</b> There are biweekly Construction Management (CM) meetings with CIP for projects under construction and CIP Design Review meetings where O&amp;M and CIP staff meet to discuss projects in their planning, and design phase, address concerns, and provide input to be forwarded to the CIP Steering Committee. According to ESD, meeting minutes are routinely drafted, and distributed for each of these meetings. In addition, there is a bi-weekly CIP and O&amp;M meeting at the senior and executive management level to discuss project scoping and resolve issues. Finally, with MWH, America's Inc on board as the a Program Management consultant, the dedicated Liaison for O&amp;M (ESD staff) is working with an O&amp;M Coordination team (consultant) to develop a communication strategy, with processes, and documents that will be used by both CIP and O&amp;M staff to identify projects, prepare scoping documents, assist in making and tracking decisions that will impact projects, and identify costs, and any</p>

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			<p>implications of proposed changes to the project. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> ESD holds various coordination meetings with O&amp;M staff as referenced in the December 2013 update. In addition, an O&amp;M Staff Engagement Plan was completed as of April 2014. This Plan describes O&amp;M's roles and responsibilities with respect to CIP project delivery, the O&amp;M input process, and level of participation through a CIP project's life cycle. Multiple workshops and training sessions were held with O&amp;M staff in development of this Plan. A dedicated liaison has been assigned to the CIP division to facilitate CIP/O&amp;M coordination.</p>
<p>#10: The Environmental Services Department should evaluate and present to the City Council and the Treatment Plant Advisory Committee the potential ratepayer impacts of implementing the Master Plan once the Environmental Impact Report is complete.</p>	<p>ESD</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2012:</b> Comments on the draft Environmental Impact Report (EIR) were due by February 26, 2013. The EIR process is expected to be complete during the spring of 2013. Target date: 3-14.</p> <p><b>Auditor's update as of June 2013:</b> The comment period on the draft Environmental Impact Report (EIR) was extended to March 13, 2013. According to the department, the large volume of comments and additional review by outside legal counsel have pushed the expected completion date to fall of 2013. Target date: 3-14.</p> <p><b>Auditor's update as of December 2013:</b> The Planning Commission certified the Final Environmental Impact Report in October 2013. The San Jose and Santa Clara City Councils formally adopted the Plant Master Plan in November 2013 and December 2013, respectively. ESD contracted with MWH Americas, Inc. for Program Management consultant services in September 2013. The consultant scope of work includes significant program start-up activities including validation of the more than master plan projects being recommended for implementation over the next 30 years. The program validation team will complete its work by March 2014 which should result in an updated five-year CIP and evaluation of potential impacts to ratepayers. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The consultant program start-up team has completed its work to validate the more than 100 master plan projects, which included updating the project scopes, schedules, and cost estimates. Validated projects have also been organized into 32 project delivery packages for implementation over a ten year planning period. Priority projects have been incorporated into the Five-Year CIP. The Proposed Five-Year CIP was presented to the Treatment Plant Advisory Committee (TPAC) and adopted by the City Council on June 17, 2014. In addition, a Special Study Session was held with TPAC on April 17, 2014 to discuss the preliminary CIP financing strategy. A follow-up Special Study Session to present the final CIP financing strategy is scheduled for December 2014. Target date: 12-14.</p>

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#11: The Environmental Services Department should develop a policy to periodically review the Master Plan in response to regulatory, technological, or economic changes; implementation and financing challenges; and ratepayer impacts.	ESD	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change.</p> <p><b>Auditor's update as of December 2013:</b> The Planning Commission certified the Final Environmental Impact Report in October, 2013. The San Jose and Santa Clara City Councils formally adopted the Plant Master Plan in November 2013 and December 2013, respectively. According to ESD, the Plant Master Plan is being used as the starting point for all discussions surrounding CIP implementation, including project definition, scoping, and planning for all projects. A new budget line item is being introduced in the Proposed 2015-2019 five-year CIP to allow for periodic updates to the master plan. It is anticipated updates to the master plan will be made on a five-year cycle; however, ESD is still working to develop procedures that will specify the frequency of such updates. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The next update to the master plan is scheduled to initiate in fiscal year 2016-17 as identified in the Adopted 2015-2019 CIP. Target date: FY 16-17.</p>
#12: In addition to more realistically planning for capital improvements and the related budgeting for capital expenditures, the Environmental Services Department, in coordination with partner departments, should develop and/or update, and formalize fund balance and reserve goals for ratepayer capital funds.	ESD	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> Budget Office staff created a work plan to develop reserve goals for operating and capital programs based on benchmarking of practices in other California utilities and capital programs undergoing major expansion. According to ESD, staff expects to conduct the survey in the Spring/Summer 2013. Target date: Fall, 2013.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> Staff completed the benchmarking effort, and will evaluate and develop recommendations. Target date: 9-14.</p> <p><b>Auditor's update as of June 2014:</b> ESD has hired a financial consultant to develop recommendations and financial management best practices that will inform an administrative policy. The administrative policy, which will be coordinated with the Budget Office, will outline operational and strategic decision-making guidelines that can be used during the budget development process to ensure a standard approach for collecting and expending ratepayer funds and establishing appropriate fund balance and reserve levels. Target date: 12-14.</p>
#13: The Administration should propose the City Council establish a City Council Policy which includes guiding principles so as not to raise rates in years in which ratepayer fund balances exceed reasonable targets.	ESD	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> ESD held all FY 2012-13 rates except for Muni Water's at FY 2011-12 levels. Nonetheless, ending fund balances remained quite large. Specifically, the overall balance in the audited utility funds decreased only slightly from \$278 million at the end of FY 2010-11 to \$268 million at the end of FY 2011-12. The \$224 million the City held in operating and capital funds for the sanitary sewer and Plant represented nearly 2 years of annual sanitary sewer revenue</p>

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			<p>collection. Further, the \$28 million held in storm sewer operating and capital funds represented nearly 90 percent of annual storm sewer annual revenue collection. Because balances are so large, the Administration should propose a policy to hold rates steady when fund balances exceed reasonable targets. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> ESD held FY 2013-14 rates, except for Muni Water's, at FY 2011-12 levels. According to ESD, Muni Water's rate increase was in large part due to the cost of wholesale water. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> ESD held FY 2014-15 sanitary and storm sewer rates at FY 2011-12 levels. According to ESD, Muni Water's rate increase was in large part due to the cost of wholesale water purchased from the Santa Clara Valley Water District and San Francisco Public Utilities Commission. Target date: 12-14.</p>
<p>#14: The Environmental Services Department, in coordination with the Department of Transportation, should review the efficiency and effectiveness of the City's approaches for reducing sanitary sewer overflows.</p>	<p>ESD/DOT</p>	<p>Implemented</p>	<p><b>Auditor's update as of December 2012:</b> ESD and DOT established a Coordination Team to evaluate the City's Fats, Oils, &amp; Grease (FOG) Control Program as part of the broader Sanitary Sewer Overflow (SSO) reduction strategy. Per staff, activities currently in progress include:</p> <ul style="list-style-type: none"> <li>• FOG hotspot identification and risk analysis based on various asset and geographical characteristics</li> <li>• Implementation of DOT's 3-year strategic plan of enhanced hotspot cleaning, root control, and SSO response</li> <li>• Evaluation of proposals to increase DOT technical staff and fleet resources.</li> </ul> <p>Bulleted items will be completed by June, 2013.</p> <p>Further, staff will be reducing the inspection frequency of food service establishments from at least once every 3 years to at least once every 5 years. As part of the FY 2013-14 budget process, staff plans to propose the deletion of 1 vacant inspector position. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> ESD reduced the minimum frequency for inspecting all Food Service Establishment (FSE) in San José to once every 5 years. In FY 13-14, staff further modified the FSE Inspection Program to include a sanitary sewer overflow (SSO) risk-based approach. This approach prioritizes FSE inspections based upon whether the site is grease producing, has adequate pretreatment, the likelihood of a SSO to occur in that area (termed Collection System Risk, or CSR), and the potential for the site to generate grease (termed FOG Discharge Risk, or FDR) in addition to FOG violation history and last inspection date (the prior criteria). Staff is modifying its enforcement database to track these metrics. Staff believes that increasing inspection frequency at relatively high SSO-risk sites will help focus efforts of the</p>

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			<p>FSE Inspection Program on locations most likely to cause or contribute to SSOs in San José.</p> <p>To further enhance the City's FOG Control Program in residential areas, ESD, in conjunction with the City's Public Art Program, released a Request for Qualifications for the development of a FOG Outreach Strategy Plan by December 2013. According to staff, the FOG Outreach Strategy Plan will provide a comprehensive approach with a variety of FOG reduction strategies for residential areas. Staff is evaluating potential neighborhoods for a pilot study of this plan, scheduled to begin in 2014, and will coordinate with Council Offices and Neighborhood Associations upon confirmation of pilot study locations.</p> <p>Implementation of DOT's 3-year strategic plan of enhanced hotspot cleaning, root control, and SSO response is in progress. The FY 2013-14 budget, four technical staff positions in DOT were made permanent. Also, four combination sewer line cleaning trucks will be purchased. Finally, the FY 2013-14 budget deleted 1 vacant ESD inspector position.</p> <p><b>Auditor's update as of December 2013:</b> Staff completed database modifications associated with the FSE Inspection Program's new adaptive risk-based approach to prioritizing inspections. The risk-based approach has increased inspection frequencies at locations most likely to cause or contribute to SSOs in San José, while maintaining a minimum frequency of at least once every five years at lower-risk grease producing locations. With the Risk-based approach, the FSE Inspection Program is on track to inspect all FSEs that have Grease Removal Devices (GRDs) in San José this fiscal year, with reduced staff.</p> <p>DOT is in the third year of its 3-year strategic plan to reduce the occurrences of Sanitary Sewer Overflows (SSOs). According to staff, its implemented improvements contributed to a 32 percent reduction in SSOs observed in 2013 compared to the prior year (126 compared to 184). Additionally, DOT reported that, in FY 2012-13, crews responded to nearly 75 percent of reported sanitary sewer problems within 30 minutes. In previous years, the response time standard was 4 hours.</p> <p>As noted in the audit, SSOs may be more of a problem in residential areas. As such, the City's Public Art Program, in conjunction with ESD and DOT, released a Request for Qualifications for the development of a FOG Outreach Strategy Plan (for residential areas). A consultant was selected to develop a comprehensive approach for two to three pilot residential neighborhoods selected in San José. The first phase of the artists' design process explores with the community their current awareness of waste disposal and possible approaches to broadening community adoption of good practices. Based on this foundational community engagement, the artist will co-create an inventive engagement pilot program encouraging responsible FOG management in the home and build consciousness of the importance of the City's waste water system. It is expected the pilot program will include an art component</p>



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			<p>that can be utilized by the City beyond the pilot period, in multiple locations. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The FOG outreach consultant/artist completed the community engagement process to assess the awareness level and disposal practices of the public with regard to FOG. The artist subsequently developed an outreach plan that includes a multi-pronged approach of door hangers/postcards, manhole markers, and truck wraps intended to connect with varying audiences (i.e., individual, community, and city) to achieve greater awareness and promote positive behavior change in reducing FOG in the City's sanitary sewer system. According to staff, the City's Office of Cultural Affairs will continue this pilot project independent of the other enhancements already made to reduce SSOs. ESD and DOT have redesigned and implemented efficiency program improvements (e.g., enhanced cleaning and risk-based FSE inspection) that have already resulted in fewer SSOs in San José.</p>
<p>#16: The Environmental Services Department should continue to reevaluate its enforcement programs and take a more efficiency- and outcome-based approach for managing program resources.</p>	<p>ESD</p>	<p>Implemented</p>	<p><b>Auditor's update as of December 2012:</b> According to staff, the Pretreatment Source Control Program continues to address findings from the 2011 Pretreatment Compliance Inspection, 2009 Pretreatment Compliance Audit, and the 2005 EPA Administrative Order. Past and ongoing improvements include development of SOPs and formal training plans for staff, which have equipped staff to handle a wider variety of issues and assignments, and the streamlining of internal processes, including the permit review process. Within the next six months, the staff plans to investigate additional options for efficiency, including an evaluation of the frequency at which sampling is conducted at revenue sites, as well as an evaluation of the potential impacts of implementing the EPA Streamlining Rules.</p> <p>For the Dental Amalgam Program, staff implemented electronic submittal of annual reports to improve efficiency, which has increased accuracy and considerably reduced the administrative time required. The program is also working with the City Attorney's office to develop a streamlined administrative solution for renewing Dental Amalgam permits that would avoid the need to process individual permits. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> According to staff, ESD continues evaluation of the frequency at which sampling is conducted at sites in the pretreatment program. Staff compiled historical monitoring data and is being analyzing it for variability to ensure monitoring is being conducted at each site at the proper frequency. ESD staff has also completed an evaluation of the potential impacts of implementing the EPA Streamlining Rules, which resulted in ESD's recommendation to amend the City's Sewer Use Ordinance. Prior to amendment, the Sewer Use Ordinance required all industrial users subject to categorical standards to monitor for all listed pollutants with a federal limit under that category, as well as the corresponding local limits. Scheduled for formal City adoption in August 2013, the Streamlining Rules will allow industrial users to apply for a</p>

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			<p>waiver of sampling requirements for pollutants not present in their wastewater discharge. This should reduce the amount of sampling and analysis conducted by the discharger and the City.</p> <p>Lastly, dental practices can now submit their Annual Reports online. Nearly 60 percent of the 2012 Dental Program Annual Reports were received through the electronic filing option, resulting in improved efficiency and increased accuracy. Program staff has generated several potential solutions for streamlining the administrative work related to the Dental Amalgam Permit renewal process and will work with the City Attorney's office to choose a viable option to avoid the individual permit renewal process. Staff expects to implement a streamlining solution in late 2013, one year before permits expire.</p> <p><b>Auditor's update as of December 2013:</b> ESD continues to analyze historical monitoring data at revenue sites for variability to ensure monitoring is being conducted at each site at the appropriate frequency. To date, two sites have been identified for reduced sampling frequencies, and ESD is modifying these sites' billing methods and notifying the businesses.</p> <p>Streamlining Rules were adopted by the City in August 2013, allowing industrial users to apply for a waiver of sampling requirements for pollutants not present in their wastewater discharge. To date, ESD has implemented a pollutant waiver for one industrial user and is in the process of formalizing the waiver process allowing additional industrial users to apply for the waiver.</p> <p>ESD continues implementation of an electronic filing option of Annual Reports for dental practices covered under the City's Dental Program. According to staff, in January 2014, the Dental Program reached out to dentists who previously utilized or expressed interest in an e-filing to provide them the option to file their 2013 Dental Annual Reports electronically. Approximately 70 percent of dentists submitted their 2012 Annual Reports electronically. Additionally, ESD, in coordination with City Attorney's Office, continues to develop an option to avoid the individual permit renewal process for dental practices. Final methods are anticipated this spring, allowing time for coordination with tributary agencies prior to the expiration of the majority of the permits. Target date: 9-14.</p> <p><b>Auditor's update as of June 2014:</b> ESD has conducted a review of its revenue program to identify opportunities for streamlining the revenue billing process. As of the start of Fiscal Year 2014-15, ESD has discontinued sampling at two sites in lieu of billing based on historical loading data. Additionally, ESD has added four sites to the revenue billing program to more accurately bill for flow and loading.</p> <p>With regards to the Streamlining Rule implementation, ESD has developed formal Standard Operating Procedures and application materials for the Pollutant Waiver process. These application materials</p>

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			<p>are available to industrial users wishing to apply for the waiver.</p> <p>Lastly, ESD has worked with the City Attorney's Office to evaluate options for dental practice permit renewal. Based on City Attorney's Office recommendations, all dental practice permits will need to be reissued. Following this recommendation, ESD has developed a strategy to reissue permits in bulk, thereby avoiding the individual permit renewal process. Under the streamlined process, dental permits will be reissued with the existing permit conditions on a five year term.</p>
<p>#17: The Environmental Services Department should update assumptions driving sanitary sewer rates for residential customers, and should establish a policy to periodically evaluate assumptions that influence rates, including household size, daily per capita sewage flow, and housing stock composition.</p>	<p>ESD</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2012:</b> Staff engaged a utility consultant to assist the City in developing an update to occupancy rates and unit flows for residential user categories. In January 2013, the consultant presented its initial findings to City Staff, and is currently preparing a final report. Target date: 3-14.</p> <p><b>Auditor's update as of June 2013:</b> As reported in a March 2013 memorandum to Council, ESD decided to conduct a more expansive rate study to include the entire service area of the Plant, review sewage characteristics of non-residential customers, and gather additional consumption data. A Request for Proposal was released in July, with the expectation that work will be started in September and completed this fiscal year, perhaps as early as December. Target date: 3-14.</p> <p><b>Auditor's update as of December 2013:</b> Because no consultants responded to the Request for Proposal (RFP) issued in July, a Request for Qualifications (RFQ) was issued in October 2013. The consultant is expected to begin work in February, with a report on the first phase of work in May. The project is expected to be substantially completed in the summer, after FY 2014-15 sanitary sewer rates are set, meaning implementation of any needed modifications to sanitary sewer rates will not happen until FY 2015-16. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> Staff selected a consultant, and entered into a Master Agreement in early 2014 for flow analysis services. The consultant completed Phase 1 of its work, including a review of the Revenue Program and of residential and non-residential assumptions and customer categories. The consultant's results were presented to the staff Technical Advisory Committee in June 2014. According to ESD, Phase 2 of the consultant's study—scheduled to be completed in October 2014—will further refine how the flow and load assumptions may be updated and improved based on: (1) customer classifications, (2) flow assumptions, and (3) wastewater strength assumptions. Target date: 12-14.</p>
<p>#18: The Environmental Services Department should explore opportunities to increase revenues or reduce costs to achieve full cost recovery of South Bay Water Recycling operations and minimize the cost to sanitary sewer ratepayers.</p>	<p>ESD</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2012:</b> According to ESD, staff is working with the Santa Clara Valley Water District on a strategic plan for SBWR. Target date: 9-14.</p> <p><b>Auditor's update as of June 2013:</b> No change.</p> <p><b>Auditor's update as of December 2013:</b> ESD staff continues to work</p>

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			<p>with the Santa Clara Valley Water District on a strategic plan for SBWR. The team is also focused on reviewing milestones with the integration agreement, capital technology recommendations, and rate strategies in order to meet the cost recovery goal. Target date: 9-14.</p> <p><b>Auditor's update as of June 2014:</b> In April 2014, the City Council established wholesale recycled water rates for FY 2014-15 that continue the discount for irrigation users and reduces the discount for industrial and agricultural users to ensure cost competitiveness. According to staff, based on projected customer usage, the new rates should increase revenue between \$50,000 to \$300,000, which will fully cover SBWR's operations and maintenance budget for the first time. Target date: 6-15.</p> <p><b>POTENTIAL BUDGET IMPACT: TBD.</b></p>
<p>#19: To minimize costs to ratepayers the City should explore alternatives for eliminating duplicative Recycle Plus billing and customer service efforts.</p>	ESD	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> In January 2013, the City Council approved discontinuing in-house Recycle Plus billing and directed staff to continue evaluating two alternative service delivery options for Council consideration in Spring 2013. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> ESD is expecting to present a service delivery recommendation to the City Council in August 2013. Target date: 8-13.</p> <p><b>Auditor's update as of December 2013:</b> In September 2013, the City Council approved billing Recycle Plus single-family property owners on the Property Tax Roll effective July 1, 2015. This process will reduce lien processing, multiple billings, and service requests directed through the City to the haulers, thereby eliminating duplicative billing and customer service efforts. An RFP/RFQ evaluation process for a simplified utility billing system and project management oversight is underway, with vendor/consultant selection expected in April 2014. Target date: 4-14.</p> <p><b>Auditor's update as of June 2014:</b> In June 2014, the City Council authorized the City Manager to negotiate and execute an agreement with Advanced Utility Systems Corporation for the purchase of a new utility billing system. Staff is currently negotiating with the vendor, and expects to transition to the new system over the next year. Target date: 7-15.</p>
<p>#20: The Environmental Services Department, along with the Office of Cultural Affairs and the City Attorney's Office, should review past and current public art allocations in the Sanitary Sewer System, Water Pollution Control, Storm Sewer, and Water Utility Capital Funds to determine whether appropriations are in accordance with the City's Public Art Ordinance.</p>	ESD/OCA	Not Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD</p> <p><b>Auditor's update as of December 2013:</b> According to the department, ESD reviews public art allocations to determine whether appropriations are in accordance with the City's Public Art Ordinance as part of the annual CIP and budget development. However, the art allocations for the FYs 2008-09 through 2010-11 and for FY 2012-13 have not been reviewed as recommended in the audit.</p> <p><b>Auditor's update as of June 2014:</b> According to the Administration, ESD, OCA and their partner departments (DOT and PW), are developing a</p>

