



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

October 20, 2009
The Honorable City Council
Attn: Finance Committee
Policy and Services Committee
Palo Alto, California

REPORT ON THE STATUS OF AUDIT RECOMMENDATIONS

Recommendation

We recommend the Finance Committee and the Policy and Services Committee review and accept the attached report. The Finance Committee will review the status of recommendations at its October 20, 2009 meeting for all of the audits, except for the Audit of Code Enforcement and Employee Ethics Policies, which the Policy and Services Committee will review at its November 10, 2009 meeting.

Background

The Municipal Code requires the City Auditor to issue an annual follow-up report on the implementation status of recommendations from completed audits. This report summarizes the status of 83 open audit recommendations from 14 different audit reports. This includes 63 recommendations that were outstanding after our last status report as of June 30, 2008, and 20 new recommendations from audits that were issued during Fiscal Year 2008-09. The report shows the original department response to the recommendation, and the City Auditor's update for subsequent years. It describes recommendations that have been completed since our last report, and shows an agreed upon course of action for implementing remaining recommendations. We compiled this report based on supporting documentation and interviews with appropriate City staff, and reviewed its contents with them.

Summary of Results

Since our last report, City staff completed and resolved 37 out of 83 (45%) open audit recommendations. A total of 37 recommendations are in process, and 9 are not started. These audit recommendations are from the Ethics and Infrastructure Report Card audit reports issued in 2008, and the Overtime Expenditures Audit issued in 2003. Please see the attached report for further details. Following are highlights of results:

- **Improvements and Savings in Ambulance Billing and Revenue Collections**
In February 2009, the City Auditor's Office issued an Audit of Ambulance Billing and Revenue Collections containing 17 recommendations. The Fire Department and ASD implemented 11 of the 17 recommendations during the fiscal year. Results include improved contractor oversight and performance, increased cash receipts estimated at \$550,000 and an additional \$45,000 in on-going contract savings through negotiating a lower commission in the recently approved contract.
- **Improvements in Class Cost Recovery**
During FY 2009, CSD completed the remaining 5 audit recommendations from the 2006 Audit of CSD Class Cost Recovery. In accordance with the City's Class Cost Recovery

Policy, CSD implemented a fee-setting template to implement for all classes, resulting in a mid-year budget reduction of \$55,000 and a decrease in class refunds and cancellations.

○ **3 Additional Audit Reports with Completed and Resolved Audit Recommendations**

The following additional audit reports have completed and resolved audit recommendations: 2003 Audit of Code Enforcement; 2004 Audit of Environmental Services Center Proposal; and 2007 SAP Payroll audit.

The longest outstanding audit recommendations pertain to the 2003 Audit of Overtime Expenditures. These audit recommendations would require a standards of coverage study for Fire department minimum staffing requirements, revisions to the City's Merit System Rules, and the completion of a Fair Labor Standards Act (FLSA) study. Public Works reports that implementation of the 2006 Street Maintenance Audit recommendations has resulted in improved coordination, reduced street cuts, and improved street maintenance, but long-term funding of the street maintenance backlog is still needed, as well as formalized policies to help ensure these improvements continue.

Steady progress has been made in implementing the 2007 Library and 2005 Parks Maintenance audit recommendations. Progress has been made in implementing some of the audit recommendations from the 2008 Audit of Employee Ethics Policy and 2008 Infrastructure Report Card; completion of these may require additional policy decisions.

The Auditor's Office would like to thank the City Manager's Office, the City Attorney's Office, and the Administrative Services, Community Services, Fire, Human Resources, Library, Planning and Community Environment, Police, Public Works, and Utilities Departments for their assistance in compiling this report.

Respectfully submitted,



Lynda Flores Brouchoud
City Auditor

Attachment: Report on the Status of Audit Recommendations as of 6/30/09

STATUS OF AUDIT RECOMMENDATIONS (10/20/2009)

The Municipal Code requires the City Auditor to issue an annual report on the status of recommendations from completed audits. This report summarizes the status of all open audit recommendations since our last review as of June 30, 2009. It shows those recommendations that have been completed or resolved, are in process or not started.

Page Number	Report Title	Date Issued	Completed or resolved since last report	In process	Not started	Council Committee
2	Audit of Code Enforcement	03/11/03	2			Policy & Services
4	Audit of Overtime Expenditures	11/18/03		6	1	Finance
12	Audit of Restructuring Efforts and Management Span of Control	04/20/04		1		Finance
13	Review of Environmental Services Center Proposal	11/15/04	1			Finance
14	Audit of Contract Contingencies	03/15/05	1	2		Finance
18	Audit of Parks Maintenance	12/13/05	3	4		Finance
28	Audit of Street Maintenance	03/07/06		7		Finance
38	Audit of Community Services Department Class Cost Recovery	10/17/06	5			Finance
42	Audit of Library Operations	07/09/07	8	4		Finance
52	Audit of SAP Payroll Controls	09/18/07	1			Finance
53	Audit of Employee Ethics Policies	01/23/08	3	1	3	Policy & Services
58	Infrastructure Report Card	03/04/08		5	5	Finance
AUDITS ISSUED SINCE LAST RECOMMENDATION STATUS REPORT:						
63	Audit of Ambulance Billing and Revenue Collection		11	6		Finance
68	Audit of the Police Investigative Fund		2	1		Finance
TOTAL			37	37	9	83

AUDIT OF CODE ENFORCEMENT (Issued 3/11/03)

Policy & Services Committee

The objective of this audit was to assess the program's timeliness, responsiveness, and consistency of enforcement. Of the 17 recommendations, 15 were previously completed and 2 are completed this year.

#14: Using the information provided in this report, the City Manager should consider consolidating as many code enforcement responsibilities under one department as is feasible.

City
Manager's
Office

Completed

Auditor's update as of Oct-2003: In process. The Planning and Police Departments have initiated discussion about possible restructuring or consolidations of code enforcement responsibilities. Target date: Spr-2004.

Auditor's update as of Sep-2004: In process. Restructuring has been proposed whereby Code Enforcement Officers would move from Planning to the Police Department. Target date: Jun-2005.

Auditor's update as of Sep-2005: Not started. Due to budget constraints no action has been taken on this recommendation. Target date: TBD.

