

**TO:** Rules and Open Government Committee

**FROM:** Sharon W. Erickson,  
City Auditor

**SUBJECT:** *Priority Audit Recommendations*

**DATE:** November 25, 2015

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## RECOMMENDATION

Accept the City Auditor's list of Priority Audit Recommendations.

## SUMMARY OF RESULTS

The City Auditor's Office conducts audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of city programs. After the City Council accepts an audit report, city departments are responsible for following up and implementing audit recommendations. The Auditor's Office monitors progress toward implementing recommendations and reports to the City Council on the status of all open audit recommendations every six months.

Upon receipt of our most recent report for the six months ended June 30, 2015, the City Council requested the City Auditor's Office identify five priority items with the greatest impact on the General Fund, and five priority items with the greatest impact on safety and services.

### Open audit findings with general fund budget impacts:

- 1. Police civilianization.** Opportunities remain to civilianize positions in the Police Department as identified in our 2010 *Audit of Civilianization Opportunities in the San Jose Police Department*. Diminished sworn staffing makes this all the more important. The department has added 50 Community Service Officers and 4 Crime Prevention Specialists, but has civilianized only 22 of the 88 positions identified in our report. Potential budget impact: With about \$60,000 per position realized from efforts to date, additional savings could reach \$3.6 million per year, and would free up much-needed sworn personnel for the duties only they can perform.
- 2. Alternative response to less urgent medical calls (Fire Department).** In our 2001 *Audit of the City of San José Fire Department's Strategic Plan Regarding Proposed Fire Stations*, the City Auditor's Office recommended that new fire station locations be evaluated in concert with other opportunities to enhance the SJFD ability to respond to emergency calls. Fourteen years later, SJFD response time is still a concern, and recommendations are still pending to (1) identify medical calls that can be handled via telephone (without the need to dispatch a unit) and (2) establish a pilot program to evaluate the use of SUVs or Light Units to respond to calls. The pilot program has been underway for several years, but the Fire Department has yet to evaluate its effectiveness. Potential budget impact: These options would free up much-needed units to respond to higher-priority calls, allowing SJFP to respond more quickly to more calls within today's staffing and budget.
- 3. Ratepayer-funded public art allocations.** Between FYs 2008-09 and 2010-11, more than \$1.1 million was incorrectly allocated to public art in the City's ratepayer funded capital programs (\$450,000 in the Regional Wastewater Facility and \$700,000 in the Sanitary Sewer Capital Fund). This needs to be corrected. In addition, we recommended the City reconsider whether the Public Art Ordinance should

include utility or wastewater capital projects. Because of large upcoming expenditures related to the Regional Wastewater Facility capital improvement program, the FY 2015-16 Capital Budget includes more than \$5.7 million in ratepayer-funded public art allocations over the next five years (*Audit of Environmental Services: A Department at a Critical Junction*, issued August 2012). Potential budget impact: Ratepayer savings of \$1.1 million to correct prior year public art allocations, and roughly \$800,000 in savings to ratepayers annually over the next five years.

4. **Funding for pavement maintenance.** At the time of our *Audit of Street Pavement Maintenance* in 2015, more than half of San José streets showed significant distresses and were worn to the point where expensive repairs might be needed. Only 28 percent of San José residents then rated street repair as “good” or “excellent” – the lowest rating of any City service. To raise its average pavement condition to “good,” the City needs to spend \$100 million annually over the next 10 years. However, actual funding ranged only from \$15 million to \$30 million. We recommended the City identify a sustainable, predictable funding stream. For FY 2014-15, the City Council added \$18.5 million in one-time funding. Potential budget impact: \$1 spent today can save up to \$4 in future repairs.
5. **Corrections to pensionable earnings.** Our 2009 *Audit of Pensionable Earnings and Time Reporting* identified a number of errors which have yet to be corrected. These include errors in transmitting retroactive pay increases and higher class pay, and delays in correcting FLSA pension records for firefighters. Retirement Services is in the process of manually recalculating the accumulative effects of the adjustments, and expects to bring the first set of recalculations (the FLSA recalculations) to the Police and Fire Retirement Board in December 2015. Recalculations for the other errors will begin next year. To prevent errors on a go-forward basis, we recommended documenting and periodically reviewing pay codes. Finance does not expect to implement pay code recommendations until after implementation of the new payroll application. Potential budget impact: projected minimum savings of at least \$1.6 million to the pension funds over the lifetime of retirees for errors in retroactive pay increases and higher class pay.

**Open audit findings with safety or service impacts:**

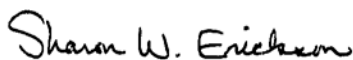
1. **Information technology general controls.** Our 2012 *Audit of Information Technology General Controls* identified significant weaknesses in controls over technology systems. IT hired a consultant to draft a new security policy to address data security access and protocols, but the draft is still being reviewed internally. With IT’s vacancies reaching nearly 35 percent of technical staffing, outstanding issues including password and access controls, implementation of data security standards, and backup and disaster recovery planning. This puts the city’s information technology systems at risk.
2. **Police secondary employment.** Our 2012 audit *Police Department Secondary Employment: Urgent Reform and a Cultural Change Needed to Gain Control of Off-Duty Police Work* identified significant weaknesses in the program. Although the Police Department revised the Duty Manual to impose some limits on the program, the Department advises it does not have staff to monitor these rules. For example, the department is not monitoring the timecards of officers working off duty. Problems in the past resulted in officers being paid simultaneously for on-duty and off-duty work. This creates a fraud risk, a reputational risk to the city, and the potential for actual or perceived conflicts of interest. Finally, the Department has not reassessed the benefits of providing uniformed security services to a broad range of private and public entities, at a time when police officers are also working mandatory overtime.
3. **Customer service improvements at the permit center.** The Department of Planning, Building, and Code Enforcement (PBCE) has made some progress implementing the recommendations from the 2014 report, *Development Services: Improving the Experience for Homeowners*, however significant issues remain. Customers would benefit from more efficient deployment of staff at the permit center reception desk, from improved physical spaces and signage at the permit center, and from improved communication through PBCE’s website and other outreach materials.

4. **Increased public education about the importance of working smoke detectors and household fire safety to reduce fire injuries and deaths.** Our 2013 *Audit of Fire Prevention: Improve Follow-up on Fire Code Violations, Prioritize Inspections, and Target Public Education to Reduce Fire Risk* found that most fires were in residences, that most fire deaths occurred in multifamily residences, and that a quarter of unresolved fire code violations were in multifamily residences. To reduce fire injuries and deaths, we recommended that the Department develop a risk-based approach to fire inspections and a public education program focused on multifamily residences and other high-risk communities. The Department reports that consultant reviews are underway on these issues.
5. **Technology upgrade for police officers in the field.** Although auto theft information is available via the Crimeview Dashboard, that system still is not readily available to police officers in the field (*Audit of the San José Police Department's Auto Theft Unit, 2009*).

As noted in our last status report, some open recommendations were very close to completion – nearly 70 open audit recommendations had target dates of December 2015. For example, in response to various audits, the Administration had drafted, but not finalized, new or revised policies for employee travel (*Audit of Employee Travel Expenditures, 2013*), and food and beverage expenditures and city procurement cards (*Audit of City Procurement Cards, 2010 and 2014*), and language accessibility (*Audit of Customer Call Handling, 2014*).

For more information, copies of all of our audit reports and information on the status of all open audit findings and recommendations is online at [www.sanjoseca.gov/auditor](http://www.sanjoseca.gov/auditor).

Respectfully submitted,



Sharon W. Erickson  
City Auditor