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			<p>project plan to implement public art projects over the next five years that are intended to bring awareness to the critical role played by the Regional Wastewater Facility in the region as well as educate the public about environmental awareness and stewardship. For example, a public art pilot project in the Sanitary Sewer Capital Fund was launched in FY 2013-14 related to environmental stewardship and sanitary sewer overflows. In conjunction with this project planning, the Administration will consider a plan to address the prior year allocations from FYs 2008-09 through 2010-11. For FY 2014-15, projects totaling \$1.1 million are in process. In conjunction with this project planning, the Administration will consider a plan to address the prior year allocations from FYs 2008-09 through 2010-11 over a multi-year period. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> We estimate more than \$1.1 million of public art allocations in the utility capital funds during FYs 2008-09 through 2010-11 were driven by rehabilitation or other projects which should have been exempt from the Public Art Ordinance. This includes roughly \$450,000 in the Regional Wastewater Facility's capital fund and \$700,000 in the Sanitary Sewer Capital Fund.</p>
<p>#21: The Administration should consider recommending that the City Council amend the public art ordinance to eliminate the public art requirement for certain ratepayer-funded capital projects, including those related to underground utilities or the wastewater treatment process.</p>	<p>ESD</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> According to the Administration, it has considered this recommendation but will not pursue it at this time. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Administration will evaluate whether to recommend a change to the Public Art Master Plan and the public art ordinance. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> The Five Year budget allocation is expected to total \$3,307,000 (primarily driven by art allocations related to capital projects at the Regional Wastewater Facility).</p>
<p>#22: The Administration should propose the City Council adopt a City Council Policy which includes guiding principles for evaluating ratepayer costs and rate increases for fairness and appropriateness, and balancing priorities, such as safe and reliable services, cost efficiency, ratepayer impacts, and environmental outcomes.</p>	<p>ESD</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> See recommendation #12 above.</p>

## FIRE DEPARTMENT INJURIES: A MORE COORDINATED RESPONSE AND BETTER FOLLOW-UP IS NEEDED (Issued 9/12/12)

This audit focused on the handling of workplace injuries and the timeliness of treatment and recovery. Of the 15 recommendations, 3 were previously implemented, 1 was implemented during this period, 5 are partly implemented, and 6 are not implemented.

#2: We recommend the Administration and the Fire Department develop and implement a comprehensive and aggressive, time-limited modified duty program matched to employee experience and addressing upcoming training needs, where possible. The program should include on-going communication and continuous monitoring of an employee's status and work restrictions through the City's Workers' Compensation Division, Employee Health Services, and/or a designated third party.

Fire

Partly  
Implemented

**Auditor's update as of December 2012:** The Fire Department has been working with its training division to ensure that all employees returning to work from a disability complete their outstanding training requirements. Finally, the department plans to require supervisors to call disabled employees for a wellness check. Target date: 6-13.

**Auditor's update as of June 2013:** The Fire Department has begun to monitor an employee's status and work restrictions. Employees are required to call the wellness coordinator on a weekly basis to provide a status update. Employees returning to work are assigned to complete their mandated training and returned to the field as soon as that training is completed. Employees are required to call the department workers' compensation coordinator on a weekly basis to provide a status update. Finally, the department has directed Battalion Chiefs to contact individual employees to inquire about their well-being. Target date: 12-13.

**Auditor's update as of December 2013:** No change. Target date: 12-14.

**Auditor's update as of June 2014:** The Third Party Administrator (Athens) has taken the lead in communication with doctors regarding worker injury status and restrictions. The Fire Department's Return-To-Work Coordinator tracks employee return dates and works with a department deputy chief to ensure that returning employees have modified jobs available. In addition, the Fire Department is working on a Fire Injury Outreach Peer Support program called FIOPS. This program aims to provide peer support to injured employees and their family members. Tasks include assistance navigating the Workers' Compensation system, or the Employee Assistance Program (EAP), identifying any problems or challenges inclusive of the injury, work, life outside the fire department, personal issues, and family wellness. The Fire Department reports that eight employees volunteered to be peers and twelve employees volunteered to be injury referrals. The department anticipates providing training through the City's HR department in September and implementation thereafter. Target date: 12-14.

#3: We recommend that the Administration review and update Fire Department job descriptions with more specific descriptions of the physical requirements of what employees actually do on a day-to-day basis, and make the job descriptions and physical requirements easily accessible to physicians.

Human  
Resources/  
FireNot  
Implemented

**Auditor's update as of December 2012:** No change. Target date: 5-13.

**Auditor's update as of June 2013:** No change. Target date: TBD.

**Auditor's update as of December 2013:** No change. Target date: 12-14.

**Auditor's update as of June 2014:** No change. Target date: TBD.

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<p>#5: The Administration and Employee Health Services should streamline and refocus the annual physicals by</p> <ul style="list-style-type: none"> <li>a. removing duplication and focusing on job-specific and State-mandated requirements, and</li> <li>b. developing a process for handling those individuals who are unable to meet pre-determined minimum fitness thresholds. This may be subject to meet and confer and could be applicable to other employees in physically demanding positions around the City.</li> </ul>	Human Resources	Not Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.  <b>Auditor's update as of June 2013:</b> No change. Target date: TBD.  <b>Auditor's update as of December 2013:</b> No change. Target date: TBD.  <b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#6: To ensure that Fire employees returning to the field from a long absence of any kind are physically able to perform their job functions, the City should develop a policy and process to require them to undergo a physical agility test. This may be subject to meet and confer, and could be applicable to employees in other physically demanding positions around the City.</p>	Human Resources/ Fire	Not Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.  <b>Auditor's update as of June 2013:</b> No change. Target date: TBD.  <b>Auditor's update as of December 2013:</b> No change. Target date: TBD.  <b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#7: We recommend that the Administration clarify and reevaluate the role of Employee Health Services, including, potentially, its role in:</p> <ul style="list-style-type: none"> <li>a. testing employees' physical abilities to return to work after long leaves of absence,</li> <li>b. the Fire Department's return to work process, and</li> <li>c. regularly contacting physicians to clarify employee restrictions and provide them with details about the City's ability to accommodate the various restrictions.</li> </ul>	Human Resources	Not Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.  <b>Auditor's update as of June 2013:</b> No change. Target date: TBD.  <b>Auditor's update as of December 2013:</b> No change. Target date: TBD.  <b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#8: To ensure proper attention is given to the cost of workplace injuries, the Fire Department should</p> <ul style="list-style-type: none"> <li>a. work with the Workers' Compensation Division to develop and report on the total costs of disability leave (including the cost of backfilling employees on disability leave), and</li> <li>b. develop goals to reduce these costs by getting employees back to work as soon as possible.</li> </ul>	Fire	Not Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.  <b>Auditor's update as of June 2013:</b> No change. Target date: TBD.  <b>Auditor's update as of December 2013:</b> No change. Workers' compensation costs for the Fire Department have increased. Knowing the total costs of worker injuries and setting goals to reduce injuries and costs should be done in order to reducing these costs. Target date: TBD.  <b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#10: In compliance with California Code of Regulations guidelines, we recommend that the Fire Department's safety committee review the results of:</p> <ul style="list-style-type: none"> <li>a. periodic, scheduled worksite inspections;</li> <li>b. investigations of occupational accidents and causes of incidents resulting in occupational injury, occupational illness, or exposure to hazardous substances and, where appropriate, submit suggestions to management for the</li> </ul>	Fire	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: 6-13.  <b>Auditor's update as of June 2013:</b> The safety committee has moved up discussion of injuries on its agenda. While the safety committee does appear to be provided a report of injuries we did not see any evidence that there was any meaningful discussion of these injuries and their prevention at these committee meetings. The Fire Department also intends to work with the City's Workers' Compensation Division and the TPA to review extraordinary claims and develop a targeted approach to</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>prevention of future incidents; and</p> <p>c. investigations of alleged hazardous conditions brought to the attention of any committee member.</p>			<p>bring the employee back to work in a safe and timely manner. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> Human Resources reports that it is working with the Fire Department to update its Injury and Illness Prevention Program (IIPP) and refocus the safety committee meetings. The Safety Committee meetings include a discussion of injury statistics, review of select injuries, including recommendations on training and procedures. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#11: To ensure that safety is prioritized in the Fire Department, we recommend that the Department include a safety component as part of each employee's annual performance evaluation.</p>	Fire	Implemented	<p><b>Auditor's update as of December 2012:</b> The Fire Department has recently incorporated a safety-related component into the annual performance evaluation process, beginning with Battalion Chiefs. The Reliability Section of the performance evaluation document now includes language specifically related to the completion of required safety reports.</p> <p>The department intends to implement a similar process to the rank of Fire Captain and below, and include compliance with safety training. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> Sworn Performance Appraisal forms now include a safety component. Compliance with all Department Safety policies and protocols has been included in the Performance Appraisal evaluation item for Fire Engineers, Firefighters, Arson Investigators, and Fire Prevention Inspectors. The Fire Department reports that the completeness rate for performance appraisals is around 59%. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> While compliance with all the department safety policies and procedures is now one aspect of the Fire Department's performance evaluation process it does not appear to have been included in the previous years' performance appraisal process. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The department now includes a safety component in sworn employees' performance evaluation.</p>
<p>#12: We recommend that the Fire Department review injury data and incorporate the review results into regular safety trainings.</p>	Fire	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> The Safety Committee has begun reviewing injury data. The department Safety and Wellness Program Manager is working on incorporating the review results into regular safety trainings. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Fire Department's Safety and Wellness Program Officer reports that he is working with Athens' injury tracking software and is in the process of creating a new self-made tracking program using Microsoft Access and Excel for injury reporting. We will review the results of this process and its impact during the next</p>



Audit Report and Recommendation	Department	Current Status	Comments
			follow-up cycle. Target date: 12-14.
#13: We recommend that the Fire Department provide workers' compensation and HIPAA privacy training to all relevant employees.	Fire	Not Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> No change. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
#14: We recommend that the Fire Department prioritize improving its safety culture by dedicating the appropriate personnel with the right authority to enforce and coordinate changes and raise awareness about employee injuries.	Fire	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> As mentioned in the audit, budget reductions in the Fire department have resulted in the loss of the designated Safety Officer position in the Fire Department. To a large extent, the Bureau of Field Operations has been assuming functions previously assigned to a dedicated Department Safety Officer. According to the department, as the budget situation improves, the Department may make recommendations related to additional resources. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> Discussions on having a "rotating" safety officer position continue. The Department is also participating in a two year University of Georgia study to help identify factors that promote safe work factors and help prevent firefighter injuries. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> The Department still does not have a Department Safety Officer. The Department reports that many of the Safety Officer duties are being done by a Battalion Chief whose current role is the Safety and Wellness Program Officer. The Battalion Chief has been working with Human Resources to get injury data, safety trainings and targeted medical screenings. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Fire department is reviewing functions related to the Safety Officer position to explore the feasibility of a budget action. Target date: 6-15.</p>
#15: We recommend that subject to meet and confer with the bargaining units, the City should discontinue its practice of paying Fire and Police employees' premium pays when the employees are off of work due to a disability.	Employee Relations	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The City proposed, and the arbitrator agreed to discontinue POA employees' eligibility for premium pays when the employees are on a paid or unpaid absence, or off of work due to a disability, for more than one consecutive pay-period. Effective July 2013, POA employees will not be paid premium pays, other than canine pay, if off of work for more than one consecutive pay-period. This also will be subject to negotiations with the San Jose Fire Fighters. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> \$600,000.</p>

## TEN YEARS OF STAFFING REDUCTIONS AT THE CITY OF SAN JOSÉ: IMPACTS AND LESSONS LEARNED (Issued 11/08/12)

The purpose of this audit was to assess the impact of position eliminations, including layoffs, have affected the organization. The 7 recommendations, 1 was previously implemented, 3 are partly implemented, and 3 are not implemented.

<p>#1: We recommend eliminating bumping from the City's civil service rules as it is not cohesive with the City's modernized broadband classification structure nor with the complex and specialized work that many City employees do. If elimination is not possible, we recommend: limiting bumping to intradepartmental bumping only, limiting the number of people who can bump into a given position over a given time period, limiting the number of bumps and reinstatements into a given work unit over a given time period, and/or lowering the threshold for meeting position exemption requirements.</p>	City Manager	Not Implemented	<p><b>Auditor's update as of December 2012:</b> The City will evaluate this recommendation during the upcoming negotiation process. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> This recommendation was not addressed during recent negotiations. The City will evaluate this recommendation during subsequent negotiations.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#2: Modify the reinstatement process to</p> <ol style="list-style-type: none"> <li>Allow departments to choose the most qualified candidate on the City reinstatement lists when such lists are in effect, regardless of seniority.</li> <li>Develop an exemption process for managers who have compelling cases for not filling critical positions from reinstatement lists.</li> <li>Allow employees to waive reinstatement for a certain time period or a certain number of opportunities.</li> </ol>	City Manager	Not Implemented	<p><b>Auditor's update as of December 2012:</b> The City will evaluate this recommendation during the upcoming negotiation process. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> This recommendation was not addressed during recent negotiations. The City will evaluate this recommendation during subsequent negotiations.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#3: Pursue changes to the layoffs, bumping and reinstatement rules that subordinate seniority and factor in applicable job skills, recent job performance and disciplinary records.</p>	City Manager	Not Implemented	<p><b>Auditor's update as of December 2012:</b> The City will evaluate this recommendation during the upcoming negotiation process. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> This recommendation was not addressed during recent negotiations. The City will evaluate this recommendation during subsequent negotiations.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#4: Where possible, Human Resources should update job classification specifications to reduce barriers to entry such as previous work experience, starting with open positions.</p>	Human Resources	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> The Human Resources Department advises that it is seeking opportunities to add and/or redirect existing resources to review and modernize job specifications. Target date: TBD.</p> <p><b>Auditor's update as of June 2013:</b> The Human Resources Department advises that it is seeking opportunities to add and/or redirect existing</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>resources to review and modernize job specifications. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Human Resources Department advises that it is seeking opportunities to add and/or redirect existing resources to review and modernize job specifications. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#5: To address existing vacancies and future hiring and training needs, the City Manager should consider adding resources to the Human Resources Department.</p>	City Manager	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> This recommendation will be evaluated during the City's upcoming budget process. Target date: 6-13.</p> <p><b>Auditor's update as of June 2013:</b> The City has added a Human Resources position in the budget for fiscal year 2013-14 to assist with Human Resources needs, particularly around training and staff development. Human resources has not posted this job yet, but plans to do so soon. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> Human Resources started to address this recommendation by hiring one Analyst in fiscal year 2013-14. This position has begun the process of coordinating with departments regarding training. With only one position focused on citywide training, the ability to fully implement this recommendation is limited. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#6: To know why employees leave and what could motivate them to stay, we recommend Human Resources should:</p> <ul style="list-style-type: none"> <li>a) Conduct annual or biennial employee surveys that provide the data necessary to understand what motivates City employees to stay or leave and develop action plans for questions that arise from survey results.</li> <li>b) Finish the process for developing exit surveys and begin conducting them for all employees leaving City service.</li> <li>c) Use the information obtained in employee surveys, exit surveys and other sources to shape recruitment and retention polices as well as training and development programs.</li> </ul>	Human Resources	Partly Implemented	<p><b>Auditor's update as of December 2012:</b> The Human Resources Department advises that it is exploring cost-effective methods to conduct exit surveys and capture information centrally so that information can be tracked and analyzed. Target date: 7-13.</p> <p><b>Auditor's update as of June 2013:</b> An analyst position has been added to Human Resources for fiscal year 2013-14 to focus on workforce analytics as well as to determine how to effectively conduct employee surveys and possibly exit surveys. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> Human Resources started to address this recommendation by hiring one analyst position in fiscal year 2013-14 to focus on workforce analytics (recommendation #7) as well as to determine how to effectively conduct employee surveys and possibly exit surveys (recommendation #6). Target date: 2-14.</p> <p><b>Auditor's update as of June 2014:</b> The City has entered into a contract with Gallup to conduct the employee survey, with the goal that it will be conducted in fall 2014. Human Resources has also started to mail exit surveys to all employees who leave the City asking specific questions related to their employment with the City. In FY14-15 budget, Human Resources received money to hire a consultant to interview current employees (targeted to Police Officers) as to their employment with the City. Target date: 12-14.</p>

## DEFERRED COMPENSATION: THE CITY CAN STREAMLINE AND IMPROVE THE ADMINISTRATION OF ITS DEFERRED COMPENSATION PROGRAM (Issued 2/13/13)

The objective of our audit was to review the current administration of the City's Deferred Compensation Program with a focus on the crediting and handling of employee accounts. Of the 8 recommendations in the report, 5 were previously implemented, 1 was implemented or closed during this period, and 2 are not implemented.