Auditor's update as of Oct-2006: Not started. For budgetary reasons, consolidation of responsibilities was dropped from consideration. A cross-departmental team of code enforcement staff was meeting monthly to coordinate and discuss their enforcement cases, but there have been a number of staffing changes, and the group is no longer meeting. As a result, the various departments with various code enforcement responsibilities are still operating independently.

Auditor's update as of Oct-2007: Not started due to budget constraints.

Auditor's update as of Nov-2008: In process. This audit recommendation was originally addressed to the City Manager's Office, but was turned over to the Building Division in the Planning & Community Environment Department. The Department reports that, rather than consolidate enforcement in one department, it will act as a coordinator for code enforcement activities throughout the City. The coordination will entail regular communication and reporting among departments, particularly Public Works, Police, Fire, Community Services, and Utilities. Complaints regarding private projects will be routed to the appropriate department for response, as they often require technical knowledge only available in those departments. For public projects complaints, the Planning, and Building Code Enforcement staff will act as a check on other departments to ensure the complaints are followed up. The Planning Department will schedule an inter-departmental code enforcement committee meeting to discuss the proposal.

Audit report and recommendation	Department	Current status	Comments
			<p>If the Planning Department completes formal policies and procedures that outline and formalize the above coordination responsibilities and goals, requires the code enforcement committee to meet routinely, and the Planning Department maintains meeting minutes to confirm and document the meetings, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p> <p>Auditor's update as of Sept-2009: Completed. The Building Division reported that it convened an Inter-departmental Code Enforcement Coordinating Committee (IDEC) meeting on November 12, 2008. Eleven staff were in attendance representing ten different City departments/divisions. Areas of code enforcement responsibilities were discussed along with the various systems currently in place for tracking, following up and reporting on code enforcement activities. The role of the committee, membership, frequency of meetings and reporting out methods were discussed and the Division provided copies of the minutes. The Division developed procedures outlining the coordination responsibilities and goals.</p>
<p>#17: The ACCELA project manager should involve all code enforcement staff from various departments, particularly in the Planning Division, and the City Attorney's Office in the activation of the ACCELA code enforcement module.</p>	<p>ASD</p>	<p>Completed</p>	<p>Auditor's update as of Oct-2003: In process. "Go Live" target date for ACCELA in Code Enforcement is November 1, 2003. The Police, Fire, and Public Works Departments are also interested in obtaining access to the system once it is operational.</p> <p>Auditor's update as of Sep-2004: In process. Accela software is up and running for code enforcement staff. Report writing capabilities are being developed, and other departments with code enforcement responsibilities will be added later. Target date: Dec-2004.</p> <p>Auditor's update as of Sep-2005: In process. All code enforcement staff, including new staff, have received training on Accela. The City Attorney's Office has also received a session on how to use Accela. The next step is to explore Accela use by ASD staff for collection of penalties. Target date: TBD.</p> <p>Auditor's update as of Oct-2006: In process. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: In process. ASD is using CORE (a revenue collection and receipt system) to augment the Accela system. However, data in both systems is not shared among code enforcement and ASD staff.</p>

Audit report and recommendation	Department	Current status	Comments
			<p>Auditor's update as of Nov. 2008: In process. Access to the Accela code enforcement module is currently restricted to the Planning and Building code enforcement officers. The Planning Department will meet with the other departments to determine who should have access from other departments. The response to Recommendation #14 will determine which other code enforcement staff may access Accela.</p> <p>Once the Planning Department completes its identification of Citywide code enforcement staff and provides confirmation that these staff members have access to, and are using Accela, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p> <p>Auditor's update as of Sept-2009: Completed. The Building Division provided a list of staff in each department that have access to the Accela database and can provide data to department code enforcement officers.</p>

AUDIT OF OVERTIME EXPENDITURES (Issued 11/18/03)

Finance Committee

The purpose of our review was to audit actual overtime usage, and identify opportunities to better control overtime expenditures. Of the 32 recommendations, 24 were previously completed and 1 was previously resolved/dropped, 6 are in process, and 1 is not started.

#2: The City should conduct a staffing study to assess the appropriateness of current Fire Department minimum staffing levels in the context of call volume, response times, and employee safety.

Fire Not started

Original department response: Staff concurs and will conduct a "standards of coverage" study to determine the appropriateness of current staffing levels. Staff expects to complete the study by the end of the 4th quarter of the fiscal year with outside assistance.

Auditor's update as of Sep-2004: In process. The Department has received a proposal for a study from a consultant and is reviewing it. Action on it may be postponed pending the appointment of a new Fire Chief. Target date: Jan-2005.

Auditor's update as of Sep-2005: In process. Target date: TBD.

Auditor's update as of Oct-2006: In process. A contractor has been selected to begin a standards of coverage study in November following the end of the wildland fire season. Target date: TBD.

Auditor's update as of Oct-2007: In process. The standards of coverage study has been deferred. Target date: TBD.

Audit report and recommendation	Department	Current status	Comments
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Auditor's update as of Nov-2008: In process. With input from the new City Manager, staff will be evaluating how a comprehensive standards of coverage study should proceed for the Fire Department. This will be discussed in the context of the proposed Stanford projects. Staff will assess whether it will be possible to proceed with the study in time to request funds in the upcoming FY 2009-11 budget cycle.

Auditor's update as of Sept-2009: Not started. The Fire Department maintains minimum staffing levels as required in the Memorandum of Agreement with the International Association of Firefighters. In 2003, staff agreed with the audit recommendation to conduct a staffing study and planned to complete the study in 2004. Although prior responses indicate efforts to initiate a study, the study has not been completed

In 2009, the Fire Department planned to incorporate a comprehensive standards of coverage study as part of a development agreement with the Stanford Hospital/Shopping Center expansion, however, this project did not precipitate. The City's budget documents show that Fire Department overtime has not decreased since the 2003 overtime audit. In fiscal year 2002-03, overtime expenses were \$1.23 million. In fiscal year 2008-09, overtime expenses were \$1.6 million. The Fire Department attributes overtime costs primarily to backfilling for minimum staffing, Station 8, Medic-1, and the State wildland fires. Target date: TBD.

#13: Clarify the following contract provisions through use of specific examples:

- That call-out pay begins from the time of the call out and specify how much time the employee is allowed for travel. The Merit Rules should be revised to reflect the SEIU call-out provision;
- The intent of the rest period provision and how an employee is paid: (a) for the eight-hour rest period, and (b) if the rest period overlaps the regular work schedule; and
- The intent of the in-lieu meal provision and its relationship to the rest period.

Such clarification should be communicated to employees who are affected by the provisions as well as to timekeepers.

Human Resources In process

Original department response: Staff concurs and HR will update the Merit System Rules and Regulations to correspond with the SEIU Memorandum of Understanding (MOU) provisions following contract negotiations in 2004 to clarify and remedy any inconsistencies between the two documents.

Auditor's update as of Sep-2004: Not started. During the 2004 SEIU contract negotiations, no changes were made to nor examples added to the contract regarding call-out pay, the rest period, or the in-lieu meal provisions. The next opportunity to address this will be Feb-2005 when negotiations reopen for the current contract that expires in 2006. Target date: 2006.

Auditor's update as of Sep-2005: Not started. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006.

Audit report and recommendation	Department	Current status	Comments
			<p>Auditor's update as of Oct-2006: In process. The City has hired a consultant to assist with the revision of the Merit System Rules and Regulations to reflect call-out pay. In addition, 2006-09 SEIU MOA clarifies the meal relationship to rest periods. The City had proposed new language for hours of work and overtime, but was only successful with clarification for meals, overtime, and rest periods. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: In process. HR advises that the only outstanding recommendation is the revision of the Merit Rules to reflect the SEIU call-out provision. HR further advises that the Merit Rules revision as been delayed due to ongoing employee contract negotiations but is scheduled to begin in 2008. Target date: TBD.</p> <p>Auditor's update as of Nov-2008: In process. The HR department advises that the only outstanding recommendation is the revision of the Merit Rules to reflect the SEIU call-out provision. HR department further advises that the Merit Rules revision will begin in November 2008 and will occur in phases, with the first phase of the update targeted for completion in September 2009.</p> <p>If the HR Department completes the merit rule revision with regard to call-out pay, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Sept-2009.</p> <p>Auditor's update as of Sept- 2009: In process. HR reported that significant progress has been made to the Merit Rules update, including draft language for 6 of 13 chapters. Sections 510 to 515 address the overtime and call out pay issues. The project will continue in 2010, and will require discussions with all bargaining units. If the HR Department completes the merit rule revision with regard to call-out pay, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Dec. 2010.</p>
#15: The City should conduct a review of the FLSA designation of all positions. The review should consider the impact of proposed revisions to FLSA regulations.	Human Resources	In process	<p>Original department response: Staff concurs. HR began a formal review of FLSA descriptions for all management positions in March 2003 when the proposed FLSA revisions were published. The review has been expanded to include job descriptions and related HR policies and procedures. It is anticipated that the analysis with recommendations including updated job descriptions and policy and procedures will be completed in April 2004. The audit and subsequent recommendations will address all FLSA designations and any exceptions in current practice.</p>

Audit report and recommendation	Department	Current status	Comments
			<p>Auditor's update as of Sep-2004: In process. HR' review of the FLSA designations of all City employees is in process. Target date: Jul-2005.</p> <p>Auditor's update as of Sep-2005: In process. Work on updating FLSA designations has been delayed due to budget and staffing constraints. Resources are now being identified to commence work in Jan-2006.</p> <p>Auditor's update as of Oct-2006: Project delayed. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: Not started. HR advises that commencement of this project is scheduled at the completion of the Fox Lawson management classification study. HR advises that the tentative start date is March 2008. Target date: TBD.</p> <p>Auditor's update as of Nov-2008: In process. HR advises the job descriptions have been revised for the management/professional group. The next step is to conduct the review of the FLSA status of each position in the management/professional group. Dec advises that this step of the review will begin in March 2009, following adoption of the mid-year budget. Target date: TBD.</p> <p>Auditor's update as of Sept- 2009: In process. HR reports the City Attorney's Office has contracted with outside council to review the FLSA designation of 63 positions in the management/professional group. Most of the positions have been reviewed. The remaining positions will be reviewed upon completion of the management classification & compensation study, currently underway. The Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process if the FLSA review is completed. Target date: Dec. 2010.</p>
<p>#16: Human Resources should revise job descriptions and overtime policies and procedures to appropriately reflect the FLSA designation of each position. If within a single job classification, it is determined that some employees are exempt while others are non-exempt, then separate job descriptions/ classifications should be written. If the City determines that a particular employee meets the criteria to be deemed exempt for FLSA purposes but the City decides to pay that employee overtime, the job description, policies and procedures, other documentation, and the Lawson computer system should all clearly indicate that the position is exempt but that the City is paying overtime for the position.</p>	<p>Human Resources</p>	<p>In process</p>	<p>Original department response: Staff concurs. Following the completion of the Citywide FLSA review, HR will update job descriptions, policies and procedures, and other documentation as necessary.</p> <p>Auditor's update as of Sep-2004: Not started. HR plans to implement this recommendation when funds become available. Target date: Dec-2005.</p> <p>Auditor's update as of Sep-2005: Not started. Work on revising job descriptions has been delayed due to budget and staffing constraints. Resources are now being identified to commence work in Jan-2006.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#17: After a Citywide review of the FLSA status of positions is completed, Human Resources should work with employee representatives to update union contracts and compensation plans so that they are consistent with other documentation. The Management Compensation Plan should list the positions it covers. Both the Management Compensation Plan and the SEIU contract should distinguish between exempt and non-exempt positions and indicate whether any exempt positions may receive overtime pay.</p>	Human Resources	In process	<p>Auditor's update as of Oct-2006: The management classification study will result in new job descriptions. An FLSA audit will follow. Target date: TBD.</p>
			<p>Auditor's update as of Oct-2007: Not started. HR advises that commencement of this project is scheduled at the completion of the Fox Lawson management classification study. HR advises that the tentative start date is March 2008. Target date: TBD.</p>
			<p>Auditor's update as of Nov-2008: In process. HR advises the job descriptions have been revised for the management/professional group. The next step is to conduct the review of the FLSA status of each position in the management/professional group. HR advises that this step of the review will begin in March 2009, following adoption of the mid-year budget. Target date: TBD.</p>
			<p>Auditor's update as of Sept- 2009: In process. HR reports the City Attorney's Office has contracted with outside council to review the FLSA designation of 63 positions in the management/professional group. Most of the positions have been reviewed. The remaining positions will be reviewed upon completion of the management classification & compensation study, currently underway. The Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process if the FLSA review is completed and the appropriate processes and procedures are accordingly revised. Target date: Dec. 2010</p>
<p>Original department response: Staff concurs and upon completion of the FLSA study, HR will update compensation plans to include exempt/non-exempt status.</p>			
<p>Auditor's update as of Sep-2004: Not started. HR plans to implement this recommendation when funds become available. Target date: Dec-2005.</p>			
<p>Auditor's update as of Sep-2005: Not started. Target date: TBD.</p>			
<p>Auditor's update as of Oct-2006: Project delayed. Target date: TBD.</p>			
<p>Auditor's update as of Oct-2007: Not started. Commencement of this project is scheduled at the completion of the Fox Lawson management classification study. HR advises that the tentative start date is March 2008. Target date: TBD.</p>			