<p>#2: To further reduce the risk of error, Human Resources should work with the Information Technology Department to:</p> <ul style="list-style-type: none"> <li>a) Implement an automatic adjustment interface.</li> <li>b) Develop automated solutions to identify participants in the Deferred Compensation Balancing Report with a potentially erroneous zero-deferral.</li> </ul>	HR and IT	Implemented	<p><b>Auditor's update as of June 2013:</b></p> <ul style="list-style-type: none"> <li>a) According to IT, this is not feasible at this time.</li> <li>b) HR is working with IT to develop a new report that only indicates possible errors thereby simplifying the identification of participants with zero-deferrals. Target date: 6-14.</li> </ul> <p><b>Auditor's update as of December 2013:</b></p> <ul style="list-style-type: none"> <li>a) The adjustment interface has been automated and is producing a single page summary report which provides staff with the aggregate dollar amounts to be transferred into the various deferred compensation accounts. Note: the total dollar amounts are manually typed into the wire transfer; this is an acceptable implementation of auditor's recommendation.</li> <li>b) Development has been completed for additional error reports to simplify the identification of participants with zero-deferrals. The next step will be to move the report to production. Target date: 3-14.</li> </ul> <p><b>Auditor's update as of June 2014:</b></p> <ul style="list-style-type: none"> <li>a) According to the department, the new adjustment interface report has been automated and is working correctly.</li> <li>b) The error report identifying those whose deduction was not fully taken is functional and run every pay period.</li> </ul>
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Audit Report and Recommendation	Department	Current Status	Comments
<p>#4: The City Attorney's Office and Human Resources should review the Deferred Compensation Plans and draft amendments to the Municipal Code as follows:</p> <ul style="list-style-type: none"> <li>a) Assign responsibility for administering the Plans to the City Manager or her designee, including the operation and interpretation of the Plans in accordance with their terms and contractual authority to enter into contracts for the administration of the Plans.</li> <li>b) Clarify the oversight role and responsibilities of the Deferred Compensation Advisory Committee, including reviewing and advising on annual budgets and proposed changes to the Plan document, the Investment Policy, and the investment menu, and reduce the Committee's required meeting frequency to a semiannual or as-needed basis.</li> <li>c) Leave the basic provisions of the Deferred Compensation Plans in the Municipal Code (Name, Purpose, Establishment of Trust, Definitions, Deferral of Compensation, Participation in the Plan, and Administration of the Plan, etc.), and remove the specifics of the Plans so that they can be put in stand-alone Plan documents.</li> <li>d) Authorize the City Manager or her designee to prepare and adopt the stand-alone Plan documents and update the Plan documents as necessary to conform with necessary legal or operational changes (while requiring any benefit changes to be approved by the City Council).</li> </ul>	HR and City Attorney	Not Implemented	<p><b>Auditor's update as of June 2013:</b> According to HR staff, they have started working with the CAO to draft an amendment to assign responsibility for administering the Plans to the City Manager or her designee that clearly delineates the roles and responsibilities of the DCAC. This amendment will also authorize the City Manager or her designee to prepare and adopt a stand-alone Plan document. HR staff is currently reviewing plan documents from other jurisdictions to determine what specific provisions should be removed from the Municipal Code. Once that is complete, a new stand-alone plan document will be sent to and reviewed by the CAO before being submitted to City Council for approval. Target date: 6-14.</p> <p><b>Auditor's update as of December 2013:</b> According to HR staff, current contract with outside tax counsel expires in March of 2014. Municipal code amendments will be postponed until an RFP is issued and a new contract is awarded. Target date: 9-14.</p> <p><b>Auditor's update as of June 2014:</b> The CAO has recently retained outside tax counsel for assistance on the preparation of a qualified stand-alone deferred compensation plan and the Municipal Code amendments. The CAO can start working on the revisions with HR immediately, however anticipated completion is expected to be 2015. Target date: 6-15.</p>
<p>#8: The City should require the Deferred Compensation Plans' third party administrator to include a detailed list of participant fees on printed and electronic quarterly statements. These fees should convey both the administrative and management expenses as individual items as both a percent as well as the actual dollar amount of fees paid by the participant.</p>	HR	Not Implemented	<p><b>Auditor's update as of June 2013:</b> According to HR, the City's third party administrator has committed to comply with the Department of Labor's new fee disclosure requirements for ERISA governed plans by January 1, 2014. Target date: 6-14.</p> <p><b>Auditor's update as of December 2013:</b> According to HR, the City's third party administrator is waiting for the SEC's authorization to extend this ability to non-ERISA plans. New target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The City's third party administrator is still waiting for further clarification from the SEC. Target date: 2-15.</p>

## OFFICE OF ECONOMIC DEVELOPMENT PERFORMANCE MEASURES: EXISTING MEASURES ARE GENERALLY MEANINGFUL, USEFUL, AND SUSTAINABLE, BUT CAN BE IMPROVED (Issued 2/13/13)

This report was one in a series of departmental performance measure reviews by the Auditor's Office to improve the quality of performance data. Of the 4 recommendations in the report, 1 was previously implemented, 2 were implemented during this period, and 1 is partly implemented.

<p>#1: To assess the scope, efficacy, and outcomes of the City's incentives (e.g. Council-approved agreements and policy incentives such as construction tax and traffic impact fee reductions), the Office of Economic Development should develop and consistently calculate the realized results, and incorporate that analysis into its performance measures.</p>	Economic Development	Implemented	<p><b>Auditor's update as of June 2013:</b> OED has drafted a new proposed performance measure for incorporation into the fiscal year 2014-15 budget. It submitted a methodology worksheet to the Budget Office. Target date: 3-14.</p> <p><b>Auditor's update as of December 2013:</b> The Budget Office is reviewing OED's proposed new measure for incorporation into the Proposed Budget for 2014-15. Target date: 5-14.</p> <p><b>Auditor's update as of June 2014:</b> The Budget Office has accepted and published the new performance measure as part of the proposed operating budget for fiscal year 2014-15. OED estimated that the City invested \$608 (in financial incentives, etc.) per newly generated job.</p>
<p>#2: To assess the needs of San José companies and seek feedback on OED and City services, the Office of Economic Development should conduct a periodic survey of San José businesses.</p>	Economic Development	Implemented	<p><b>Auditor's update as of June 2013:</b> OED prepared an internet-based survey asking for feedback on OED services. It sent the survey to its fiscal year 2012-13 customers in July 2013. OED intends to repeat the survey annually. Target date: 7-14.</p> <p><b>Auditor's update as of December 2013:</b> No update. Target date: 7-14.</p> <p><b>Auditor's update as of June 2014:</b> OED repeated its internet-based survey to customers in July 2014 and plans to continue the survey annually.</p>
<p>#4: The Office of Economic Development should assess—by core service—how performance data can be used by management and staff on an ongoing and frequent basis to help analyze past performance, to establish next performance objectives and targets, and to examine overall performance strategies.</p>	Economic Development	Partly Implemented	<p><b>Auditor's update as of June 2013:</b> All divisions of OED presented their achievement plans for fiscal year 2012-13 and their 2013-14 workplans to OED leadership in July 2013. OED Management has a planned an early September retreat to discuss the 2013-14 workplans and the associated performance appraisal targets under each workplan. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> OED will continue periodic check-ins on performance and workplan progress. The workplan review includes an update of the department's portfolio dashboard, which also identifies activity by core service. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> All workgroups of OED are developing fiscal year 2014-15 workplan goals that will be shared with all OED staff. Supervisors will strengthen linkages between workplan goals and department performance measures, and individual achievement plans this fiscal year. Target date: TBD.</p>

## **FIRE PREVENTION: IMPROVE FOLLOW-UP ON FIRE CODE VIOLATIONS, PRIORITIZE INSPECTIONS, AND TARGET PUBLIC EDUCATION TO REDUCE FIRE RISK (Issued 4/10/13)**

**This audit focused on the non-development fire prevention services provided by the Fire Code Compliance Division of the Bureau of Fire Prevention and related Fire Code inspections performed by fire station personnel. Of the 20 recommendations in the report, 1 was previously implemented, 5 were implemented during this period, 11 are partly implemented, and 3 are not implemented.**

#1: The Fire Department should develop and implement a written plan for ensuring timely follow-up on outstanding Fire Code violations.

Fire

Partly  
Implemented

**Auditor's update as of June 2013:** The Department continues to work to resolve issues related to outstanding safety violations, and will develop and implement a detailed plan for follow-up on such violations. As routine inspections are completed, the Department is ensuring that outstanding violations are addressed and closed. The Department is in the process of automating reports that will update the Bureau on all facilities that have open violations when a re-inspection is due. Target date: 12-13.

**Auditor's update as of December 2013:** The Department developed and implemented a written plan for ensuring timely follow-up on outstanding Fire Code violations. The plan is being used to train Bureau of Fire Prevention (BFP) Inspectors and create procedures for use during inspections. A timeline is being developed to train sworn line personnel in these procedures. As routine inspections are completed, the Department is following these written plans to ensure that outstanding violations are addressed and closed. The Department is developing a process to automate reports that will update the Bureau on all facilities that have open violations when a re-inspection is due. The Department advises that additional resources may be required to complete this process and a funding source will be identified. Target date: 12-14.

**Auditor's update as of June 2014:** The Department has developed reports to check the status of all outstanding violations and monitor follow-up inspections on a monthly basis. A consultant study (funded in the 2014-2015 Adopted Operating Budget) will include a review of the Department's business processes. Results of this study, expected early 2015, could result in further improvements in this area. Target date: 6-15.

Audit Report and Recommendation	Department	Current Status	Comments
<p>#2: To encourage resolution of outstanding Fire Code violations, the Fire Department should clearly specify that it is issuing conditional permits in instances in which there are outstanding violations. The materials sent to the property/business owner should clearly state: (a) that the permit is conditional due to the outstanding violations and (b) the actions that are necessary to achieve full compliance and a valid permit. The Fire Department should revise Fire Prevention Directive 002-2009 to reflect this practice.</p>	Fire	Implemented	<p><b>Auditor's update as of June 2013:</b> The Fire Department advises that it will evaluate feasibility of issuing conditional permits. In addition, the Department will look into implementing revisions to its print layout of permits and make corresponding updates to Fire Department directives. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> The Department developed appropriate language to state on the face of the permit to clearly specify that it is issuing conditional permits in instances in which there are outstanding violations. The language reads: "Permit valid on the condition that facility has no outstanding violations and all required fees are paid." Fire Department Information Technology staff will make necessary adjustments to revise the print layout of the permits. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Department developed appropriate language to state on the face of the permit to clearly specify that it is issuing conditional permits in instances in which there are outstanding violations. The language reads: "Permit valid on the condition that facility has no outstanding violations and all required fees are paid." Fire Department Information Technology made necessary adjustments to revise the print layout of the permits. Permits currently being issued include the updated language about outstanding violations. The Directive has been completed by the Department to include April 2013 audit recommendations.</p> <p>Additionally, a Notice of Violation is issued after an inspection to inform property owners of the specific code violations noted during an inspection. It includes an order to comply and information about the administrative citation timeline.</p> <p>The Consultant's study in 2014-2015 could provide additional updates to the Department's written policies.</p>
<p>#3: The Fire Department should: (a) enforce the BFP policy regarding the issuance of administrative citations for recurring violators as a means to encourage compliance and promote safety, (b) ensure that staff applies fines in the Administrative Citation procedure consistently, and (c) ensure that the Department is charging for all re-inspections.</p>	Fire	Partly Implemented	<p><b>Auditor's update as of June 2013:</b> The Fire Department advises that it is looking into (a) evaluating administrative citations as a means of encouraging compliance and promoting safety and (b) staff training for consistent application of administrative citations. The Department is exploring resources to track and consistently apply fines in the administrative citation process. On recommendation (c), the Fire Department currently charges for re-inspections conducted by Fire Inspectors but not re-inspections done by the line. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> (a) The Fire Department completed an Administrative Citations Policy document to enforce BFP policy regarding the issuance of administrative citations for recurring violations as a means to encourage compliance and promote safety. The Department advises that Fire Inspectors will provide written information on the BFP annual inspection process to customers in order to make them aware of this policy implementation. (b) Fire Inspectors have been</p>



Audit Report and Recommendation	Department	Current Status	Comments
			<p>trained on the BFP Administrative Citations Procedure Manual to ensure they apply fines consistently. (c) The Fire Department currently charges for re-inspections conducted by Fire Inspectors. The amount charged corresponds to the time it takes to conduct the re-inspection. The Department does not currently charge for re-inspections done by the line. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> (c) The 2014-2015 budget provides funding for a consultant to study the current fee levels, compare fees to other jurisdictions, and provide recommendations to adjust the fees accordingly. This study is expected to be completed early 2015. Target date: 6-15.</p>
<p>#4: The Fire Department should implement written policies to ensure that all fire prevention inspections are recorded and that the information in FireHouse is complete and accurate.</p>	Fire	Implemented	<p><b>Auditor's update as of June 2013:</b> The Fire Department staff will review and update procedures to ensure accuracy and consistency in FireHouse data entry. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Fire Department created and will maintain desktop manuals that serve as a ready reference for new employees. BFP Inspectors have been trained on these procedures and are implementing them. The Department is currently developing a schedule to conduct training for sworn line personnel. In addition, to ensure that inspection times are accurately billed, an Accounting Technician from the Bureau of Administrative Services has been reassigned to BFP. The Accounting Technician will also conduct quality checks of mandatory fields in FireHouse to ensure accuracy of data entry. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> The Department has completed training for sworn line personnel to ensure accurate data entry. For the Bureau of Fire Prevention, monthly quality control checks are performed for a sample of inspections. The Accounting Technician reassigned to BFP also conducts quality checks of mandatory fields in FireHouse to ensure accuracy of data entry.</p>
<p>#6: Fire Department management should (a) ensure that necessary data (inspections, staff activities, etc.) is entered into FireHouse consistent with the policies in Recommendation #4, (b) confirm that the programming/queries underlying the useful reports in FireHouse are accurate and provide the content that management understands it to include, and (c) use the reporting tools in FireHouse to manage workload and staff more effectively.</p>	Fire	Partly Implemented	<p><b>Auditor's update as of June 2013:</b> The Department advises that the process of programming FireHouse has begun (see recommendation #5). Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> As described in Recommendation #4, the Fire Department created and will maintain desktop manuals that serve as a ready reference for new employees. BFP Inspectors have been trained on these procedures and are currently implementing them. (a) As part of the quality assurance process, an automated random sample of entries is reviewed to validate data entry in FireHouse and ensure consistency with policies. (b) Programming/queries in FireHouse are currently being reviewed to ensure information is accurate and meeting the needs of the Department. (c) The BFP will continue to work with Fire Administration Information Technology staff to</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>ensure that reporting tools are available to analyze resource allocation and workload management. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> (c) Working with Fire Administration Information Technology staff, Bureau of Fire Prevention has developed reporting tools in FireHouse. These reporting tools are used regularly by BFP staff to analyze resource allocation and workload management. The Department is continuing to analyze how inspection hours may be used to further manage inspector workload. Target date: 12-14.</p>
<p>#7: Fire Department management should use the data in the staff activity report to analyze how inspection workload compares to staffing levels.</p>	<p>Fire</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2013:</b> On a monthly basis, the Bureau of Fire Prevention tracks the number of inspections to evaluate workload. The Department advises that as information technology and analytical resources become available, it will make improvements in its current methodology and more effectively utilize staff activity data to allocate inspection resources. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> On a monthly basis, the BFP tracks inspections to evaluate workload and time spent performing inspections, comparing workload for inspections with staffing levels. The Department will continue to make improvements in its current methodology and work with information technology and analytical staff to more effectively utilize staff activity data to allocate resources. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> On a monthly basis, the BFP tracks the number and type of inspections to evaluate workload and performance, comparing workload for inspections with staffing levels. The Department has made improvements in its current methodology and working with information technology and analytical staff, has created automated reporting tools that more effectively utilize staff activity data to allocate resources. As noted in Recommendation #6, the Department is continuing to analyze how inspection hours may be used to further manage inspector workload. Target date: 12-14.</p>
<p>#8: The Fire Department should train staff on the use of FireHouse software to produce more reliable data and more effective data analysis.</p>	<p>Fire</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2013:</b> The Department advises that it is working to retrain all department staff on the use of FireHouse, and is improving its information technology and analytical resources (see recommendation #5). Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> As described in Recommendation #4, the Fire Department created and will maintain desktop manuals that serve as a ready reference for new employees. BFP Inspectors have been trained on these procedures and are implementing them. The Department is currently developing a schedule to conduct training for sworn line personnel. The Fire Department continues with its recruitment efforts to fill information technology and analytical positions. The Department advises that the recent hiring of analytical staff will allow it to allocate more resources to conduct data</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>analyses. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Department has completed training staff on the use of FireHouse. Additional Information Technology/analytical resources would continue current efforts and provide more automated reports to manage daily operations. Target date: TBD.</p>
<p>#9: The Department should reexamine its non-development fire permit fee structure to charge San José facilities based on fire safety risk.</p>	<p>Fire</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of June 2013:</b> The Fire Department's fees for facilities to obtain Fire Safety permits are based on the business type of facility, as classified by the California Building Code and as modified by the San José Fire Department. As additional resources become available, the Department will conduct an analysis of its non-development fire permit fee structure based on fire safety risk. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department advises that it is currently reviewing examples of risk-based fee structures from the City of New York Fire Department (FDNY) in order to determine the efficacy of a risk-based methodology for inspections and fees for the City of San José. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> In response to recommendations contained in this audit, the 2014-2015 Adopted Operating Budget allocates funding for consultant services to conduct a fee study of the Fire Non-Development Fee Program. This study, expected to be completed by early 2015, will reexamine the Fire Department's fee structure to charge San Jose facilities based on fire safety risk. Target date: 6-15.</p>
<p>#10: The Fire Department should work with the Finance Department to ensure timely and sufficient follow-up on overdue accounts. The Finance and Fire Departments should work together to develop written policies and procedures that outline the division of responsibility for accounts between the Fire Department and the Finance Department.</p>	<p>Fire</p>	<p>Partly Implemented</p>	<p><b>Auditor's update as of June 2013:</b> The Fire Department advises that it will work with the Finance Department to ensure timely and sufficient follow-up on overdue accounts. Fire and Finance staff members will work on developing written policies and procedures that would define responsibility of accounts between the Fire and Finance departments. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Fire Department advises that written policies and procedures that define responsibility of accounts between the Fire and Finance departments, including invoicing, adjustments, and write offs, have been developed and are being reviewed. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Fire Department's Accounting Technician continues to work with the Finance Department on overdue accounts. Aging reports are given by the Accounting Technician to the Finance Department's Investigative Collectors. In addition, Finance and Fire staff members continue to work on resolving issues related to overdue accounts.</p> <p>The Fire Department has completed its draft of written policies and procedures that define billing and collection processes and areas of responsibility for the Fire and Finance Departments (including invoicing,</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>adjustments and write-offs). These draft procedures are currently under review by the Finance Department. Finance expects to complete its review by December 2014. Target date: 12-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> The audit identified \$1.2 million in one-time savings that could be generated by collecting revenue from overdue accounts.</p>
<p>#11: To encourage the payment of overdue balances, the Fire Department should clearly specify that it is issuing conditional permits in cases in which a balance is overdue. The materials sent to the property/business owner should clearly inform the recipient that the permit is conditional due to the outstanding balance. The Fire Department should revise Fire Prevention Directive 002-2009 to reflect this practice.</p>	Fire	Implemented	<p><b>Auditor's update as of June 2013:</b> The Fire Department will continue to review and update its procedures and directives regarding overdue balances. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> As described in Recommendation #2, the Fire Department has developed appropriate language to state on the face of the permit to clearly specify that it is issuing conditional permits in instances in which there are outstanding violations. The language reads: "Permit valid on the condition that facility has no outstanding violations and all required fees are paid." Fire Department Information Technology staff will make necessary adjustments to revise the print layout of the permits. The Department advises that Fire Prevention Directive 002-2009 will be revised accordingly. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Bureau of Fire Prevention does not issue permits when there are overdue balances. Customers are sent two overdue balance letters, and, if the balance and late fees are not forthcoming, the customer is referred to Finance for collection. No permits are issued, conditional or otherwise. Fire Prevention Directive 002-2009 has been updated to include April 2013 audit recommendations. The Consultant's study in 2014-2015 could however, provide additional updates to the Department's written policies.</p>
<p>#12: The Fire Department should update the organizational chart of Fire Administration, ensure that the appropriate separation of duties is in place, and develop written policies and procedures regarding billing processes. Such policies and procedures should address functions such as account: (a) invoicing (b) adjustments and credits (c) collections and (d) write-offs.</p>	Fire	Partly Implemented	<p><b>Auditor's update as of June 2013:</b> The Department anticipates that staff will be available by late 2013 to enable the implementation of these recommendations. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> An organizational chart for Fire Administration has been completed along with policies and procedures directly related to Fire Department (such as (a) invoicing, (b) adjustments and credits, and (d) write-offs). As described in Recommendation #10, the Department advises that (c) policies and procedures related to collections are being reviewed. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Fire Department has completed its draft of written policies and procedures that define responsibility of accounts between the Fire and Finance departments, including invoicing, adjustments, and write offs. These are currently under review by the Finance Department. Target date: 12-14.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#13: The Fire Department should revise Fire Prevention Directive #002-2009 to identify which, if any, types of work in the Non-Development program are “non-billable.” The rationale for such a decision should be included in the revision and the revision should be disseminated to all inspectors to ensure consistent application.</p>	Fire	Implemented	<p><b>Auditor’s update as of June 2013:</b> The Department anticipates that staff may be available by fall 2013 to update the relevant Fire Prevention Directive(s). Target date: 12-13.</p> <p><b>Auditor’s update as of December 2013:</b> The Department advises that it has completed the review of the Fire Prevention directive and is currently reviewing changes for submission and approval by Fire Administration. Target date: 6-14.</p> <p><b>Auditor’s update as of June 2014:</b> Fire Prevention Directive 002-2009 has been updated to include descriptions of non-billable hours. The Consultant’s study in 2014-2015 could however, provide additional updates to the Department’s written policies.</p>
<p>#14: The Fire Department should revise the calculation of state-mandated inspections to include only those that are state-mandated, or revise the wording of the performance measure to accurately reflect what it measures. The Department should determine whether to continue annual inspections of assemblies and facilities with hazardous materials in the context of a comprehensive risk assessment.</p>	Fire	Partly Implemented	<p><b>Auditor’s update as of June 2013:</b> The Department will continue to work on reviewing its methodologies for calculating performance measures. Target date: TBD.</p> <p><b>Auditor’s update as of December 2013:</b> The Department advises that it is in the process of reviewing the calculation of performance measures. Currently, the Department continues to treat assemblies and facilities with hazardous materials as inspections that have to be conducted annually (along with State-mandated facilities) to protect life, property, and the environment. This practice is based upon an established occupancy risk assessment. Target date: TBD.</p> <p><b>Auditor’s update as of June 2014:</b> As recommended in this April 2013 audit, the Fire Department reviewed its methodology for calculating State-mandated inspections. Assemblies are now excluded from the State-mandated inspections. The Department however, continues to track inspection activities for Assemblies separately. The inclusion of hazardous materials inspections is under review. The 2014-2015 budget allocates funding for consultant services to conduct a fee study of the Fire Non-Development Fee Program. This study will include a review of business processes and will reexamine the non-development fire permit fee structure to charge San Jose facilities based on fire safety risk. Target date: 6-15.</p>
<p>#15: The Fire Department should clarify whether the Fees and Charges Schedule requires an inspection in conjunction with the issuance of an annual renewable permit or whether inspection hours are simply a basis for calculating the fees.</p>	Fire	Partly Implemented	<p><b>Auditor’s update as of June 2013:</b> The Department clarified that fire fees are calculated using the average inspection times and the average number of permits for each type of facility. Staff anticipates that fee schedule language will be changed to reflect this understanding in the future. Target date: TBD.</p> <p><b>Auditor’s update as of December 2013:</b> The Department clarified that fire fees are calculated using the same average inspection times and the average number of permits for the group. Staff will provide additional language in its fee schedule to provide more clarity. Target date: 6-14.</p> <p><b>Auditor’s update as of June 2014:</b> The completion of the Fire Non-</p>