Audit report and recommendation	Department	Current status	Comments
			<p>Auditor's update as of Nov-2008: In process. HR advises the job descriptions have been revised for the management/professional group. The next step is to conduct the review of the FLSA status of each position in the management/professional group. HR advises that this step of the review will begin in March 2009, following adoption of the mid-year budget. HR advises that the list of management positions is attached to the Compensation Plan. The SEIU salary sheets include the FLSA designation distinguishing between exempt and non-exempt. In addition, the SEIU contract also reflects when contract overtime shall be paid.</p> <p>The City Attorney's office advises the Management Compensation Plan should not be considered the master list for exempt, non-exempt and overtime positions. Therefore, upon completion of the FLSA study, HR should create and consider where to retain a master list of management positions that indicates which exempt positions receive overtime. Target date: TBD.</p> <p>Auditor's update as of Sept- 2009 In process. The Department advises that the FLSA status review was put on hold when the Management Compensation and Classification study was initiated in 2006. In 2009, the City Attorney's Office contracted with an outside law firm to initiate the FLSA study. The study will be conducted in three phases as job descriptions are finalized through the Management compensation and Classification study. Phase I classifications (involving job descriptions in which duties and titles did not change) were sent to an outside attorney in May 2009. Phase II (involving only title changes) and Phase III (involving title and duty changes) are expected to be completed by January 2010.</p> <p>In addition, the City Attorney's Office worked with Human Resources and reports that a category will be added to the revised 2009 Management Compensation Plan Salary/classification tables to reflect FLSA exemption status. All SEIU positions were non-exempt until July 2008 when some exempt management positions were reclassified into the SEIU unit, so the SEIU list will also be updated to reflect FLSA status. FLSA review of the new job descriptions resulting from that study are planned to follow finalization of those formal job descriptions. If these steps are completed, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec. 2010</p>

Audit report and recommendation	Department	Current status	Comments
<p>#18: Human Resources should establish a policy that management leave is granted "in lieu" of overtime pay, and include the policy in the Management Compensation Plan. After conducting a citywide FLSA review, Human Resources should determine how to fairly treat employees who currently receive both management leave and overtime pay.</p>	Human Resources	In process	<p><i>Original department response:</i> HR will review and confer with management employees.</p> <p><i>Auditor's update as of Sep-2004:</i> Not started. HR plans to implement this recommendation when funds become available. Target date: Dec-2005.</p> <p><i>Auditor's update as of Sep-2005:</i> Not started. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2006:</i> Project delayed. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2007:</i> Not started. HR advises that the FLSA review will be conducted once the Fox Lawson classification study is completed. Target date: TBD.</p> <p><i>Auditor's update as of Nov-2008:</i> Not started. HR advises that it will propose such wording be added to the Management Compensation Plan when it is next updated. The Office of the City Auditor notes that after conducting a citywide FLSA review, HR will determine how to appropriately address this category of employees who receive both management leave and overtime pay. Target date: July-2009</p> <p><i>Auditor's update as of Sept. 2009:</i> In process. The FLSA study is not yet completed. As a result, HR deferred implementing the recommended wording specifying that management leave is granted in lieu of overtime pay. The plan is to address the category of employees who receive both management leave and overtime pay. If the HR Department is able to complete both of the audit recommendation requirements, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Dec. 2010</p>
<p>#19: Human Resources should clarify, through a policy, union contracts and compensation plans, the appropriate uses of administrative leave and other additional paid time off that may be granted to employees.</p>	Human Resources	In process	<p><i>Original department response:</i> Staff concurs and will prepare additional language which will address administrative leave in future compensation plans.</p> <p><i>Auditor's update as of Sep-2004:</i> Not started. HR plans to develop a new policy to clarify administrative leave and update all Union contracts and compensation plans. Target date: Dec-2005.</p> <p><i>Auditor's update as of Sep-2005:</i> Not started. Target date: Jun-2006.</p>

Audit report and recommendation	Department	Current status	Comments
			<p>Auditor's update as of Oct-2006: In process. The Merit Rules are being revised and will address this issue. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: Not started. The HR Department advises that the Merit Rules revision is scheduled to begin in March 2008. Target date: TBD.</p> <p>Auditor's update as of Nov-2008: In process. The HR Department advises that the appropriate uses of administrative leave will be clarified through the revision of the Merit Rules that will begin in November 2008. This revision will occur in phases, with the first phase of the update targeted for completion in September 2009.</p> <p>If the HR Department clarifies the appropriate uses of administrative leave in the Merit Rules and subsequently revises relevant policies, union contracts and compensation plans to reflect such clarification, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: TBD.</p> <p>Auditor's update as of Sep. 2009: In process. The HR Department reported progress in revising the Merit Rules update, and has drafted language for 6 of 13 chapters. The HR Departments anticipates the project will continue in 2010 and will require discussion with all bargaining units. Appropriate use of administrative leave is still under development and will be addressed in the upcoming revisions. The Office of the City Auditor will be able to consider this recommendation completed if when these steps are implemented. Target date: Dec -2010</p>

AUDIT OF RESTRUCTURING EFFORTS AND MANAGEMENT SPAN OF CONTROL (Issued 4/20/04)

Finance Committee

The purpose of our review was to conduct an independent review of staffing changes and restructuring over the last two years, assess the feasibility of additional reductions through attrition, evaluate supervisory span of control, the ratio of managers to line staff, and the number of levels of management review. Of the 17 recommendations, 16 were previously completed, and 1 is in process.

#13: Human Resources should reconcile and correct discrepancies in job titles between the SAP and Lawson computer systems and the employees' job descriptions, position titles, compensation plans, the employee directory, organization charts, and the working titles that employees actually use.

HR

In process

Original department response: Staff concurs with this recommendation. This process is currently in progress.

Auditor's update as of Sep-2004: In process. As of Aug-2004, HR and ASD are reconciling all discrepancies as they are identified during the regular course of business. Discrepancies between SAP and Lawson were complicated by the fact that in Lawson, one position number was tied to multiple employees, whereas SAP requires a one-to-one relationship between positions and employees. This was a major shift in position control. With SAP position control, the City will have been reporting capabilities (vacancy reports and headcount reports). However, a comprehensive reconciliation of job titles has not been initiated. Discrepancies that are identified will be corrected in SAP and other documents on a go-forward basis. Target date: TBD.

Auditor's update as of Sep-2005: In process. A comprehensive reconciliation of job titles will be completed by the end of the year. Target date: Dec-2006.

Auditor's update as of Oct-2006: In process. The review is in process and will be completed by the end of the year. The management classification study, currently underway, will also contribute to this effort.

Auditor's update as of Oct-2007: In process. Target date: Jan-2008.

Auditor's update of Nov-2008: In process. The Office of the City Auditor conducted limited testing of consistencies among SAP, job descriptions, and compensation plans and found that discrepancies remain. If, during the recommendation follow-up process in 2009, the Office of the City Auditor can again test a sample of positions and find that these issues have been resolved, then this recommendation would be considered completed.

Auditor's update as of Sep. 2009: In process. HR reports there are 473 job titles within the City. HR also reports they have made progress in resolving discrepancies between SAP, the Management Compensation Plan, and the labor agreements.

Audit report and recommendation	Department	Current status	Comments
			However, some discrepancies are still being resolved and others will require discussions with the different bargaining units. The discussion schedule is as follows: 2009 - SEIU; Management and Professional staff and 2010 – International Association of Fire Fighters; Palo Alto Police Officers Association; Fire Chiefs Association. The Office of the City Auditor observed a sample of the HR resolutions and confirmed many of the discrepancies were resolved and will be able to consider this recommendation completed when the remaining discrepancies are addressed.

REVIEW OF THE ENVIRONMENTAL SERVICES CENTER (ESC) PROPOSAL (Issued 11/15/04) Finance Committee

The purpose of this project was to independently review the assumptions and financial implications of the ESC proposal, and present that information to the City Council before additional monies were expended on the project. Of the 12 recommendations, 1 was previously completed, 3 were previously resolved/dropped because they were no longer relevant after the City Council terminated the ESC project, 7 were previously completed, and 1 was completed this year.

#11: The Community Services Department should develop a natural resources management plan.	Community Services	Completed	<p>Original department response: The Parks and Recreation Commission have made the development of a natural resources plan for the Baylands a priority for calendar year 2005. Staff and the Commission will determine the scope of the project and will provide the Council with the timeline and process details for implementing the plan's development.</p> <p>Auditor's update as of Sep-2005: In process. CSD has received a \$24,000 grant for this study from the US Fish And Wildlife Service, and has finalized the request for proposals with feedback from the Parks and Recreation Commission. CSD hopes to be able to award the contract this fall.</p> <p>Auditor's update as of Oct-2006: In process. The consulting firm ESA has been hired to prepare a comprehensive Baylands Conservation Plan over the next two years. The consultants are gathering data on native and non-native plants at the Baylands, including the flood basin and along San Francisquito Creek. Staff plans to give the Parks and Recreation Commission an update on status-to-date of ESA's study in Nov-2006. Target date: Mar-2008</p> <p>Auditor's update as of Oct-2007: In process. The consultant firm of ESA is working on the development of the plan, starting with an analysis of the plant resources in the marshes and flood basin. The consultant plans to return with a final draft in Dec-2007.</p>
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Audit report and recommendation	Department	Current status	Comments
			<p>Auditor's update as of Nov- 2008: In process. In April 2008, the consultant firm of ESA completed the first chapter of the comprehensive Baylands Conservation Plan on vegetation management at the Palo Alto Baylands. ESA has submitted a draft wildlife habitat assessment for the open and closed portions of the landfill area of the Baylands. Additional chapters for wildlife management strategies were initiated in October 2008 and are anticipated to be completed by November 2009. According to CSD, the Baylands Conservation Plan will cover vegetation, weed management, wildlife management & habitat and public access (as it relates to wildlife habitat and vegetation restraints). Target date: Nov-2009.</p>
			<p>Auditor's update as of Sep 2009: Completed. The Community Services Department reports that the audit recommendations from the Baylands Conservation Plan for management of vegetation and wildlife management were incorporated by reference into the adopted Baylands Master Plan Update (Reference Section 1: Overall Environmental Quality - Vegetation and Wildlife, Section 6: Natural Unit – Marsh Preserve – Management Plan).</p>

AUDIT OF CONTRACT CONTINGENCIES (Issued 3/15/05) Finance Committee

The purpose of this audit was to evaluate the appropriateness of contingency levels, the approval process for using contingencies, and actual contingency usage. Of the 15 recommendations, 12 were previously completed, 1 was completed this year and 2 are in process.

#3: Departments that receive resident requests for service should establish criteria for responding to such requests and incorporate those criteria into a Departmental construction manual (if applicable) and provide them to Purchasing for inclusion in the Purchasing Manual. The Purchasing Manual should also provide guidance on when it is appropriate to issue a change order to expand the scope of a contract versus amending the contract or issuing a new contract. Departments approving contingency spending should ensure that the work is within the scope of the original contract.