Audit Report and Recommendation	Department	Current Status	Comments
			Development Fee Program study in early 2015 will enable the Department to provide comprehensive changes to its Fees and Charges Schedule. Target date: 6-15.
<p>#16: The Fire Department should develop and implement a risk-based plan for prioritizing inspections that includes analysis of factors such as where fires have occurred, outstanding violations, building structure, and type of occupant. The Department should actively manage staff activities to ensure the plan's ongoing use and document progress towards completing inspections of riskiest facilities.</p>	Fire	Not Implemented	<p><b>Auditor's update as of June 2013:</b> The Department advises that additional resources are necessary to implement this recommendation. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Department is in contact with other jurisdictions, including FDNY, to study risk-based plans for prioritizing inspections. The Department advises that it has implemented a partial prioritization by grouping inspections within geographic spheres to reduce travel time between inspections, since prioritizing inspections only by risk factor would increase travel time and decrease the number of inspections completed. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> As previously discussed, a consultant study of the Fire Department's Non-Development Fee Program will review the Department's business processes and examine the non-development fire permit fee structure to charge San Jose facilities based on fire safety risk. Results of this study will be utilized in the development and implementation of a risk-based plan for prioritizing inspections. Target date: TBD.</p>
<p>#17: To implement a risk-based inspection approach, the Fire Department should develop a workload analysis that assesses: (a) staffing requirements in the Bureau of Fire Prevention, (b) the effective use of light-duty firefighters and line staff in fire prevention activities including public education, and (c) how much additional time could become available if the Department conducted fewer re-inspections.</p>	Fire	Not Implemented	<p><b>Auditor's update as of June 2013:</b> (a) The Fire Department has a 15-month work cycle plan for Fire Inspectors. The Department advises that as information technology and analytical resources become available, it will make improvements in its current methodology and more effectively utilize staff activity data to allocate inspection resources. (b) The Department continues to use light duty personnel who have been trained to conduct fire safety code inspections. (c) As resources become available, the department will evaluate frequency of re-inspections. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Fire Department currently implements a 15-month work cycle plan for Fire Inspectors. As information technology and analytical resources become available, the Department will develop a risk-based inspection approach to (a) assess staffing requirements. As described in Recommendation #16, the Fire Department has initiated contact with other jurisdictions, including FDNY, to study risk-based plans for prioritizing inspections. (b) The Department advises that, to the extent possible, it has been utilizing light duty personnel who have been trained in fire safety code inspections, analytics, and fire prevention education. (c) As resources become available, the Department will evaluate frequency of re-inspections. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> As discussed in Recommendation #16, a consultant study of the Fire Department's Non-Development Fee</p>

Audit Report and Recommendation	Department	Current Status	Comments
			Program will examine the non-development fire permit fee structure to charge San Jose facilities based on fire safety risk. Results of this study will be utilized in the development and implementation of a risk-based plan for prioritizing inspections. In addition, this study will review the Department's business processes and recommend adjustments to its fee structure. Target date: 6-15.
#18: The Fire Department should develop formal coordination between the BFP and fire station staff and a shared sense of accountability with regard to inspections and safety in multi-family residences.	Fire	Implemented	<p><b>Auditor's update as of June 2013:</b> The Fire Department's Bureau of Fire Prevention is working with Fire Division Chiefs and Battalion Chiefs to identify Battalion Inspection Coordinators who will assist with upcoming training and quality assurance for 2014 inspection program. This lesson plan is still in the development phase. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> The Fire Department's Bureau of Fire Prevention is working with Fire Division Chiefs and Battalion Chiefs to identify Battalion Inspection Coordinators who will assist with upcoming training and quality assurance for 2014 inspection program. This lesson plan is still in the development phase. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The Fire Department's Bureau of Fire Prevention worked with Fire Division Chiefs and Battalion Chiefs to identify Battalion Inspection Coordinators. The coordinators have completed training and quality assurance for 2014 inspection program.</p>
#19: The Fire Department should develop a public education program based on the fact that many fires and most of the fire deaths in recent years occurred in multifamily residences. Public education efforts should include working with the community to provide education to children and other high-risk groups as well as education about and access to smoke detectors.	Fire	Partly Implemented	<p><b>Auditor's update as of June 2013:</b> The Fire Department's Strategic Plan incorporates public education and a public relations committee. This committee is developing public education modules and educational pamphlets for outreach presentations to community groups and neighborhood associations. Target date: TBD.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
#20: The Fire Department should continue to develop a Public Relations Committee as a way to connect with the community and provide targeted public education. The Department should assess the extent to which light or modified-duty firefighters could perform public education activities.	Fire	Partly Implemented	<p><b>Auditor's update as of June 2013:</b> The Fire Department advises that its public education staff and a public relations committee completed an initial work plan to reach out to neighborhood associations in all ten districts. Target date: 12-13.</p> <p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

## TAXI SERVICE AND REGULATION IN SAN JOSÉ: AN OPPORTUNITY TO REEVALUATE CITY PRIORITIES AND OVERSIGHT (Issued 5/24/13)

In September 2012, the City Council asked the City Auditor to determine: whether the taxi service model had yielded the results the City expected; whether Taxi San Jose was performing as expected; and the impact and effectiveness of the current airport permit allocations. Of the 6 recommendations in the report, 6 are not implemented.

<p>#1: To ensure fairness and consistency in the allocation of Airport on-demand authorizations, the City should:</p> <ul style="list-style-type: none"> <li>a) Enforce, modify, or eliminate the current minimum daily service obligation (5 days on airport and 5 days off-airport every 14 days, with a minimum of 4 trips per day);</li> <li>b) Document the reallocation methodology for <i>company</i> authorizations and amend the Municipal Code as necessary to reflect the current practices of (1) calculating annual San José trip volume excluding all airport trips, (2) allotting the minimum number of <i>company</i> authorizations only to the companies that need it, and (3) adjusting for rounding;</li> <li>c) Consider whether to adjust annual San José trip volume for the number of drivers, vehicles, or growth from prior year when reallocating <i>company</i> authorizations; and</li> <li>d) Consider whether to include annual San José trip volume in decisions whether to issue and renew <i>individual driver</i> authorizations.</li> </ul>	<p>Airport/DOT</p>	<p>Not Implemented</p>	<p><b>Auditor’s update as of December 2013:</b> Airport staff proposed changes to the Airport Ground Transportation Program and On-Demand System, including taxicabs. At its March 4, 2014 meeting, the City Council directed the Airport to make significant changes to the on-demand authorization system, the on-demand dispatch contractor’s responsibilities, and the ground transportation fee structure. The Airport anticipates making these changes by late fall of 2014, when a new contract with the on-demand dispatch contractor is to take effect. The City Auditor will monitor how the Airport’s implementation of these changes addresses the audit recommendations. Target date: TBD.</p> <p><b>Auditor’s update as of June 2014:</b> Significant changes to the Airport’s taxi system are pending and tied to a new contract for on-demand dispatching that would go into effect in early 2015. A draft Request for Proposal (RFP) for on-demand dispatch services would require proposers to detail their methodology for assigning trips, keeping driver idle times below 30 minutes, and managing operations. In June 2014, driver idle times were still very long at 1 hour and 6 minutes on average. Target date: TBD.</p>
<p>#2: Since passenger and taxi trip volumes at the Airport are dynamic, the Airport should consider service needs, including driver idle times and trips per driver per day, when determining whether to:</p> <ul style="list-style-type: none"> <li>a) Renew or issue on-demand authorizations;</li> <li>b) Reduce the number of authorizations through attrition, revocation of conditional authorizations, and/or by enforcing the minimum service obligations; and/or</li> <li>c) Amend the rotation system.</li> </ul>	<p>Airport</p>	<p>Not Implemented</p>	<p><b>Auditor’s update as of December 2013:</b> See Recommendation #1 above. Target date: TBD.</p> <p><b>Auditor’s update as of June 2014:</b> See Recommendation #1 above. Target date: TBD.</p>



Audit Report and Recommendation	Department	Current Status	Comments
<p>#3: As part of its upcoming RFP for on-demand dispatch operations, the Airport should solicit proposals that:</p> <ul style="list-style-type: none"> <li>a) Delegate monitoring and possibly enforcement of the service obligation, if needed, to the dispatch operator;</li> <li>b) Delegate as many administrative duties as possible to the dispatch operator;</li> <li>c) Detail how the operator will manage the proper supply of taxis;</li> <li>d) Reduce the effective cost per dispatch, without compromising customer service, for example with a revised minimum staffing requirement; and</li> <li>e) Require appropriate separation of accounting duties.</li> </ul>	Airport	Not Implemented	<p><b>Auditor's update as of December 2013:</b> See Recommendation #1 above. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> See Recommendation #1 above. Target date: TBD.</p>
<p>#4: The Administration should coordinate taxicab complaint handling by sharing data among departments, reviewing complaints received by private taxicab companies, and/or surveying customers.</p>	Airport/DOT/ Police	Not Implemented	<p><b>Auditor's update as of December 2013:</b> While verbal communication exists among departmental liaisons, the Administration indicated that it does not have the resources at this time to centrally collect complaints or to acquire a technology solution. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#5: The City Council should determine its cost recovery goal for the City's taxi-related activities as a whole, and direct the Administration to propose revenues as well as cost savings for these activities.</p>	Airport/Budget/ Police	Not Implemented	<p><b>Auditor's update as of December 2013:</b> The Airport plans to change its fee structure and fee amounts to attain cost recovery for the Airport Ground Transportation Program and On-Demand System. See Recommendation #1 above.</p> <p>Since September 2013, the Police's regulatory work has been carried out by a civilian employee rather than a police officer, in accordance with the recommendations of our Audit of Civilianization Opportunities in the San José Police Department. The Police and Transportation departments set their fees annually. The Auditor's Office will review cost recovery during the next budget cycle and after the Airport has implemented the changes. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Regarding Airport fees: No change. See Recommendation #1 above. Target date: TBD.</p> <p>Regarding the Police Department's fees: Fees for individual taxi drivers have decreased significantly in FY 2014-15 to reflect that more permit work is now carried out by a civilian employee rather than a police officer. For example, the renewal of a 2-year taxi driver's permit costs \$81, down from \$103 in FY 2013-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> At the time of the audit, the estimated shortfall was \$272,000.</p>

Audit Report and Recommendation	Department	Current Status	Comments
#6: The City Council should consider seeking a regional approach to taxicab regulation.	Airport	Not Implemented	<p><b>Auditor's update as of December 2013:</b> Currently there are no efforts underway to seek a regional approach; staff, however, is monitoring the California Public Utilities Commission's regulatory activities of Transportation Network Companies (which use online-enabled platforms to connect drivers with passengers). Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>

**CONSULTING AGREEMENTS: BETTER ENFORCEMENT OF PROCUREMENT RULES, MONITORING, AND TRANSPARENCY IS NEEDED (Issued 6/12/13)**

**The purpose of this audit was to assess whether the City's oversight of consulting agreements was sufficient to ensure the City is getting the services it is paying for. Of the 15 recommendations in the report, 1 was previously implemented, 1 was implemented during this period, 5 are partly implemented, and 8 are not implemented.**

<p>#1: To foster open competition for City contracts, we recommend that the City Manager's Office:</p> <ul style="list-style-type: none"> <li>a) Require unique services justifications to describe the department's effort to reach out to other potential vendors;</li> <li>b) Limit amendments to original agreements for non-competitively procured contracts if there is a substantial change in scope;</li> <li>c) Limit the number of years that such contracts can be amended or continued (including contract continuation agreements, options to renew and any other instrument that would substantively modify the original agreement);</li> <li>d) File approved unique services justification memoranda with the City Clerk's office; and</li> <li>e) Periodically report all non-competitively procured consulting contracts, perhaps in the City Manager's publicly available quarterly contract report.</li> </ul>	City Manager	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> The Finance department now includes whether a contract was non-competitively procured or retroactive in its quarterly report on contracts executed by Council appointees or designees. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No progress reported.</p>
#3: At the same time that it checks the CHAD database prior to authorizing an encumbrance and/or payment, the Finance department should check the agreement's not-to-exceed amount in CHAD.	Finance	Implemented	<p><b>Auditor's update as of December 2013:</b> Finance reports that as part of its standard operating procedure, it checks the agreement's not-to-exceed clause in CHAD. However, this process has not been included in its written procedures. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Finance Department updated its procedures to require staff to check the agreement's not-to-exceed amount in CHAD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#4: We recommend the Administration improve enforcement of existing Municipal Code contracting requirements by:</p> <ul style="list-style-type: none"> <li>a) limiting retroactive contracts to situations where contract execution is in process and the contract has been competitively procured,</li> <li>b) including this information on the contract transmittal form, and</li> <li>c) periodically reporting on all retroactive consulting agreements regardless of the value or procurement method of the agreement, perhaps in the City Manager's publicly available quarterly contract report.</li> </ul>	City Manager/ Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> The Finance department now includes whether a contract was non-competitively procured or retroactive in its quarterly report on contracts executed by Council appointees or designees. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 12-14.</p>
<p>#5: The City Manager's Office should revisit the role of the Finance Department with respect to consultant procurements, evaluating whether its current level of involvement and resources is adequate.</p>	City Manager	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No progress reported: Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No progress reported.</p>
<p>#6: The City should implement the "certified contract specialist" program, and/or provide regular procurement training to staff.</p>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Finance's Purchasing Division provided a pilot training to the Human Resources Department in October 2013. The training focused on various aspects of the RFP process including key responsibilities and processes and approvals needed prior to beginning the actual procurement. Purchasing intends to provide similar training to department liaisons. Finally, the Office of Economic Development is developing a list of required contract documents which will be included as part of this training. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The City Administration provided training to various City staff in April 2014. The training focused on various aspects of contract formation and management. Finance is evaluating resource availability and the best methodology to roll out training to the rest of the City organization, potentially through a future Citywide training catalog offering. Target date: TBD.</p>
<p>#7: To lessen the burden on City staff while fostering improved competition in consultant procurements, the Finance Department should include in its annual procurement training simplified procurement processes for smaller consulting contract procurements while encouraging full and open competition, and define when these simplified processes can be used.</p>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Finance plans to define and use simplified procurement methods. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#8: We recommend that the City</p> <ul style="list-style-type: none"> <li>a) Reconcile overpayments as described above and get reimbursed for these overpayments,</li> <li>b) Document any changes in consulting contract terms or requirements through a formal contract amendment, and enforce existing contract terms. If the contract allows for changes in terms without amendments, such changes should be documented in writing, and</li> <li>c) Require contract managers to reconcile previously received deliverables to contract payments during the contract amendment process, prior to increasing contract amounts.</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> No progress reported: Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> As reported previously, the SJPD requested and City Council approved prior year expenditures of \$203,612.11 which included overpayments. It further extended its contract with Corona consulting for an additional year. Target date: TBD.</p>
<p>#9: We recommend the Administration develop Citywide policies and procedures on contract monitoring and management including:</p> <ul style="list-style-type: none"> <li>- a standardized contract management process,</li> <li>- organization of contract files,</li> <li>- checklists for tracking agreed-upon deliverables and line item budgets,</li> <li>- components of invoice review which link payments to contract deliverables, and</li> <li>- documenting deliverables prior to payment.</li> </ul> <p>We further recommend that the City require contract administrators to annually certify they have reviewed and understand those policies and procedures.</p>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No progress reported: Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The City Administration conducted a Citywide training for department staff (primarily administrative officers) in April 2014. The training included contract procurement and management. However, these processes still need to be incorporated in Citywide policies and procedures. Once these policies have been developed the City needs to require its contract administrators to annually certify that they have reviewed and understand them. Target date: TBD.</p>
<p>#10: For inter-departmental contracts, we recommend the Administration require staff to designate a responsible staff member who would be accountable for all aspects of contract monitoring, including invoice approval and review.</p>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No progress reported: Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#11: We recommend the Administration ensure that:</p> <ul style="list-style-type: none"> <li>a) Staff managing contracts conform with current City contract retention policies and, consistent with those policies, keep all documents related to contract procurement, Conclusion 41 compliance and monitoring, including all documents related to contract renewals, amendments, continuation agreements, and other contract modifications; and</li> <li>b) Require staff to include a notation regarding the City's retention policies in each individual contract file.</li> </ul>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No progress reported: Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. The Citywide training did not include a discussion on document retention policies related to contract procurement and mainly focused on contract formation and management. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#12: We recommend that:</p> <p>a) The City Clerk in consultation with the City Attorney's office provide training to City staff on Form 700 filing requirements for consultants, follow-up on missing Form 700s for current agreements, and penalize consultants who do not comply, and</p> <p>b) The City Clerk, prior to providing Status 11 payment authorization, require Form 700s from those consultants whose contracts require them.</p>	City Clerk/City Attorney	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> While the City Clerk's Office does have the ability to uncheck a Status 11, it has not yet begun to do so for ongoing consulting contracts (when originally loaded, a contract will not receive a Status 11 or even get uploaded on the CHAD if documents such as the Form 700 are missing). The City Clerk's Office reports that it has begun following up on consultants that have not yet submitted their Form 700s. The current process is to send the consultant five reminders (each subsequent reminder only goes out to non-filers). The City Clerk intends to penalize those consultants that have not provided their Form 700s after these five reminders. Finally, the Clerk's Office plans to conduct a Citywide contracts training for City staff. The training will cover Form 700 filing requirements for consultants as well as other areas concerning the City's current contracts process. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> A review of two contracts signed in June 2014 found that while both contracts were designated "Status 11" in the CHAD database the Clerk's Office had not followed-up up with the consultants for either of the contracts on submitting their Form 700s. One of those contracts specified which consultants were required to file Form 700 but the Clerk's Office did not have Form 700s on file for them even though the contract was designated "Status 11". The Clerk's Office has recently assigned an analyst to work only on contracts. Finally, it is developing a checklist to be used for contract filings, which will be attached to the face of the contract and will include, among other things, Form 700 status. Target date: 12-14.</p>
<p>#13: We recommend that the City Administration include the City's Conflict of Interest and Ethics policies in its annual procurement and contract monitoring training.</p>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No progress reported: Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> While the Administration conducted a contracts and procurement training in April 2014, this training did not include the City's Conflict of Interest and Ethics policies. Target date: TBD.</p>
<p>#14: We recommend that the Finance Department, in consultation with the City Attorney's Office, develop a more clear definition and list of what services would fall under the consultant services category.</p>	Finance/City Attorney	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#15: Once a new electronic data management system is available, we recommend the City Clerk prepare and annually post a listing of payments to consultants over the previous year, including: (a) the consultant's name, (b) the general nature of the work performed, (c) the type of procurement process used, (d) the department, and (e) the amount paid.</p>	City Clerk	Not Implemented	<p><b>Auditor's update as of December 2013:</b> The City Clerk plans to include this recommendation during the search and implementation of the upcoming electronic data management system. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The City Clerk's Office continues to work with IT and Purchasing on the procurement of the electronic data management system. Target date: 1-15.</p>

## REGIONAL WASTEWATER FACILITY MASTER AGREEMENTS: NEW PROCEDURES AND BETTER CONTRACT MANAGEMENT NEEDED (Issued 6/12/13)

The objective of our audit was to review ESD's management of the master agreements for engineering services related to capital improvement projects at the Plant. Of the 7 recommendations in the report, 4 were previously implemented, 1 was implemented during this period, and 2 were partly implemented.