ASD In process

Original department response: Staff will collaborate to incorporate in the Construction and Purchasing Manuals criteria on processing requests for services based on the scope of the capital project and the contract. The manuals will include examples on when to do a change order or a contract amendment. Department heads or designees will approve contingency spending based on the established criteria. Target Completion Date: Fall 2005.

Auditor's update as of Sep-2005: In process. Infrastructure project managers have been trained regarding the type of changes and additional work that is compliant with the contract scope. Any deviation from these changes or additional services will require approval by the appropriate authority. The Purchasing Manager will work with the Public Works Department to incorporate the necessary criteria into the Department Construction Manual that is scheduled to be revised (see also recommendation #9). Target completion date: Dec-2005.

Audit report and recommendation	Department	Current status	Comments
<p>#9: Departments should use the Public Works Construction Contract Administration Manual as a template for additional procedures regarding extra work authorizations, field orders, change orders, and authorization signatures, as needed. Departments should ensure that their procedures for contingency spending are consistent with the Purchasing Manual with regard to additional services spending. Departments should review their procedures with Purchasing to ensure conformance to Citywide standards.</p>	<p>ASD, Public Works, and Utilities</p>	<p>In process</p>	<p>Auditor's update as of Oct-2006: In process. Purchasing Manual changes are complete. Public Works will incorporate the necessary criteria into its Construction Manual. Target date: Spring 2007.</p>
			<p>Auditor's update as of Oct-2007: In process. Staff advises that a Citywide Construction Manual is pending that will address resident requests, and clarify that the requested item would have to fall within the scope of the contract. Target date: Summer 2008.</p>
			<p>Auditor's update as of Nov-2008: In process. Public Works staff advises that such criteria for responding to resident requests will be incorporated into the Citywide Construction Manual which is expected to be completed by Fall 2009. Public Works staff further advises that they will review whether they could potentially develop and adopt such criteria sooner. The Purchasing Manual includes guidance on change orders and contract amendments.</p> <p>If the Public Works Department develops and adopts the criteria for responding to resident requests (either separately from the update of the Citywide Construction Manual or as a part of it), the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Fall 2009.</p>
<p>Auditor's update as of Sep. 2009: In process. The Public Works Department reports it has updated the invitation for bid (IFB) template that addresses contract contingencies, but has not incorporated the changes into the Citywide Construction Manual. If the Manual is completed by the next follow-up, the Office of the City Auditor will be able to consider this recommendation completed. Target date: Fall 2010.</p>			
<p>Original department response: Public Works will update the Construction Contract Administration Manual in collaboration with the Utilities Department and Purchasing Division Staff to ensure consistency with the Purchasing Manual and Citywide standards. Target Completion Date: Fall 2005.</p>			
<p>Auditor's update as of Sep-2005: The update of Public Works Construction Contract Administration Manual has not yet started. Target completion date: Winter 2005.</p>			
<p>Auditor's update as of Oct-2006: The update of the Public Works Construction Contract Administration Manual has not yet started. Target completion date: Jun-2007.</p>			

Audit report and recommendation	Department	Current status	Comments
<p>#12: The City Clerk's Office, in consultation with the City Attorney's Office and the Administrative Services Department, should review the records retention schedule and update it to ensure that critical contract records (including scopes of work and bid submittals) are retained for appropriate lengths of time, accountability is clear, the schedule is easy to understand, and that duplication is minimized. In our opinion, both Purchasing and the originating department should have a complete set of contract documents readily available while a contract is open.</p>	<p>City Clerk, City Attorney, and ASD</p>	<p>Completed</p>	<p>Auditor's update as of Oct-2007: In process. Staff advises that a Citywide Construction manual is pending. Target date: Summer 2008.</p>
			<p>Auditor's update as of Nov-2008: In process. According to the Public Works Department, the Invitation for Bids Streamlining Committee is working on new templates for invitations for bids. Public Works staff is awaiting these templates and any associated new processes before revising the Citywide Construction Manual. Public Works staff advises that all updates will be consistent with Chapter 13 of the Purchasing Manual.</p>
			<p>If Public Works updates the manual and the Utilities department can provide documentation that procedures/templates for extra work authorizations, field orders, change orders and authorization signatures are consistent with the revised manual, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Fall-2009.</p>
<p>Auditor's update as of Sep. 2009: In process. The Public Works Department reports it has updated the invitation for bid (IFB) template that addresses contract contingencies, but has not incorporated the changes into the Citywide Construction Manual. If the Manual is completed by the next follow-up, the Office of the City Auditor will be able to consider this recommendation completed. Target date: Fall 2010.</p>			
<p>Original department response: Staff from the Office of the City Attorney, Clerk and Administrative Services will work together to update the records retention schedule. The current practice in Purchasing is to maintain a complete set of contract documentation while they are open. The Purchasing Manual and/or guidelines will be updated to include language that departments are responsible for keeping a complete set as well. Target Completion Date: Fall 2005</p>			
<p>Auditor's update as of Sep-2005: In process. Staff from the City Clerk's and City Attorney's Offices have met individually with several RIM coordinators to begin the process of updating retention schedules. Target date: Spring 2006.</p>			
<p>Auditor's update as of Oct-2006: In process. The City Attorney's Office is reviewing proposed records retention schedule changes. Target completion: Winter 2006.</p>			
<p>Auditor's update as of Oct-2007: In process. The City Clerk's Office updated the records retention schedule in February 2007. The Clerk's Office is working to ensure that complete copies of</p>			