<p>#1: To ensure all documents are retained which are necessary for the administration and performance of engineering master agreements, Public Works and the Environmental Services Department should work with the Public Records Manager and the City Attorney to clarify and/or update the Records Retention Schedule for contract documents related to capital improvement projects, including specific guidance regarding retaining statements of qualifications and other procurement records.</p>	City Manager/ESD	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Not yet started. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Proposed revisions to the Public Works Retention Schedule pertaining to procurement documents, consultant and construction contract documents have been submitted to the City Attorney's Office for review. Target date: 9-14.</p>
<p>#2: To ensure the most qualified consultant is selected, the Environmental Services Department should modify its current procedures for awarding service orders under consultant master agreements to incorporate provisions for notifying multiple consultants about upcoming service orders and soliciting information as needed. The procedures should allow for exceptions under specific circumstances.</p>	ESD	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> The procedure for developing and executing service orders (SOP 122) has been updated to include additional guidance to project managers for selecting the most qualified consultant. However, the process for notifying and soliciting information from multiple consultants has not yet been incorporated into the SOP. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The process for notifying and soliciting information from multiple consultants will be drafted and incorporated into the contract documents when ESD procures new as-needed engineering master agreements. Target date: 6-15.</p>
<p>#5: To improve contract management and monitoring of service orders under the master agreements, the Environmental Services Department should ensure that the Program Management consultant implement the program administration controls and provide the planning and engineering support outlined in the March 28, 2013 Request for Qualifications for Program Management services.</p>	ESD	Implemented	<p><b>Auditor's update as of December 2013:</b> On October 23, 2013, ESD authorized the Program Management consultant, MWH Americas, Inc. to begin work on several tasks including a project delivery model and a quality management framework, ESD leadership will be meeting in the coming months to establish oversight and controls for monitoring the Program Management consultant's work. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Working with City staff, the Program Management consultant has completed a number of key tasks related to their scoped program administration controls, and planning and engineering support work. These include: 1) developing the program mission, vision, and goals, 2) developing a program delivery organization structure, 3) preparing a resource/staffing gap analysis, 4) creating a decision log database and decision making process, 5) developing a Program risk register, 6) developing a communications plan, 7) developing a program master project list and schedule, and 8) monthly program status reports.</p> <p>These deliverables, along with other work items for which the program</p>

Audit Report and Recommendation	Department	Current Status	Comments
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management consultant is responsible for, are located on the CIP Portal, a centralized program collaboration website that serves as a communications, reporting, and document management hub for all City and Consultant staff involved with implementation and delivery of the CIP. The CIP Portal can be accessed at: <https://sanjose.cipportal.com>.

**GRAFFITI ABATEMENT: IMPLEMENTING A COORDINATED APPROACH(Issued 6/13/13)**

The objective of our audit was to review the changes in the City’s program after outsourcing, the impacts of outsourcing, the overall effectiveness of the program, contractor performance, and concerns about the methodology used in the citywide graffiti survey. Of the 20 recommendations in the report, 1 was previously implemented, 4 were implemented during this period, and 15 are partly implemented.

<p>#1: To improve and formalize budgetary controls, we recommend PRNS document its policies and procedures to:</p> <ul style="list-style-type: none"> <li>a) Clarify its approach and the contractor’s responsibility in unassigned areas;</li> <li>b) Define the restorative approach;</li> <li>c) Consider establishing monthly do not exceed guidelines; and</li> <li>d) Clarify its approach for working with the contractor regarding notification and/or preapproval of large work orders and secondary graffiti to help control costs.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor’s update as of December 2013:</b> PRNS reports that it is developing internal policies to guide program management and staff in the use of the restorative approach, contractor’s responsibility in the unassigned areas, and the pre-approval process for large work orders. Target date: 6-14.</p> <p><b>Auditor’s update as of June 2014:</b> PRNS reports that it met with the contractor in April 2014 to clarify the contractor’s responsibility in the unassigned areas. The contractor will continue to focus their primary efforts in the assigned areas. PRNS also reports that it has defined the restorative approach with the contractor. These terms have not been formally documented.</p> <p>PRNS reports that it will not establish do-not-exceed guidelines. The department reports that it will continue to manage the monthly budget to ensure that the work performed by the contractor remains within the annual allocated budget. However, recent monthly contract expenditures have grown.</p> <p>PRNS reports that it will meet with the contractor to finalize notifications on preapproval for large work orders and secondary graffiti. Target date: TBD.</p>
<p>#2: PRNS should work with the contractor to minimize costs by:</p> <ul style="list-style-type: none"> <li>a) Increasing volunteer activity in unassigned areas to reduce contractor workload;</li> <li>b) Prioritize spending by service requests, proactive graffiti removal, and proactive secondary graffiti removal; and</li> <li>c) Monitor spending by month and against the contract total.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor’s update as of December 2013:</b> The department plans to implement a new volunteer recruitment model in April 2014. Target date: TBD.</p> <p><b>Auditor’s update as of June 2014:</b> PRNS redeployed existing staff to focus on community engagement in April 2014. A volunteer recruitment plan (community engagement plan) has been developed with the goal of reducing the contractor’s workload in reactive areas. Staff began implementing the plan in May 2014 and will continue implementing the plan for FY 14-15 with the goal of volunteerism. Additionally, PRNS continues to work with the Santa Clara County Probation Department volunteers on the weekends to assist with graffiti removal.</p>

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			PRNS reports that it manages the monthly budget to ensure that costs do not exceed annual amounts allocated to the contractor, but the annual amounts have still exceeded established limits. Target date: TBD.
<p>#3: To improve tracking of urgent work orders, we recommend PRNS:</p> <ul style="list-style-type: none"> <li>a) Provide better instructions to smartphone app users to write out monikers and tags when creating a service request;</li> <li>b) Identify known gang or hateful tags/monikers that should be abated within 24 hours,</li> <li>c) Work with contractor to electronically match monikers that should be marked as urgent within the work order management system; and</li> <li>d) Continue to report response times for 'urgent' tags.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS met with the contractor to discuss changes to its smartphone app. Changes will be considered based on feasibility and budgetary impact. PRNS continually works with the contractor to discuss what gang-related and hate monikers should be removed within 24 hours and in determining a method for identifying gang related graffiti. This is an ongoing process as gang/hate monikers continually change. PRNS is working with the contractor to determine whether or not this can be done within the current work order management system.</p> <p>PRNS will continue to report response times for "urgent" tags in Council and Committee related memos and communication. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> At the Public Safety, Finance and Strategic Support Committee (PSFSS) meeting on April 17, 2014, PRNS reported response times for "urgent" tags. Target date: TBD.</p>
<p>#4: To improve transparency and reporting, include the following elements in Council and committee memos:</p> <ul style="list-style-type: none"> <li>a) Actual expenditures and remaining budget;</li> <li>b) Geographic changes in service delivery;</li> <li>c) Number of active volunteers, gallons of paint distributed, events held;</li> <li>d) Response times for resident-initiated requests; and</li> <li>e) Major interjurisdictional challenges and efforts.</li> </ul>	PRNS	Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS reports that beginning with its April 17, 2014 report to the City Council's Public Safety, Finance &amp; Strategic Support Committee, it will present this information in its Council and committee memos, as well as any other memos regarding the Graffiti Program. Target date: 4-14.</p> <p><b>Auditor's update as of June 2014:</b> PRNS incorporated elements a-e on the May 1, 2014, report to the City Council's Public Safety, Finance &amp; Strategic Support Committee. The Department reports it will continue to report on these sections in Council and Committee Memos.</p>
<p>#5: To better identify ownership and parties responsible for non-City properties, PRNS should determine public/private property ownership, particularly specific agencies and major property owners to whom the City should be referring graffiti requests.</p>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS reports that it will monitor updated technology as it becomes available. Moving forward with this recommendation requires coordination with outside departments (Information Technology, Public Works and Planning, Building &amp; Code Enforcement). Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> PRNS continues coordinated graffiti removal as needed. Target date: TBD.</p>



Audit Report and Recommendation	Department	Current Status	Comments
<p>#6: To better involve property owners and parties responsible for non-City properties, we recommend PRNS develop:</p> <ul style="list-style-type: none"> <li>a) Door-hangers, fliers, or other notices in multiple languages to inform property owners of their responsibilities, and of City services; and</li> <li>b) A permission gathering process or proposal to amend the Municipal Code to allow for implied consent to remove graffiti on non-City owned property.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS has begun developing fliers in multiple languages, and plans to work with the Department of Planning, Building &amp; Code Enforcement on Municipal Code changes. Target date: FY 2014-15.</p> <p><b>Auditor's update as of June 2014:</b> PRNS provides property owners with brochures in English and Spanish that informs property owners of their responsibilities and City services. PRNS also provides property owners with a courtesy letter that informs property owners that the City has received complaints alleging the presence of graffiti on their property and a description of the San José Municipal Code Section 9.57.300. Target date: TBD.</p>
<p>#7: PRNS should propose amending the Municipal Code to specify and reduce the number of days graffiti is allowed to persist on property before action is taken, with special consideration for urgent graffiti.</p>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> No change. Target date: 1-15.</p> <p><b>Auditor's update as of June 2014:</b> PRNS will reduce the notification days from 60 to 10 days. This will allow the property owner to come to the Anti-Graffiti office to sign-up for the free one time paint color match. Target date: TBD.</p>
<p>#8: To improve PRNS' ability to hold property owners and responsible parties accountable, we recommend PRNS:</p> <ul style="list-style-type: none"> <li>a) Work with the contractor to standardize addresses and link them to the City's property ownership data;</li> <li>b) Establish limits on the number of courtesy abatements within a specific time frame to be performed on non-City property;</li> <li>c) Track the number of abatements on properties; and</li> <li>d) Refer to Code Enforcement and seek reimbursement after limit is reached.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> After talking with the contractor, PRNS reports that additional modifications to the smartphone app will have a budgetary impact and may increase costs. The current contractor-provided work order management system provides data that may allow for staff to track number of visits. Technological improvements are necessary to link work orders to property owner information.</p> <p>PRNS reports that it will meet with Code Enforcement to discuss strategies to seek reimbursement and establish limits on the number of courtesy abatements on non-City owned property. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> PRNS met with Code Enforcement (see Recommendation #9). Target date: TBD.</p>
<p>#9: To streamline its code enforcement referral process, we recommend PRNS:</p> <ul style="list-style-type: none"> <li>a) Reduce the number of visits staff makes to a site, and/or link visits directly to an administrative citation/affidavit process; and</li> <li>b) Refer properties that have clearly identifiable code enforcement violations beyond graffiti directly to Code Enforcement for further action.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS will need to coordinate this administrative change with the Department of Planning, Building &amp; Code Enforcement. Target date: 2014.</p> <p><b>Auditor's update as of June 2014:</b> PRNS reports that it is working with Code Enforcement to set up a training and working session in October 2014, with staff to finalize the process. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#10: To better hold non-City property owners and responsible parties accountable and help preserve limited graffiti removal resources, we recommend PRNS:</p> <ul style="list-style-type: none"> <li>a) Identify other jurisdictions, agencies, districts, and contractors who are responsible for graffiti removal within City boundaries;</li> <li>b) Formalize acceptable timelines with parties through Memoranda of Understanding;</li> <li>c) As technology allows, refer work orders for these types of properties directly to the responsible parties; and</li> <li>d) Establish a process such that when timelines have expired, it can remove the graffiti and seek reimbursement.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS will pursue MOUs with partner agencies. The department has discussed possible solutions with Santa Clara County and the State of California, and is in periodic contact with Caltrans and Union Pacific.</p> <p>PRNS forwards graffiti removal service requests for non-City owned property via email, phone and agency specific websites, when it receives them.</p> <p>PRNS continues to discuss the best methods to remove stagnant graffiti with partner organizations and continues to discuss the best ways to seek reimbursement. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> PRNS developed a list of key non-City property owners. The Department coordinates graffiti removal with these property owners when feasible. PRNS continues to add businesses to this list as they are identified.</p> <p>PRNS continues to work with key property owners to establish MOU's and/or acceptable timeframes to remove graffiti. The Department has been able to establish graffiti removal timeframes with Santa Clara County that are closely aligned with those of the City.</p> <p>The current app used by the City does not allow for reporting to other agencies or jurisdictions. Staff forward service requests for non-City property to those agencies via email or telephone call. Target date: TBD.</p>
<p>#11: To address graffiti on freeways, railways, and expressways, the City should continue building relationships by:</p> <ul style="list-style-type: none"> <li>a) Continue meeting periodically with large property owners (e.g. Caltrans) who also have a graffiti problem, to address joint areas of concern; and</li> <li>b) Explore possible Memoranda of Understanding between parties.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS continues to meet periodically with partner organizations that own property within City boundaries to develop the most feasible methods to address one-time and ongoing Graffiti. PRNS has scheduled a meeting with CalTrans for Spring 2014 to address graffiti located on freeway overpasses.</p> <p>PRNS reports that it will continue to pursue Memoranda of Understanding with partner agencies. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> PRNS meets quarterly with large property owners to address graffiti and plan dates for future graffiti removal. The City continues to coordinate graffiti removal efforts. The graffiti contractor currently has a contract with CalTrans to abate graffiti in San José.</p> <p>PRNS reports that it will continue to pursue Memoranda of Understanding with partner agencies. Target date: TBD.</p>
<p>#12: To address graffiti on construction sites, we recommend PRNS work with the departments of Planning, Building and Code Enforcement and Public Works, to ensure permits clarify the responsibility for promptly abating graffiti on construction barriers and in construction zones.</p>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS will work with the Department of Planning, Building &amp; Code Enforcement and the Department of Public Works to address changes to permits that clearly clarify Graffiti removal at construction sites. Target date: Fall 2014.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: Fall 2014.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#13: To address graffiti hotspots, PRNS should:</p> <ul style="list-style-type: none"> <li>a) Continue to track monikers in the work order management system;</li> <li>b) Provide the Police Department with information about graffiti trends, hotspots, and prolific taggers;</li> <li>c) Work with Police Department on placement of cameras; and</li> <li>d) Work with Police Department to investigate high profile graffiti cases and coordinate strategic enforcement efforts.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS continues to track monikers through the contractor-provided work order management system.</p> <p>Staff reports that it has met with the Police Department to demonstrate the contractor's graffiti work order system and how it tracks monikers, and will forward information to SJPD at their request. PRNS will continue to meet with the Police Department to determine the best locations to place cameras with the goal of reducing repeat graffiti. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> PRNS continues to track monikers through the contractor-provided work order management system.</p> <p>PRNS provides SJPD with information on gang tags and graffiti trends through the Mayor's Gang Prevention Task Force Technical Team Meetings. Additionally, the program provides any graffiti information that is needed for open investigations.</p> <p>The Department of Transportation has installed cameras in the City. In addition, according to PRNS, SJPD is preparing to purchase cameras for the Mayor's Gang Prevention Task Force. Plans are to install them in 12 hotspot areas where graffiti is a problem. SJPD plans to issue an RFP in January 2015.</p> <p>PRNS continues working with program staff to provide SJPD with information on graffiti restitution costs. Target date: TBD.</p>
<p>#14: To free up existing Anti-Graffiti Program staff to perform programmatic duties, we recommend PRNS propose the addition of support staff to the Anti-Graffiti Program to manage the graffiti abatement contract, or to transfer some contract administration duties to PRNS contract staff.</p>	PRNS	Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS has not secured the addition of support staff to the Anti-Graffiti Program, and reports that it does not have the staff resources to transfer contract administration duties to department contract staff on a permanent basis. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> PRNS reports that a Community Services Supervisor was reassigned to oversee the Anti-Graffiti Program. The Program is also receiving support from the Analyst within the Mayor's Gang Prevention Task Force.</p>
<p>#15: We recommend that PRNS work to streamline service requests so that they are entered directly into the work order system (and thus bypass PRNS staff) by:</p> <ul style="list-style-type: none"> <li>a) Promoting the smartphone app and the contractor's hotline as the primary ways to report graffiti for all of San José, including City Councilmembers;</li> <li>b) Implement the contractor's online reporting form; and</li> <li>c) Allowing the contractor to reassume entering hotline calls directly into the work order system.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS promotes the smartphone app and contractor's hotline as the main avenues to report graffiti at resource fairs, presentations, and on flyers and other program materials.</p> <p>By June 2014, PRNS plans to meet with the contractor to discuss the best way to implement the online reporting form. PRNS has discussed with the contractor, plans to transition the hotline-initiated work orders from City staff to the contractor.</p> <p>Implementation of the online reporting form and having the contractor reassume entering hotline-initiated work orders, will depend on costs. Target date: TBD.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of June 2014:</b> PRNS continues to promote the smartphone app and the contractor's hotline as the primary ways to report graffiti in flyers and other outreach material that is printed.</p> <p>PRNS reports it is working to link the contractor's online reporting form from PRNS' Anti-Graffiti webpage. Target date: TBD.</p>
<p>#17: To improve its community involvement goals, PRNS should dedicate additional staff time to increasing volunteer efforts.</p>	PRNS	Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS is in the process of shifting staff resources to assist with the recruitment of Graffiti Program volunteers. Target date: 4-14.</p> <p><b>Auditor's update as of June 2014:</b> As of April 2014, PRNS shifted three part-time staff from the Mayor's Gang Prevention Task Force to assist with the recruitment, retention, and management of volunteers.</p>
<p>#18: PRNS should work with the contractor to enhance its smartphone app to:</p> <ul style="list-style-type: none"> <li>a) Change the default to require residents to opt-out of a follow-up message, and</li> <li>b) Give residents more information about why their requests could not be completed and who to contact when the contractor cannot handle their requests.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS reports that it is working with the contractor to explore methods to change the smartphone app to require residents to opt-out of a follow-up message. Changes to the app may present additional costs, and would need to be considered against budget resources.</p> <p>PRNS reports that it is currently exploring a cost-effective method that would allow the Department to communicate with residents when their requests are not completed. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The SJ Clean smartphone app was updated in to refer non-City graffiti abatement requests directly to the responsible parties and jurisdictions. PRNS continues to inform residents through phone calls and/or emails when their requests cannot be processed by the City and who they should contact. Other enhancements to the smartphone app have not yet been implemented. Target date: TBD.</p>
<p>#19: PRNS should work to improve the Anti-Graffiti Program's visibility and accessibility through:</p> <ul style="list-style-type: none"> <li>a) Brochures: Develop brochures like previous door-hanger that outline muni code, city policies and services.</li> <li>b) Language accessibility: Develop materials in multiple languages, ensure residents can report graffiti in multiple languages.</li> <li>c) Physical accessibility: Place volunteer materials at more central locations. Consider partnering with retail stores so volunteers can pick up materials (and also get paint-matching services).</li> <li>d) Unifying contact info: Publicize the hotline number on all materials.</li> <li>e) Website improvement: Clearly define City services and</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> PRNS has included the graffiti hotline, smartphone app and other contact information on all graffiti materials that it currently distributes.</p> <p>The department has also begun translating current program flyers and information into Spanish and Vietnamese.</p> <p>PRNS reports that it is pursuing an RFP to secure a contractor that can develop brochures and other communication materials. As part of this, the department will consider the use of a door hanger to communicate the Municipal Code, and other City policies.</p> <p>PRNS is reviewing the current website to determine what areas will need to be modified for easier accessibility. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> PRNS has updated its program materials and is working to translate them into multiple languages.</p> <p>PRNS has identified the Hank Lopez Community Center as future a</p>