Audit report and recommendation	Department	Current status	Comments
			<p>contracts are retained by them as required by the new schedule, Target completion: Summer 2008.</p> <p>Auditor's update as of Nov-2008: In process. The records retention schedule was updated by the City Clerk's Office in February 2007, as noted above. However, subsequent to the update, the City Clerk's Office noted that certain documents that the schedule states the City Clerk's office should retain, have not historically been provided to or kept by the City Clerk's Office. These include certain documents related to external vendors including: (1) indexes (proposal logs, purchase orders and contract list), (2) unaccepted bids, and (3) order, blanket, change, signature authorizations and software purchase records. Therefore, the City Clerk's Office has advised that the schedule will be amended during its next update to reflect the fact that the City Clerk's Office does not retain these items.</p> <p>The original audit found that when we requested certain open contracts, in some cases key documents related to those contracts were not readily available from Purchasing. We further found that some department staff were not certain what supporting documentation they were responsible for retaining versus what Purchasing was responsible for retaining. We stated in the recommendation that in our opinion, both Purchasing and the originating department should have a complete set of contract documents readily available while a contract is open.</p> <p>As part of the 2008 follow-up, the Office of the City Auditor selected a random sample of five contracts and reviewed the document files for those contracts that are stored with the Purchasing Division, the originating department, and the City Clerk's Office. For all five contracts, the Purchasing Division had complete contract files. For four of the five contracts, the originating departments had complete files. In one case, for a Utilities contract, the department did not have a copy of the contract. The City Clerk's Office did not have a copy of one of the selected contracts. The Palo Alto Municipal Code 2.08.110(a)(2) requires that the City Clerk's Office keep copies of contracts and agreements. The City Attorney's Office advises that they have interpreted this to apply solely to Council-approved contracts. (All five of the contracts we selected for the random audit follow-up test were Council-approved contracts.) The City Clerk advises that the office has initiated a process to track the status of a contract once it is approved by the City Council.</p> <p>If another random contract sample is taken from the originating departments and the City Clerk's Office and all files sampled are available, the Office of the City Auditor will be able to consider this</p>

Audit report and recommendation	Department	Current status	Comments
			<p>recommendation completed during the next follow-up process. The Purchasing Manager has advised that he will work with Departments throughout the year to emphasize the importance of their having complete copies of their open contracts readily available for purposes of managing the contract and paying the contractor.</p> <p>Auditor's update as of Sep 2009: Completed. The City Clerk's Office and Purchasing Division implemented a tracking system for Council-approved contracts and amendments. As part of the 2009 follow-up, the Office of the City Auditor selected a sample of five contracts and reviewed the document files for those contracts that are stored with the Purchasing Division, the originating department, and the City Clerk's Office. The departments had complete files for four of the five contracts. The fifth contract file, related to the City's CalPERS agreement, contained recent amendments, but not the original contract. The City Clerk's Office advises that this is an anomaly as the original contract dates back a significant number of years.</p>

AUDIT OF PARKS MAINTENANCE (Issued 12/13/05) Finance Committee

The objective of this audit was to assess the cost-effectiveness of parks maintenance. Of the 22 recommendations, 15 were previously completed, 3 were completed/resolved this year, and 4 are in process.

#9: The Parks Division should obtain bids for landscape maintenance work including mowing at Mitchell, Rinconada, and Greer Parks and should consider contracting for such work if it proves more cost beneficial.	CSD	In process	<p>Original department response: Staff concurs and will conduct a comparative analysis of contracting vs. in-house crews, but that analysis must consider the service level provided by current staffing levels. Given existing contract obligations, implementation would be expected in July 2007.</p> <p>Auditor's update as of Oct-2006: Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Target date: Spring 2007.</p> <p>Auditor's update as of Oct-2007: In process. City staff continues to maintain these parks. CSD advises that bids were solicited in January and seven firms attended the pre-bid conference. Two landscape companies submitted bids for four of the six sections of work. The Community Services Department advises that on July 1, 2007, Loral Landscaping assumed responsibility for maintenance of all of the areas previously contracted by Gachina and Loral landscaping (2004-07).</p>
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Audit report and recommendation	Department	Current status	Comments
			<p>However, Community Services advises that it is still working with ASD to evaluate bid submittals for Mitchell, Rinconada and Greer. A recent analysis by ASD based on current bids estimated that by contracting out Mitchell, Rinconada, and Greer for the next five years, Community Services could save \$641,561.</p> <p>Community Services further advises that SEIU has asked for an opportunity to present a proposal to take back in-house some of the contracted sites while keeping the staffing levels the same as at present. This proposal is under consideration. A decision on whether to contract out Mitchell, Rinconada and Greer has been delayed until after the SEIU proposal has been reviewed. Target date: TBD.</p> <p>Auditor's update as of Nov-2008: In process. Parks staff advises that they met and conferred with SEIU in August 2007 regarding a proposal by SEIU to take back in-house some sites that are currently contracted out. However, after making the initial proposal, SEIU decided not to pursue it further.</p> <p>CSD staff further advises that the City is in the process of considering a requirement that state-mandated prevailing wages be paid for contracted work. CSD has advised that this would likely increase the cost of contracting out and negate potential savings. However, the Office of the City Auditor noted that for certain types of landscape work, the effect on the cost of contracted work would likely be minimal as the contractor's proposed salaries appear to be consistent with the State's current prevailing wages. A detailed analysis would be required, however, to determine which rates apply to Palo Alto.</p> <p>Additionally, CSD advises that although the bid proposals indicate the City could obtain savings through contracting out landscaping maintenance and mowing services, the department believes its level of service provides additional customer and intrinsic value. CSD has offered to evaluate its own operations to identify additional efficiencies and cost savings and will provide a plan to reduce its costs through the development of the 2009-10 budget. If CSD can complete their analysis and provide a reasonable cost savings plan that justifies keeping the services in-house, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process.</p> <p>Auditor's update as of Sept-2009: In process. CSD reports that the Public Works Department is conducting an evaluation of the impact of prevailing wage payment on construction and maintenance projects. This evaluation will occur over the next year with a report back to the Policy & Services Committee in the</p>