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improve access to graffiti reporting, including an online reporting form, a QR code on the smartphone app, and contact information for referrals to other agencies.			location to distribute volunteer materials and hold volunteer orientations. According to PRNS, the Program will be partnering with additional sites in the Fall to ensure that volunteer materials are more accessible. PRNS updated the Anti-Graffiti website that includes the graffiti hotline, smart phone app, volunteer opportunities, City services and the contact information to report graffiti located on non-City property. The department is working on implementing an online reporting form from its website. Target date: 9-14.
#20: To promote transparency and accessibility to the public, PRNS should make graffiti data open to the public by posting extracts from the work order system to the City's website (e.g. maps, locations, date of request and abatement, and costs).	PRNS	Implemented	<b>Auditor's update as of December 2013:</b> In coordination with the Information Technology Department, some graffiti information is available online at data.sanjoseca.gov. PRNS and ITD plan to continue to work to provide more graffiti data. Target date: TBD. <b>Auditor's update as of June 2014:</b> Data as of April 2014 has been posted at data.sanjoseca.gov.

## INDIRECT COST ALLOCATION: IMPROVED PROCEDURES AND BETTER COMMUNICATION NEEDED (Issued 11/14/13)

**The objective of our audit was to review and evaluate the City's FY 2013-14 city-wide overhead plan for appropriateness and accuracy. Of the 13 recommendations in the report, 1 was previously implemented, 1 was implemented during this period, 7 are partly implemented, and 4 are not implemented.**

<p>#1: To ensure that central service costs are treated appropriately and consistently, the Finance Department should update its procedures to more clearly define what costs should and should not be allocated within the Cost Allocation Plan. Specifically, the procedures should:</p> <ul style="list-style-type: none"> <li>• Provide guidance on how to determine whether a central service department, a City-Wide program, or an individual central service program provides services to the public versus to another City department</li> <li>• More clearly define what a "direct use building" is in determining allocated costs within the building occupancy cost pool</li> <li>• Require that staff document decisions regarding whether costs should be deemed allocable or unallocable in accordance with the above</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Finance has hired a new senior accountant and expects to hire an overstrength position in the coming year to update procedures and address the documentation issues identified in the audit. However, during the preparation of the FY 2014-15 Citywide Cost Allocation Plan, Finance did update its data requests to central service departments to include a description of the plan's purpose and how the requested information is used to allocate costs and met with central service departments to review their allocated costs. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> According to the department, they have begun documenting decisions surrounding whether costs should be allocable or unallocable in the Cost Allocation Plan. They expect to update the plan's procedures following the completion of the FY 2015-16 plan. Target date: 6-15.</p>
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Audit Report and Recommendation	Department	Current Status	Comments
<p>#2: To conform to the updated procedures (as outlined in Recommendation 1) in the FY 2014-15 Cost Allocation Plan, the Finance Department should review and revise its lists of:</p> <ul style="list-style-type: none"> <li>• Allocated and unallocated central service costs</li> <li>• City-Wide Expenses</li> <li>• Direct use buildings</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Finance reviewed and revised the list of City-Wide Expenses included in the Cost Allocation Plan. For some of the expenses, they also added the rationale directly into the working spreadsheets detailing the allocated City-Wide costs. According to Finance, a further review of allocated and unallocated central service costs, City-Wide expenses, and direct use buildings will be dependent upon workload and staffing restraints in Finance and in other central service departments with which Finance must coordinate. Target date: 2-15.</p> <p><b>Auditor's update as of June 2014:</b> The department expects to address the remaining elements of this recommendation in concurrence with the updated procedures as referenced in #1 above. Target date: 6-15.</p>
<p>#3: Before the Cost Allocation Plan is developed, the Finance Department should meet annually with central service departments, and the Budget Office, to review the allocation bases of their programs to ensure costs are appropriately allocated and identify any significant changes in departmental workloads. This review should include the allocation bases for City-Wide Expenses. Any changes resulting from the above should be documented and Finance Department's procedures should be updated accordingly.</p>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> During the preparation of the FY 2014-15 Citywide Cost Allocation Plan, Finance updated its data requests to central service departments to include a description of the plan's purpose and how the requested information is used to allocate costs. It also met with staff with various central service departments to review and update allocated costs and allocation bases. As noted previously, Finance has hired a new senior accountant and expects to hire an overstrength position in the coming year to update procedures to formalize this process. Target date: 12-14.</p> <p><b>Auditor's update as of June 2014:</b> See #1 above. Target date: 6-15.</p>
<p>#4: As part of its review of the FY 2014-15 Cost Allocation Plan, the Finance Department should review and revise the allocation bases to better reflect workload. This revision should include the Mayor and City Council's allocation to the Successor Agency, the allocation of Public Works' facility management costs, the allocation of Finance costs for utility fund accounting, and any other bases that are identified.</p>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> During the preparation of the FY 2014-15, Finance revised the allocation of Mayor and City Council costs and Public Works' facility management costs. Other allocation bases identified in the audit, such as those allocating utility fund accounting and the cost of the annual Comprehensive Annual Financial Report, do not appear to have been revised. Target date: 2-15.</p> <p><b>Auditor's update as of June 2014:</b> Finance expects to analyze and evaluate the remaining items as part of the development of the FY 2015-16 Cost Allocation Plan. Target date: 2-15.</p>
<p>#5: To improve how it allocates overhead to capital projects, the Finance Department should:</p> <ul style="list-style-type: none"> <li>• Utilize a workload estimate or other appropriate alternative allocation methodology to account for City Manager, Mayor and City Council, and other central service costs related to capital programs</li> <li>• Back out capital rebudgets from the calculation of the department budget size allocation base</li> </ul>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> According to Finance, implementation of this recommendation will require more detailed conversations with departments including Public Works, Parks, Recreation &amp; Neighborhood Services, Planning, Building &amp; Code Enforcement, Environmental Services, and Transportation. The Finance Department expects to implement for the FY 2015-16 Cost Allocation Plan. Target date: 2-15.</p> <p><b>Auditor's update as of June 2014:</b> Finance expects to analyze and evaluate the remaining items as part of the development of the FY 2015-16 Cost Allocation Plan. Target date: 2-15.</p>

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<p>#6: To ensure that vehicle and equipment costs in the Equipment Usage cost pool are consistently and accurately allocated, the Finance Department should:</p> <ul style="list-style-type: none"> <li>• Treat grant-funded vehicles and equipment as unallocated costs (similar to how grant-funded building assets are treated in the Building Occupancy cost pool)</li> <li>• Treat vehicles and equipment purchased through departmental non-personal budgets consistently</li> <li>• Review and standardize the vehicle and equipment fixed asset schedules in the Cost Allocation Plan</li> <li>• Remove any assets which are more than 15 years old and whose historical cost has been recaptured in past Cost Allocation Plans</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> The Finance Department reviewed the vehicle and equipment schedules and removed assets more than 15 years old. They expect to implement the remaining elements of this recommendation for the FY 2015-16 Cost Allocation Plan. Target date: 2-15.</p> <p><b>Auditor's update as of June 2014:</b> Finance expects to review and standardize the fixed asset schedules utilized in the Cost Allocation Plan and evaluate the treatment of vehicle and equipment purchases in departmental non-personal budgets as part of the FY 2015-16 Cost Allocation Plan. However, they are not currently able to identify all grant-funded vehicles and equipment in their fixed asset listings and intend to work with the Budget Office to determine the best way to identify such assets moving forward. Target date: TBD.</p>
<p>#8: To align the Cost Allocation Plan with City Council Policy 1-18 and to provide for estimates of indirect costs that better reflect workload, the Finance Department should reorder the central service departments in the Cost Allocation Plan such that central service departments that serve the most central service departments (in terms of numbers and dollars) are at the beginning of the allocation order, and those that serve the fewest are at the end.</p>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> The Finance Department expects to implement this recommendation for the FY 2015-16 Cost Allocation plan. Target date: 2-15.</p> <p><b>Auditor's update as of June 2014:</b> Finance currently expects to address this recommendation as part of the 2016-17 Cost Allocation Plan development with the implementation of an upgraded software system (see update to recommendation #10 below). Target date: 2-16.</p>
<p>#9: To improve the accuracy of its indirect cost allocation calculations and ensure the previously identified errors do not reoccur, Finance should:</p> <ul style="list-style-type: none"> <li>• Establish a review process of critical data entry areas and key calculations. These should include direct bills from enterprise and special funds; utility, capital, and paid absence rate calculations; and other data entry or calculations which Finance deems critical or where there is a high risk of material error. Finance should also update its procedures to specify management and staff roles and timelines for such reviews.</li> <li>• Document its methodologies and purposes for calculating utility overhead rates, the capital overhead rate, and paid absence rates. It should also document reasons for any adjustments made.</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Finance added additional review processes for direct bills to ensure they are accounted for accurately during the preparation of the FY 2014-15 Cost Allocation Plan. They have recently hired a new senior accountant and expect to hire an overstrength position in the coming year to update procedures to formalize review and documentation expectations for direct bills and other critical data entry areas and key calculations. Target date: 2-15.</p> <p><b>Auditor's update as of June 2014:</b> With additional dedicated resources allocated to the Cost Allocation Plans, Finance intends to commence a more detailed review process with the preparation of the 2015-16 Cost Allocation Plans. In addition, more defined roles for management and staff in the review process are expected to be included in its updated procedures referenced in the update to #1 above. Target date: 2-15.</p>
<p>#10: To reduce its manual data entry and to improve its reporting, Finance should discontinue its use of NGCS II for producing the Cost Allocation Plan. Instead it should use Maxcars or another suitable software program.</p>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> According to Finance, they plan to explore available software options, including the possibility of adding to the request for proposals for a new budgeting system that contains a module for a cost allocation plan. In order to implement this recommendation it will be necessary to identify resources to both acquire a new cost allocation calculation software package and provide</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p>necessary training to fully utilize the capacity of a new software program. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> According to the department, they are seeking short- and long-term solutions to automate preparation of cost allocation plans. \$50,000 was approved in the 2014-15 Budget to upgrade the current system. The upgrade is expected to be complete in July, 2015. A long term solution is being considered as a part of the HR/Payroll/Budget System procurement. The RFP process is expected to be completed in December 2014 and it will be determined whether the cost allocation plan functionality will be included in the integrated system. Target date: TBD.</p>
<p>#11: To reduce the reoccurrence of errors identified, document methodologies, establish and clarify procedures, improve future Cost Allocation Plans, and to enhance analysis and communications with other departments to further transparency, the Administration should determine whether to assign additional staff resources to its preparations of the Cost Allocation Plans.</p>	<p>Finance/ Budget</p>	<p>Implemented</p>	<p><b>Auditor's update as of December 2013:</b> Finance agrees that insufficient resources are currently assigned to the preparation of the Cost Allocation Plans. As part of the FY 2014-15 budget process, Finance plans to evaluate resource allocation within the department and make recommendations for additional staff and consulting resources as appropriate to address this recommendation. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> One additional FTE was allocated to the Cost Allocation Plan beginning July 1, 2014 to document and implement more robust processes and procedures as well as assist in the production of the City's Cost Allocation Plans.</p>
<p>#12: To enhance transparency, Finance should include descriptions in the Cost Allocation Plan document of the services being allocated, the methodology used to allocate costs, and the decisions made regarding allocable and unallocable costs. Preceding the cost allocation schedules should be an introduction that describes the purpose of the plan and the process of cost allocation.</p>	<p>Finance</p>	<p>Not Implemented</p>	<p><b>Auditor's update as of December 2013:</b> According to Finance, including detailed descriptions of allocable and unallocable costs will require the commitment of more staff resources than are currently devoted to the Cost Allocation Plan development. This is especially true given the limitations of the current Cost Allocation Plan software utilized by the department. They expect that this recommendation can be implemented during the development of the FY 2015-16 Cost Allocation Plan. Target date: 2-15.</p> <p><b>Auditor's update as of June 2014:</b> According to the department, they intend to prepare an introduction for the 2015-16 Cost Allocation Plan that will more clearly describe the purpose of the plan, the costs allocated within the plan, the methodologies used to allocate costs, and other information as necessary to enhance the transparency of indirect cost rates and the cost allocation process. More detailed descriptions within the plan will wait until implementation of new and more robust software as described in the update to recommendation #10 above. Target date: TBD.</p>



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<p>#13: To improve transparency and understanding, upon the annual completion of the Cost Allocation Plan Finance should post the plan document online and establish a process by which:</p> <ul style="list-style-type: none"> <li>• The plan document is distributed to departments</li> <li>• Overhead and overhead rates are explained to line departments to ensure they are appropriately applied, particularly in instances when there have been service delivery changes</li> <li>• Departments can review the data being used, ask questions, and make suggestions about the allocations</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> According to Finance, upon completion of the FY 2014-15 Cost Allocation Plan, they expect to post the document on the City's intranet and work to develop a more robust dialogue with departments about indirect cost rates and the allocation process. Target date: 4-14.</p> <p><b>Auditor's update as of June 2014:</b> The 2014-15 Cost Allocation Plan is posted online on the Finance website under the Financial Publications links. In addition, overhead rates were distributed to each department. Lastly, Finance held meetings with departments where rates increased by 10% or more and provided explanations for the increase. Finance expects to include procedures on the distribution and explanation of rates to departments as part of its update as described in the update to #1 above. Target date: 6-15.</p>

**CODE ENFORCEMENT: IMPROVEMENTS ARE POSSIBLE, BUT RESOURCES ARE SIGNIFICANTLY CONSTRAINED (Issued 11/14/13)**

**The objective of our audit was to review and assess the efficiency and effectiveness of Code Enforcement operations and consequences of recent reductions. Of the 22 recommendations, 2 were previously implemented, 4 were implemented during this period, 13 were partly implemented, and 3 are not implemented.**

<p>#1: To improve timeliness and responsiveness to routine complaints, the General Code Enforcement section should (as funding and staffing allows) provide more inspections for routine complaints. If it continues to send out postcards to complainants, it should match the return date on the postcard to the due date on the notice of complaint, and/or (as funding and staffing allows) follow-up by phone with complaining parties before closing cases.</p>	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> According to PBCE and Budget, as part of the budget process, PBCE will work with the City Manager's Budget Office to determine the appropriate staffing level needs and, based on the City's budget situation and other PBCE Department priorities, this proposal may be brought forward for City Council consideration to address this recommendation. The postcard dates now match the compliance date given to on the warning notice to the Responsible Party. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Code Enforcement received 3 general funded positions on the FY14-15 budget. Awaiting HR Analyst assignment to begin the hiring process. Once new staff have been hired and completed training inspections service will resume for routine complaints. Target date: 12-14.</p>
<p>#2: To ensure timely resolution of violations, General Code Enforcement should review and establish maximum timeframes for compliance and provide training to its inspectors to ensure adherence to those timelines.</p>	Code Enforcement	Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement has established maximum timeframes for compliance; however the department has yet to train its staff on the implementation. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Training of staff on the policy was completed on April 30, 2014.</p>

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<p>#3: The Finance Department should provide a quarterly collection report to Code Enforcement and work together with Code Enforcement to determine citation collection prioritization.</p>	Finance/Code Enforcement	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Finance Department and Code Enforcement are working on developing a report to determine citation collection prioritization. The Finance Department anticipates the report will be created in Fall, 2014. Target date: 12-14.</p>
<p>#4: Code Enforcement should develop criteria for when it should require properties be vacated and provide training to its staff on these criteria.</p>	Code Enforcement	Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement has developed guidelines and procedure for condemnation; however the department has yet to train its staff on the implementation of these new criteria. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Training of staff on the policy was completed on April 30, 2014. Evidence of vacated properties shows additional criteria is being exercised.</p>
<p>#5: To increase the enforcement authority of Code Enforcement inspectors, we recommend the City Council amend the Municipal Code to allow Code Enforcement inspectors to issue misdemeanor citations. The Municipal Code and Code Enforcement policies and procedures should define under what circumstances misdemeanor citations can be issued and by whom.</p>	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement is working with the City Attorney's Office to bring forward an ordinance change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Ordinance to allow Code Enforcement Inspectors to issue misdemeanor citations was passed by the City Council on June 10, 2014. Policy and procedures are currently being updated, training to commence thereafter. Target date: 9-14.</p>
<p>#6: Code Enforcement should:</p> <ul style="list-style-type: none"> <li>• Collect fees for all re-inspections;</li> <li>• Develop criteria for exceptions, if any; and</li> <li>• Train its staff on assessing these fees.</li> </ul>	Code Enforcement	Party Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement has developed guidelines and procedure for inspection and re-inspection fee process; however the department has yet to train its staff on the implementation of these updated procedures. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Training of staff on the policy was completed on April 30, 2014. Implementation pending evidence of inspectors assessing all applicable reinspection fees. Target date: 1-15.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> \$550,000.</p>
<p>#7: The Administration should establish a coordinated approach to its Code Enforcement, Fire, and Housing Department inspection programs. As part of this coordination it should:</p> <ol style="list-style-type: none"> <li>a) Develop a complete list of Multiple Housing properties funded through the Residential Occupancy Permit and ensure consistency between the Code Enforcement Multiple Housing inspection program and the Fire Department's inspection program;</li> <li>b) Eliminate duplication between Code Enforcement and Housing Department inspections of the City's affordable housing programs' properties;</li> <li>c) Complete and document all required annual inspections in</li> </ol>	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement has begun coordinating meetings between Multi-family inspectors and Housing and will continue to meet on a regular basis until recommendation has been fully implemented. Staff has also scheduled a meeting between Fire, Code Enforcement and Housing for further coordination.</p> <ol style="list-style-type: none"> <li>a) Code Enforcement and Housing have exchanged a list of crossover properties to begin implementing a coordinated approach.</li> <li>b) Meetings between Code Enforcement and Housing are underway to establish a priority setting for which department is responsible for crossover properties.</li> <li>c) Code Enforcement is developing a redesign of their multi-family</li> </ol>

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<p>a timely manner; and</p> <p>d) Develop a process to share findings between departments, regarding violations found and actions taken, on a regular basis.</p>			<p>inspection program; new targets will be established based on a tiered approach.</p> <p>d) Code Enforcement has taken the lead on setting up regularly occurring meetings to coordinate with Fire and Housing departments.</p> <p>Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> According to the department, Code Enforcement, Housing and Fire managers are continuing to meet to implement this recommendation. Target date: TBD.</p>
<p>#8: The City Administration should propose to expand the Residential Occupancy Permit program to include condominiums functioning as rental apartment complexes.</p>	Code Enforcement	Not Implemented	<p><b>Auditor's update as of December 2013:</b> No change. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: TBD.</p>
<p>#9: Code Enforcement should provide its inspectors with the authority to do a full inspection of problem properties when warranted and to put properties with persistent problems on a more frequent full inspection cycle.</p>	Code Enforcement	Not Implemented	<p><b>Auditor's update as of December 2013:</b> According to Code Enforcement, this recommendation will be incorporated into the redesign of the Multiple Housing Program. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> Implementation of this recommendation is being incorporated into the Multiple Housing redesign. [See recommendation #11] Target date: 1-15.</p>
<p>#10: Code Enforcement should work with in-house IT staff to fix the County of Santa Clara data upload and ensure that the age of the multiple housing properties (year built) is included in the property profile.</p>	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement has begun working with in-house IT staff to update the data transfer and include year built as an uploaded field. There is some difficulty with reconciling inconsistent parcel information between the County and Code Enforcement databases. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014</b> IT staff verified that the County of Santa Clara property data upload is updated in Amanda. Code Enforcement and Housing Department staff verified the year built information and eligibility under the Mediation Ordinance. IT staff will also add the year built date to the Amanda Info field for each Residential Occupancy Permit as part of updates for the Multiple Housing Program redesign. Target date: 9-14.</p>
<p>#11: Code Enforcement's Multiple Housing Program should adopt a risk-based inspection process. The risk profile should include risk factors such as history of complaints, problems discovered in prior inspections, response time of the landlord or the property manager in fixing violations, and age of property.</p>	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement has issued a memo regarding the overhaul of its multiple housing occupancy permit program. The memo details potential adjustments to the existing inspection schedule as well as a tiered approach to annual certification. In order to establish which multiple housing properties are assigned to each tier, staff will first complete a risk assessment. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014</b> City Council approved the FY 2014-15 budget, which included funding for the risk-based, 3-tier inspection process for the Multiple Housing Program. The new process will include a self-certification component for buildings with no substantial code complaints. Code Enforcement has begun the hiring process to fill new positions to implement the tiered approach. Target date: 1-15.</p>

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#12: To ensure tenants are aware of deficiencies found in their place of residence, Code Enforcement should formally inform tenants of the violations found and the deadline for compliance.	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement is the process of developing a merge document to send to tenants after the initial routine inspections are completed. Currently, a similar merge document with the list of violations is provided to the property owner. In the proposed tenant version, staff anticipates only including those violations which pertain to the tenant's residence. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> According to IT staff, this recommendation cannot be implemented with the current CES system. This capacity will be included in the specs for the next computer system for Code Enforcement. Target date: TBD.</p>
#13: Code Enforcement should review and track multiple housing inspector caseloads, inspections, and re-inspections for both proactive and complaint based cases.	Code Enforcement	Implemented	<p><b>Auditor's update as of December 2013:</b> No change. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Multiple Housing Supervisor tracks this information on a monthly basis through the Code Enforcement Dashboard and 1:1 meetings with the inspectors. Based on the volume of incoming cases, the Supervisor reassigns cases to ensure even distribution of inspector caseload.</p>
#14: Code Enforcement should review its Multiple Housing re-inspection fee policy and determine if it can assess re-inspection fees on the second visit. Further, all applicable re-inspections should be charged the mandatory re-inspection fee.	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement does not believe they are able to assess fees for the compliance visit (first visit) for a routine inspection. They are currently in the process of retraining their inspectors to assess a re-inspection fee under the current policy. Full implementation is contingent upon evidence that reinspection fees are being assessed appropriately. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The Multiple Housing redesign program will assign properties into different tiers based on their history of compliance and violations. In this way, the redesign aims to incentivize compliance and reward property owners who comply timely. Further, the redesign includes varying residential occupancy permit fees and will address disparities between property owners who are more compliant than others. Staff received training on the Multiple Housing Reinspection Fee Procedure. Target date: 1-15.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> \$126,000.</p>
#15: Code Enforcement should work with the Budget Office to determine if the Residential Occupancy Permit fees can be rebudgeted to pay for multiple housing program efficiencies such as upgrading computer systems and increasing Fire department inspections.	Code Enforcement/ Budget	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> According to Budget, the Administration will continue to consider rebudgeting unexpended funds in the multiple housing program for technology needs, as appropriate. As part of the 2012-2013 Annual Report, a rebudget of \$225,000 was approved for Code Enforcement non-personal/equipment needs. The funds were rebudgeted for the purchase of laptops for Code Enforcement Inspectors, technology programming services, and inspection modules for the Multiple Housing and Solid Waste Enforcement Fee Programs.</p> <p>The possibility of rebudgeting in the future is still under review. Target date: 6-14.</p>

Audit Report and Recommendation	Department	Current Status	Comments
			<p><b>Auditor's update as of June 2014:</b> As part of Manager's Budget Addendum #27 and the Mayor's June Budget Message for Fiscal Year 2014-2015, a total rebudget of \$211,250 was approved for Multiple Housing Code Enforcement non-personal/equipment needs. The funds were rebudgeted for technology programming services and vehicle replacements. Target date: TBD.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> TBD.</p>
<p>#16: Code Enforcement review options to replace or enhance its code enforcement database (CES) and include options for mobile units and interfacing with other city databases.</p>	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Code Enforcement is soliciting information from potential app vendors to provide an intermediary solution for using mobile units. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> RFI for a replacement system for CES and AMANDA was released and staff is reviewing responses. Target date: 1-15.</p>
<p>#17: In order to ensure that the Multiple Housing roster is complete, Code Enforcement should:</p> <ul style="list-style-type: none"> <li>a) Periodically update its Multiple Housing Roster with newly issued Certificates of Occupancy from the AMANDA database; and</li> <li>b) Automate the process when it replaces its database.</li> </ul>	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b></p> <ul style="list-style-type: none"> <li>a) Code Enforcement has implemented a new procedure for routinely updating the Multiple Housing Roster with new records found in AMANDA.</li> <li>b) The automated version of this procedure will be incorporated when CES is migrated to a new system. Target date: TBD.</li> </ul> <p><b>Auditor's update as of June 2014:</b></p> <ul style="list-style-type: none"> <li>a) The Residential Occupancy Permit procedure was revised on 2/18/14 to include a step for adding new ROPs to the Roster. Trainings on the procedure were conducted during Multiple Housing team meetings. (IMPLEMENTED)</li> <li>b) Pending CES replacement. Target date: TBD.</li> </ul>
<p>#19: Code Enforcement should:</p> <ul style="list-style-type: none"> <li>a) Complete an estimated budget to be provided to the Housing department in a timely manner and include only those staff that it actually intends to use in the CDBG program areas; and</li> <li>b) Work with the Housing Department to determine if unexpended CDBG funds can be re-budgeted for use in these areas.</li> </ul>	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> According to Code Enforcement, the new CDBG Memorandum of Performance (MOP) will allow for greater flexibility in approved activities, thus negating the need to rebudget unused funds from vacancy savings. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The FY 13-14 MOP was executed on December 5, 2013. In order to be more timely for the FY 14-15 MOP, Code Enforcement initiated meeting with the Housing Department starting in April 2014. Target date: 9-14.</p>

Audit Report and Recommendation	Department	Current Status	Comments
#20: Code Enforcement should determine the feasibility of upgrading CES to ensure that the appropriate staff is correctly assigned to the correct census tracts.	Code Enforcement	Implemented	<p><b>Auditor's update as of December 2013:</b> According to Code Enforcement, this is not possible with current system; however they have developed a low-tech workaround to achieve the same result. CDBG inspectors are now required to sign off that they understand the extent of their assigned census tract area, and acknowledge that they will adhere to the boundaries of these assigned tracts. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> The low tech-tech workaround has been implemented.</p>
#22: To improve the cost recovery of the Abandoned Cart program, the Administration should review the feasibility of increasing the number of participating companies in the program and/or increasing its annual fees.	Code Enforcement	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> According to Code Enforcement, this recommendation will be included in the "Fees and Charges" during the budget process. Target date: 6-14.</p> <p><b>Auditor's update as of June 2014:</b> In FY 2013-14 the program was 20% cost recovery. In FY 2014-15 it is at 37%. This program will achieve full cost recovery incrementally over the next 5 years. Target date: FY 2019-20.</p> <p><b>POTENTIAL BUDGET IMPACT: TBD.</b></p>

**AUDIT OF EMPLOYEE TRAVEL EXPENDITURES (Issued 12/11/13)**

**The objective of our audit was to review a sample of employee travel expenditures for appropriateness and compliance with policy, and to determine the extent to which City departments provide an effective control environment for travel authorizations and expenses. Of the 13 recommendations in the report, 6 are partly implemented and 7 are not implemented.**

#1: The Administration should take reasonable steps to follow up on the instances of potential Travel Policy noncompliance identified during this audit.	Employee Relations	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> The Administration is in the process of reviewing the instances of potential noncompliance identified during the audit. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> The City Manager's Office of Employee Relations has reviewed and closed out many of the referrals for instances of potential noncompliance with only a few remaining. Target date: TBD.</p>
#2: The Administration should revise the Travel Policy to: <ul style="list-style-type: none"> <li>a) Require travelers to break down the costs of "bundled" trips;</li> <li>b) Require travelers to provide explanations to confirm the necessity and reasonableness of travel activity and expenses;</li> <li>c) Require travel packets include this information before travel coordinators and approvers sign off on them; and</li> <li>d) Require travel coordinators to escalate late travel statements as needed.</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> The Administration has already begun updates to the Travel Policy, and reports that it is working to completely revise the Policy. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Updates pending. Target date: 6-15.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#3: The Administration should amend the Travel Policy to make travel and associated payments contingent on the travel coordinator confirming that expenses comply with the Travel Policy. The Policy should also put departmental travel coordinators in a position to review travel requests prior to actual trips, and identify similar trips to pursue possible cost savings.</p>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> As part of its updates to the Travel Policy, the Administration reports that it plans to clarify the role of the travel coordinator, and to revise the travel reimbursement form to document travel coordinator review and approval prior to the travel taking place. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Updates pending. Target date: 6-15.</p>
<p>#4: To help in coordinating group travel, realizing available cost savings, and improving the reporting of City travel, Finance should instruct departmental travel coordinators to maintain complete and current trip logs.</p>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Finance's Accounts Payable updated its list of travel coordinators in October 2013. This is the first step in ensuring centralized accountability for coordinating group travel, realizing available cost savings, and improving the reporting of City travel. Finance reports that it plans to provide travel coordinators with guidance on logging and reporting group travel. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Policy updates pending. Target date: 6-15.</p>
<p>#5: To help ensure the ongoing availability of travel records, the Administration should clarify which travel records need to be forwarded to Finance, and disseminate record-retention procedures for travel records.</p>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> Finance will coordinate with the City Attorney's Office to develop and disseminate to all departments, a record retention schedule for all City travel documents. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Pending. Target date: 6-15.</p>
<p>#6: The Administration should amend the Travel Policy to require travel coordinators and the Travel Desk to report noncompliant travel activity.</p>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> As part of its updates to the Travel Policy, the Administration plans to clarify the role of departmental travel coordinators.</p> <p>The Administration anticipates that the revised Travel Policy will require travel coordinators to report non-compliant travel activity to be escalated to Department Directors, and/or the Office of Employee Relations, as needed. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> Updates pending. Target date: 6-15.</p>
<p>#7: The Administration should:</p> <ul style="list-style-type: none"> <li>a) Update the roster of travel coordinators;</li> <li>b) Update online training materials; and</li> <li>c) Convene regular meetings of travel coordinators, perhaps quarterly, to confirm travel coordinator assignments, surface travel-related issues, and promote problem-solving.</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> Finance's Accounts Payable updated its list of travel coordinators in October 2013.</p> <p>Finance plans to lead the development of updated online training materials after changes to the Travel Policy and applicable forms have been completed.</p> <p>The Administration is creating a group of Administrative Officers from all departments to establish a forum for discussion of administrative issues impacting all departments. According to the Administration, this group will provide a forum for discussing citywide policies and procedures on a regular basis, which will include the Travel Policy, and potential changes</p>

Audit Report and Recommendation	Department	Current Status	Comments
			thereto. Target date: TBD. <b>Auditor's update as of June 2014:</b> The Department plans to complete training on the new Employee travel policy six months after the policy has been updated. Target date: 12-15.
#8: The Administration should require, through the City Procurement Card Policy, that procurement card approvers attach travel coordinator-approved Travel Statements as supporting documentation for travel-related procurement card expenditures.	Finance	Not Implemented	<b>Auditor's update as of December 2013:</b> No change. Target date: TBD. <b>Auditor's update as of June 2014:</b> No change. Target date: 6-15.
#9 Departments should: a) Limit cash advances to estimated out-of-pocket expenses only, unless no other payment method is available; and b) Track all advances on the trip log.	Finance	Not Implemented	<b>Auditor's update as of December 2013:</b> According to Finance, the revised Travel Policy will require departments to limit cash advances to per diem meal and incidental expenses, and will encourage the use of procurement cards for the prepayment of travel costs such as air fare, hotels, and conference registrations. The Policy will allow for exceptions to this limitation due to unavailability of prepayment options. Departments will track all advances on their respective department trip log. Target date: TBD. <b>Auditor's update as of June 2014:</b> No change. Target date: 6-15.
#10: Revise the Statement of Travel Activity to prompt: a) involvement (that is, review, coordination, and approval), of departmental travel coordinators prior to each trip; b) disclosure of all travel expenses, especially meals, on a per-day basis, where possible; c) disclosure of the method of payment for each travel expense; d) disclosure of whether any travel expense will be/was shared with someone else, including through a gift or scholarship, in whole or in part, and if so, who shared and who paid; e) disclosure of the reason(s) post-trip costs differed substantially from pre-trip estimates; and f) disclosure of whether the traveler will seek overtime pay.	Finance	Not Implemented	<b>Auditor's update as of December 2013:</b> The Administration has reported that it is planning revisions to the Statement of Travel Activity, to reflect the suggestions in this recommendation. Target date: TBD. <b>Auditor's update as of June 2014:</b> No change. Target date: 6-15.
#11: To minimize work effort and facilitate timely approvals, the Administration should implement an electronic travel authorization system, and until then should encourage departments to use electronic pre-trip and post-trip approval.	Finance	Not Implemented	<b>Auditor's update as of December 2013:</b> As part of its updates to the Travel Policy, the Administration reports that it will consider adopting electronic approvals. Target date: TBD. <b>Auditor's update as of June 2014:</b> No change. Target date: 12-15.



Audit Report and Recommendation	Department	Current Status	Comments
<p>#12: Revise the Travel Policy to:</p> <ul style="list-style-type: none"> <li>a) Clarify the definition and practical significance of "local travel" and "in-state" travel;</li> <li>b) Clarify expectations around boarding passes, resort fees, local taxes, and Arizona approval;</li> <li>c) Establish allowable upper bounds of conference lodging costs; and</li> <li>d) Incorporate, by reference or otherwise, City policy and other ethical guidance with respect to gifts and "no-cost" travel.</li> </ul>	Finance	Partly Implemented	<p><b>Auditor's update as of December 2013:</b> The Administration has already begun implementing updates to the Travel Policy, including, as of November 2013, an explicit prohibition of travel to Arizona. The Administration reports that, as part of its update to the Travel Policy, it plans to incorporate other revisions that reflect this recommendation. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 6-15.</p>

<p>#13: To make its Travel Policy more accessible, the Administration should:</p> <ul style="list-style-type: none"> <li>a) Rewrite the Policy in plain language;</li> <li>b) Prepare supplemental reference documents as needed; and</li> <li>c) Designate a source of expert advice (e.g. the Finance Department's Travel Desk).</li> </ul>	Finance	Not Implemented	<p><b>Auditor's update as of December 2013:</b> As part of its updates to the Travel Policy, the Administration reports that it plans to designate Finance's Accounts Payable Manager as the resource for travel related inquiries. Target date: TBD.</p> <p><b>Auditor's update as of June 2014:</b> No change. Target date: 6-15.</p>
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## CITY'S FUNDING FOR THE CHILDREN'S HEALTH INITIATIVE: THE CITY HAS HELPED FUND HEALTH CARE COVERAGE FOR ABOUT 2,000 SAN JOSÉ CHILDREN ANNUALLY (Issued 2/13/14)

**The objectives of this audit were to determine how City funding has been spent by the Health Plan, and to determine how many children were covered using City funds. Of the 1 recommendation in the report, 1 is partly implemented.**

<p>#1: We recommend that the Department of Parks, Recreation and Neighborhood Services should:</p> <ul style="list-style-type: none"> <li>a) Work with the City Attorney's Office to clarify the language in the next grant agreement with the Health Plan regarding (i) what expenses are deemed appropriate under the agreement and (ii) the appropriate ages of children for which the City's funding should be used.</li> <li>b) Conduct performance and fiscal site visits, document reviews, or other appropriate monitoring activities.</li> </ul>	PRNS	Partly Implemented	<p><b>Auditor's update as of June 2014:</b></p> <ul style="list-style-type: none"> <li>a) PRNS and the City Attorney's Office incorporated language into the 2014-2015 grant agreement with the Santa Clara County Health Authority dba the Santa Clara Family Health Plan (Health Plan) that clarified the appropriate expenses and ages of children. For example, the City's costs are to cover capitation to providers, inpatient and professional fees, pharmacy, dental, vision, other medical costs, and operating margin; and covers medical services to San José residents until their 19th birthday. The agreement is now awaiting final approval and sign-off from the Health Plan and department.</li> <li>b) On July 22, 2014, PRNS staff met with the Health Plan to discuss the final report and contract. This included addressing one activity goal that fell short of its target and plans for improvement, requesting updated cost estimates per member per month, and national performance standards for utilization</li> </ul>
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Audit Report and Recommendation	Department	Current Status	Comments
			rates. According to PRNS, the department and the Health Plan agreed to schedule a site visit in the fall of 2014 at their East San José clinic to observe the intake process and take a sample of enrollments to verify eligibility requirements. In addition, a year end visit will also be scheduled to verify the financial and performance data in the final report. Target date: 7-15.

**LIBRARY HOURS AND STAFFING: BY IMPROVING THE EFFICIENCY OF ITS STAFFING MODEL, THE LIBRARY CAN REDUCE THE COST OF EXTENDING SERVICE HOURS (Issued 3/13/14)**

**The objective of this audit was to assess the impact of budget reductions on library hours and staffing, and to identify opportunities to increase the efficiency and effectiveness of scheduling and staffing. Of the 15 recommendations in the report, 1 is partly implemented, and 14 are not implemented..**

<p>#1: To improve branch library usage, the Library Department should adjust hours of operation based on an evaluation of usage by day and by hour at the branch level (i.e., adding more heavily trafficked hours). As it adds back hours of service, the Library should continue to monitor and evaluate branch usage patterns to ensure additions serve community needs.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> A Department staff team is developing weekly schedules for proposed expanded hours, and will incorporate results from recommendation teams #2, #4, and #8 in their work. Target date: 1-15.</p>
<p>#2: To better serve individual communities, the Library Department should evaluate a regional service model for branches.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> The Department identified possible regional structures with sample schedules that would meet the key needs of the community, and proposals for Regional groupings will be analyzed in relation to the other department audit work teams. Target date: 10-14.</p>
<p>#3: As e-reader devices proliferate, the Library Department should develop and implement a digital materials strategy. This strategy should specify how the department will monitor eBook impacts on staff workload, and what could trigger adjustment to its branch staffing model.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> A Department team will focus on assessing trends in electronic media resources, including usage, demand, ease of use and acquisition process of materials, with the goal of understanding the e-material market and identifying trends to aid in decision making about collections and staffing. Target date: 10-14.</p>
<p>#4: The Library Department should reassign check-in, shelving, zoning, and greeting activity hours to staff whose training and skills sets match the requirements of the activities, and redeploy staff to extend service hours. This includes assigning:</p> <ul style="list-style-type: none"> <li>a) More shelving hours to Aides</li> <li>b) More check-in hours to Aides at branches that both do and do not have automated materials handling</li> <li>c) More zoning hours to Pages</li> <li>d) More greeting hours to Pages.</li> </ul>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> Department teams convened to analyze relevant data for branch pairings by size (small, medium, and large). According to the Department, staffing levels will be assessed based upon site visits and data such as Branch Activity Count surveys, work-flow analysis, and programming calendars. Target date: 10-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> At the time of the audit, we estimated \$775,000 in resources that could be redeployed to extend service hours. This estimate is based on staff assignments for the four-day per week branch schedule and percentages of activity to be handled by each classification, which were discussed with Library management.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#5: The Library Department should monitor performance for routine activities, such as checking-in and shelving of returned materials, for all branches (with or without automated materials handling), establish reasonable performance standards and targets, and periodically report branch performance to Library managers, supervisors, and staff.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> According to staff, a Department team will assess and establish reasonable performance standards and targets through meetings with staff, location visits, and an evaluation of routine activities. Target date: 11-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Enforcing performance metrics, such as median check-in standards, could allow \$225,000 in redeployable resource.</p>
<p>#6: The Library Department should evaluate the effects of implemented Lean processes and implement successful approaches across all branches where appropriate.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> A Department team is evaluating current implementation of LEAN processes and reviewing branch workflows to assess how best to implement LEAN across the Department (where appropriate). Target date: 11-14.</p>
<p>#7: The Library Department should continue to automate materials handling, and adjust branch staffing models to reflect the simplified check-in process.</p>	Library	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> New automated material handling (AMH) machines are installed at three of the four branches recommended, and Willow Glen branch is targeted for installation in fall 2014. Staff will continue to assess whether AMH systems would be a cost-effective solution at smaller branches and the Martin Luther King, Jr. Library. According to the Department, adjustments to schedules will be incorporated into proposed plans for adding branch hours. Larger shifts to staffing models will be considered with the implementation of other audit recommendations. Target date: 12-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> With sufficient throughput, AMHs would allow for increased efficiency, and restaffing for the simplified check-in process could yield an estimated \$180,000.</p>
<p>#8: The Library Department should evaluate the amount of time allocated to the public floor at each branch, and determine whether staff resources assigned to those activities can be redeployed to extend service hours.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> Department teams represented by librarians, clerical, and management staff, have convened to analyze relevant data (such as site visits and programming calendars) to assess staffing levels for branch pairings by size (small, medium, and large). Target date: 10-14.</p>
<p>#9: The Library Department should evaluate whether assigning staff to the greet activity is still necessary, and, if greeting is deemed unnecessary, it should redeploy staff to extend service hours.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> An assessment of the Zone assignment nearest the branch entry space (previously identified as "the greet activity") will be completed as part of the zoning assessment that will respond to recommendation #8. Target date: 10-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Limiting the Zone assignment (previously known as the "greet activity") to the busiest half of the day could free \$250,000 in redeployable resource. Note: \$50,000 overlaps with recommendation #4 if Clerk greeting hours are reassigned to Pages.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#10: The Library Department should evaluate the feasibility of going cash-free in its branches.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> A Department team is evaluating the feasibility of going cash-free and has initiated data collection, starting with daily pay-in summaries for a baseline understanding of the percent of patrons who utilize cash in transactions. Staff will also be implementing a user survey, consulting with other Library systems, and reviewing current technology that would support this objective. Target date: 12-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> \$75,000.</p>
<p>#11: The Library Department should reevaluate branch staffing needs and propose budget changes to the City Council to adjust and extend service hours, redeploy staff, and increase efficiency.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> According to staff, the Department will prepare revised staffing plans and branch schedules as a result of the implementation of recommendations #1-10. Related budget needs will be prepared and proposed to Council. Target date: 1-15.</p>
<p>#12: To make the best use of resources, the Library Department should preserve and, where possible, increase the number of branches under a Branch Manager's supervision.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> A Department team identified possible regional structures, with sample schedules that would meet the key needs of the community, and proposals surrounding Regional groupings will be analyzed in relation to the other audit work teams. Target date: 10-14.</p> <p><b>POTENTIAL BUDGET IMPACT:</b> Grouping the six smallest branches into two groups overseen by one manager each would allow for one Branch Manager to be redeployed to support system-wide services, an estimated \$121,000.</p>
<p>#13: The Library Department should revise classifications, as needed, to reflect changes to the department's service model.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> The Department will review and recommend revised classification descriptions as a result of the implementation of recommendations #1-10. Target date: 6-15.</p>
<p>#14: The Library Department should create a strategy that seeks to strengthen volunteer recruitment and increase outreach efforts in both high-impact and routine activities (e.g., library services), set target levels, publicize library services volunteering opportunities at every branch, and focus on increasing volunteerism at those branches that have the fewest volunteers.</p>	Library	Not Implemented	<p><b>Auditor's update as of June 2014:</b> Through a series of meetings, the Department is identifying additional opportunities for which they could recruit volunteers and new recruitment outlets in the branch communities. According to the Department, listings on VolunteerMatch are now linked with LinkedIn, and the Library is experiencing new volunteer referrals from this source. Situation analyses were completed for those branches with the fewest volunteer hours, and an Individual Branch Volunteer Plan will be developed with each site to increase their volunteerism. Target levels for volunteerism may be impacted by the outcome of the Meet and Confer process, described below, and will be addressed once the outcome is known. Target date: 5-15.</p>

Audit Report and Recommendation	Department	Current Status	Comments
#15: The Library Department should identify branch activities, such as creating web content and serving as a welcome ambassador, which can be performed by volunteers so that staff resources assigned to those activities can be redeployed elsewhere.	Library	Not Implemented	<b>Auditor's update as of June 2014:</b> The Department has identified a team, which has met with the majority of branch staff and has identified additional volunteer activities that volunteers could help support. The Department drafted an initial recommendation regarding the addition of more "library services" activities to Library Volunteer position descriptions and shared this assessment with the Library's Labor Management Committee and the City's Office of Employee Relations, so that it may be presented through the Meet and Confer process starting in August. Target date: 5-15 (Meet and Confer).

## SENIOR MEMBERSHIP FEE REVENUE: THE CITY'S POLICY SHOULD BE CLARIFIED (Issued 3/26/14)

**The objective of the audit was to review controls over the handling of senior membership revenue. Of the 1 recommendation in the report, 1 is not implemented.**

<p>#1: The Department of Parks, Recreation and Neighborhood Services should:</p> <ul style="list-style-type: none"> <li>a) Take full responsibility for standardizing the City's senior membership fee at all community centers with senior programs, designating that the revenue from this City fee be used for senior services;</li> <li>b) Ensure City staff follow the City's cash handling policy when handling senior membership fees (that is, secure cash, issue receipts, deposit funds into City accounts like any other PRNS fee);</li> <li>c) Establish staff guidelines regarding what types of programs and expenditures the membership revenue should support; and</li> <li>d) For those centers with senior advisory councils, collaborate with senior advisory councils regarding what events and activities the senior community would like the City to organize with senior membership fee revenue.</li> </ul>	PRNS	Not Implemented	<b>Auditor's update as of June 2014:</b> PRNS staff met with the Senior Leadership Advisory Council in June 2014 to start the implementation conversation. Several Senior Leadership Advisory members are taking exception to following the City's money handling policies. Based on this heightened concern, PRNS believes it will take 6 months to a year to work through the recommended changes to achieve the audit goals. PRNS staff recognizes that the priority in the implementation process is to follow the City's cash handling policy as soon as possible while continuing to support the senior program. At this time PRNS staff and Senior Leadership Advisory Council are talking through several different proposals to operationalize the audit goals including a Memorandum of Understanding and an agreement regarding rights to City assets. Staff will meet with the Senior Leadership Advisory Council members in July and September 2014 to work towards reaching an agreement. Target date: 12-14.
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## HOUSING LOAN PORTFOLIO: APPROVAL AND MONITORING PROCESSES SHOULD BE IMPROVED (Issued 5/8/14)

The purpose of this audit was to evaluate the housing loan portfolio including the efficiency and effectiveness of loan repayment, compliance monitoring, and administration. Of the 10 recommendation in the report, 2 were implemented during this period, and 8 are partly implemented.

<p>#1: We recommend the Housing Department update its single family loan procedures to ensure:</p> <ul style="list-style-type: none"> <li>a) More stringent reviews of all assets and income of ALL adult household members,</li> <li>b) That new household formation not be allowed as a way to income qualify for loans except in cases where all adult household members appear as co-applicants on the loans and title to the property, and</li> <li>c) That any inconsistencies be thoroughly investigated and the results of the investigation be thoroughly documented in the application file to ensure that problematic files are not uncovered in the future.</li> </ul>	Housing	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> An updated draft of the Homeownership policies and procedures manual has been completed and is undergoing final review.</p> <ul style="list-style-type: none"> <li>a) The draft policies clarify the procedure for reviewing household income and assets.</li> <li>b) The draft policies clearly define an acceptable household and restrict the ability of applicants to add new household members.</li> <li>c) The draft policies include the requirement that all discrepancies be resolved, and include examples of common red flag issues.</li> </ul> <p>Target date: 9-14.</p>
<p>#2: We recommend that City loan officers receive periodic training on how to conduct loan origination file reviews and the potential risks involved in approving ineligible applicants.</p>	Housing	Implemented	<p><b>Auditor's update as of June 2014:</b> Department management has provided training to homebuyer staff on "red flag" issues, including income and asset issues and the potential risks of approving ineligible applicants. The Department has made training a priority for homebuyer staff, and will seek opportunities to strengthen skills. Ongoing refresher trainings will be held periodically, and any new staff assigned to the team will be trained as a part of their onboarding to the Department. Target date: 6-14.</p>
<p>#3: To ensure that loan agents do not recommend ineligible households, we recommend that the City provide mandatory training, as the Department has done in the past, on the City's eligibility and loan application requirements to loan agents working in the condo facilities that the City has targeted for down payment assistance.</p>	Housing	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> Homebuyer staff conducted a training session in June to the sales staff for two for-sale developments that have State BEGIN awards for downpayment assistance. The trainings included an overview of the City's process, revised underwriting standards and documentation, and income eligibility calculations. For the main inclusionary-only development currently selling condos, staff participated in a March 2014 meeting and expects to hold a follow-up training by early September. Other inclusionary-only developments will be trained on an individual basis as they confirm they will begin BMR sales. Although sales of Habitat for Humanity properties are intermittent, staff expects to train Habitat staff on the refreshed underwriting process and guidelines by September 2014. Target date: 9-14.</p>

Audit Report and Recommendation	Department	Current Status	Comments
<p>#4: To increase perceived equity in the City's Homebuyer Program, we recommend that the City increase its public outreach for homebuyer programs and maintain a homebuyer interest list.</p>	Housing	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> In order to improve public outreach regarding homebuyer programs, the Department will refresh its homebuyer outreach strategy with the nonprofit now under contract, Project Sentinel, for homebuyer training. Staff plans to extend the nonprofit's contract term and add the task of letting trainees know about the City's homeownership opportunities. Staff will also add links to the City's website to link to inclusionary developers' properties with BMR units for sale. Target date: 10-14.</p>
<p>#5: We recommend that the Department ensure that it has easy access to all relevant legal documents, including deals between other parties that can create repayment obligations "ahead" of City loans in priority.</p>	Housing	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> In order to store electronic submissions of critical documents, such as large partnership agreements between borrowing entities, the Department will work with the IT Department to identify a type of 'drop box' to which borrowers can send their documents that is safe for the City's firewall. Once this is established—hopefully by fall 2014—staff will issue a request for certain documents to be sent by all borrowers in late 2014, which will be filed in an easy-to-find location.</p> <p>To better define e-file storage locations that are easily accessible between the Asset Management and Project Development teams, the teams have begun work to define a master list of the most important documents for affordable housing transactions. Once finalized, the newly-hired staff specialist that supports these teams will work on organizing the documents. The teams are also redefining file locations and structure so that the information is easily shared and accessible. This effort is operating within the context of an initiative to clean and organize the Department's main electronic drive, which will take most of the 2014-15 fiscal year to complete. Target date: Spring 2015.</p>
<p>#6: Conduct annual residual receipt analyses for all relevant projects.</p>	Housing	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> As the audit noted, early in 2014, the Department introduced a new format for owners' reporting of projects' yearly calculations of payments due to the City. As expected, some property owners were early adopters of the new tool while other owners have not yet implemented use of the new tool. Based on feedback and additional questions from users, the Department is considering issuing additional clarifying instructions for the form's use in early fall 2014. To increase its usage, staff will continue its communications to owners and property management companies through email, phone calls, a late-summer Asset Management Roundtable, and other meetings with individual owners. Staff will focus attention in late 2014 and early 2015 on remaining outliers.</p> <p>The Department issued a revised Request for Qualifications for consultant(s) services in Multifamily Asset Management on 7/10/2014. That procurement is currently in process. The expected award date and commencement of work by one or more Consultant is October 2014. The Department plans to finalize its draft framework for prioritizing in-depth</p>

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			reviews of residual receipts payments together with the Consultant in Fall 2014. Target date: 12-14.
<p>#7: Work with project owners to obtain up to date annual cash flows for all relevant projects. Use those cash flows to help create and inform a Housing loan portfolio cash flow.</p>	Housing	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> One of the main tasks for the forthcoming Consultant is to create a better model for projecting portfolio cash flow based on individual project information. The work is expected to go through at least mid-2015.</p> <p>At the same time, the Department is currently working on an improved repayment analysis and collections process. The revised process will integrate new hiring expected on the team and will be refined with help from the consultant. The intent is to finalize the revised process in early 2015 in order to implement when processing required submittals for which will occur for most projects in March 2015. Target date: 6-15.</p>
<p>#8: Review job classification requirements for staff working in the Asset Management team and make changes as necessary to ensure that the team has the appropriate skill level necessary to complete the complex work required.</p>	Housing	Implemented	<p><b>Auditor's update as of June 2014:</b> Housing Department management determined that the Development Specialist job classification was sufficiently descriptive of the required job duties for the collections and compliance functions in Multifamily Asset Management. Specifically, this position requires: 1) "knowledge of basic statistical methods, basic research and analysis methodology," and; 2) the "ability to collect, compile, analyze and interpret data." Also listed as a desirable qualification is: 3) "knowledge of loan management practices." The analysis performed by collections and compliance staff are mathematically basic, requiring an understanding of loan management, so their duties aptly fit the job description. Further, in conjunction with performance evaluations this summer, staff and their manager will update their personal development plans, including training needs, for the coming year.</p> <p>In addition, to further augment the resources devoted to collections and compliance staff, the Department has added several positions to help support this team. First, to further augment the skill level of staff devoted to the collections and compliance function, the Department added a Development Officer position in the FY 2014-2015 Adopted Budget to oversee Multifamily Asset Management staff. Second, the Department reassigned an existing vacant Senior Development Officer position to Multifamily Asset Management to further support the ongoing asset management approvals associated with the properties staff is overseeing, including further in-depth analysis of property audits to augment the collections analysis. Recruitment to fill that position is already underway. Third, a second additional Senior Development Officer has been added and hired to work with Asset Management and Project Development to reduce transaction-related workload of the Asset Management manager so as to increase his ability to focus on portfolio revenue projections and collections. This new staff member is expected to start work in late Summer 2014. Finally, a recently-hired staff specialist was moved over in June 2014 to support both Asset Management and Project Development</p>



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			in collecting and filing submittals, following up on outstanding submittals, and data entry to support compliance and collections functions. Three additional new management level positions and the filling of the support position will significantly augment the oversight and functioning of the Multifamily Asset Management team. Target date: 6-14.
<p>#9: To ensure accuracy in Rent Roll reviews, we recommend that further automate the process where possible and provide increased training to compliance staff.</p>	Housing	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> The Housing Department has created a draft new rent roll to implement more automated analysis of the rents and incomes entered by property owners. The revised tool will also potentially accomplish data collection of use for policy purposes—for example, identifying the number of residents in City-subsidized developments that live and/or work in San José. The Department will continue to refine the draft through November with a work team. In addition, once under contract, the new Asset Management Consultant(s) will be asked for feedback and further improvements. The goal is to roll out the new tool before year-end 2014 so that it can be used for reporting beginning in Spring 2015. Target date: 12-14.</p>
<p>#10: We recommend that the Department continue to improve inspection management by</p> <ul style="list-style-type: none"> <li>a) Monitoring more closely the frequency of inspections,</li> <li>b) Minimum sampling of inspections and inspection follow-up to ensure that tenants are kept safe and physical building quality is maintained, and</li> <li>c) Periodically reviewing the building inspection information in its salesforce.com database to ensure that inspection records are complete and accurate.</li> </ul>	Housing	Partly Implemented	<p><b>Auditor's update as of June 2014:</b> The Housing Department has created an "Inspection Aging Report" to schedule inspections. This ensures that it inspects all projects within the timeline established by the new draft procedures. The Department is currently testing a new report called "Inspection Frequency Performance" that will be used to measure our performance in meeting cycle time (frequency) goals. The new inspection procedures will address management requirements for monitoring inspection frequency, quality of inspection documentation and sampling for inspection quality. In addition, a new report was created entitled "Missing Inspection Data". This lists projects with inspections that are "closed" but the individual units were not entered in the database because individual unit count function was not programmed when the inspection was performed. Management has reviewed the inspections on this list against the actual inspection record and determined they were correctly completed and therefore the inspection was appropriately closed. The database has also been programmed to inform the inspector how many units should be inspected for each project based on HOME requirements and Housing Department Policy. The new Quarterly Inspection Report shows the required number of units to be inspected versus the actual number of units inspected to ensure the inspector completed the number required of required unit inspections. Target date: 9-14.</p>