Audit report and recommendation	Department	Current status	Comments
#10: The Parks Division should obtain bids for landscape maintenance work including mowing at Baylands Athletic Center, El Camino Park, and the Bowling Green, and should consider contracting for such work.	CSD	In process	<p>spring of 2010. Additionally, during the FY 2010 budget process, CSD identified \$23,040 in temporary salary reductions within the Open Space & Parks division budget. With recent retirements of park staff, CSD reports that it intends to take advantage of openings to convert regular positions to contract positions where possible, subject to the meet and confer process. Staff has identified two maintenance position vacancies that might allow contract maintenance options at Rinconada Park. If an additional position is vacated through attrition, CSD might be able to explore options to contract out turf mowing services at additional sites. The City Manager's FY 2010 Operating Budget identified the possible need to revisit additional reductions as a "Tier 2" list, which included \$123,000 in estimated savings for contracting out park maintenance at Mitchell and Rinconada Parks, along with mowing at some City facilities.</p> <p>Original department response: Staff will collect and evaluate bid information as stated in recommendation #9.</p> <p>Auditor's update as of Oct-2006: Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Target date: Spring 2007.</p> <p>Auditor's update as of Oct-2007: In process. City staff continues to maintain these parks. The Department advises that bids were solicited in January. Seven firms attended the pre-bid conference. Bids were received from two landscape companies for four of the six sections of work. Bids were received, but have not yet been accepted, for the maintenance of the Baylands Athletic Center, El Camino Park (and playing fields), and the Lawn Bowling Green. A recent analysis by ASD based on current bids estimated that by contracting out El Camino Park and the Bowling Green for the next five years, Community Services could save \$327,855. Based on current bids, Baylands Athletic Center was estimated by ASD to lose about \$45,000 if contracted out.</p> <p>SEIU has asked for an opportunity to present a proposal to take back in-house some of the contracted sites while keeping the staffing levels the same as at present. This proposal is under consideration. A decision on whether to contract out Baylands Athletic Center, El Camino Park, and the Bowling Green has been delayed until after the SEIU proposal has been reviewed. Target date: TBD.</p> <p>Auditor's update as of Nov-2008: In process. Parks staff advises that they met and conferred with SEIU in August 2007</p>

Audit report and recommendation	Department	Current status	Comments
#14: The Parks Division should track and follow up on all interdepartmental work orders to ensure that they are completed timely.	CSD	Completed	<p>regarding a proposal by SEIU to take back in-house some sites that are currently contracted out. However, after making the initial proposal, SEIU decided not to pursue it further.</p> <p>CSD staff further advises that the City is in the process of considering a requirement that state-mandated prevailing wages be paid for contracted work. CSD has advised that this would likely increase the cost of contracting out and negate potential savings. However, the Office of the City Auditor noted that for certain types of landscape work, the effect on the cost of contracted work would likely be minimal as the contractor's proposed salaries appear to be consistent with the State's current prevailing wages. There may be other types of contracted park work, though, that would cost more if prevailing wage is adopted by the City. A detailed analysis would be required, however, to determine which rates apply to Palo Alto.</p> <p>Additionally, CSD advises that although the bid proposals indicate the City could obtain savings through contracting out landscaping maintenance and mowing services, the department believes its level of service provides additional customer and intrinsic value. CSD has offered to evaluate its own operations to identify additional efficiencies and cost savings and will provide a plan to reduce its costs through the development of the 2009-10 budget. If CSD can complete their analysis and provide a reasonable cost savings plan that justifies keeping the services in-house, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process.</p> <p>Auditor's update as of Sept. 2009: In process. As mentioned under recommendation #9, CSD plans to take advantage of staff openings caused by attrition to contract-out some park maintenance functions. CSD staff advises that maintenance of dedicated athletic facilities, such as the Baylands Athletic Center, El Camino Park and the Lawn Bowling Green demand higher levels of maintenance to ensure top quality play and special mowing schedules to accommodate user groups that may not be conducive to contracting out maintenance.</p> <p>Original department response: Staff concurs. This recommendation will be accomplished as part of the implementation of recommendation #1. Target date: Jun-2006.</p>

Auditor's update as of Oct-2006: In process. This will be further discussed and analyzed as part of the City Manager short-term task force to identify ways to improve efficiencies (see recommendation #16). Implementation of an email tracking system when requesting tree work will begin Fall 2006. Requests are forwarded to Public Works-Trees when unforeseen work is required at Palo Alto Parks and other city locations. A follow-up to the request will be initiated to monitor the status. Requests to Public Works Facilities for park related work is already implemented with a tracking number. This may be a system that Public Works Operations can also provide to Parks. Target date: Winter 2007.

Auditor's update as of Oct-2007: In process. CSD staff advises that they track and follow-up on all reported park maintenance issues to ensure the timely resolution of problems and concerns. The name of the person and department taking responsibility for addressing the issue is noted in a log. Public Works Operations, Facilities Management and the Street – Tree Division are the interdepartmental units contacted most frequently for assistance. We are holding this recommendation open until the Department can provide assurance that work orders are completed timely. Target date: TBD.

Auditor's update as of Nov-2008: In process. As mentioned in response to Recommendations #4, 5 and 7 above, the successful implementation of the PlaySafe database in November 2007, has allowed staff to follow-up on interdepartmental work orders to ensure they are completed in a timely manner. To complete implementation of this recommendation, CSD staff is planning to gather statistical information to track the percentage of calls-for-service completed within 3 days of being reported. Target date: Spring 2009.

Auditor's update as of Sept-2009: Completed. During Spring of 2009, CSD Parks staff reported that they have tracked response times to calls-for-service. After reviewing the complaint tracking report, CSD found that from 1/1/08- 4/7/09 there were fourteen (14) interdepartmental referrals. Out of the fourteen referrals, 7 (50%) were completed within a 3-5 work day turn around. The average response time for all of the calls was 4 days, ranging from same day response, up to 44 days. From 4/8/09 09-21-09, there were 13 interdepartmental referrals. Out of these, 6 (46%) were completed within a 3-5 work day turn around.

Audit report and recommendation	Department	Current status	Comments
<p>#16: The City Manager's Office should convene a short-term task force to identify ways to improve efficiencies in park maintenance by assigning as much responsibility as possible to the Parks Division in CSD, along with the necessary transfer of resources.</p>	<p>City Manager's Office</p>	<p>Completed</p>	<p>Original department response: Staff concurs that a task force should be assigned, but their goal should be slightly modified to identifying the most effective way to coordinate cross-departmental park maintenance given organizational restructuring and resources. Target date: Dec-2006.</p> <p>Auditor's update as of Oct-2006: Not started. The task force is expected to convene in Fall 2006. Target date: Winter 2007.</p> <p>Auditor's update as of Oct-2007: Not started. CSD advises that staff is working with the City Manager's Office to ensure that the review of this recommendation is completed. Target date: Nov-2007.</p> <p>Auditor's update as of Nov-2008: In process. The City Manager's Office has committed to bring together key employees from the relevant departments to identify potential efficiencies. If the City Manager's Office can demonstrate and document that a concerted effort was made to identify potential efficiencies, then the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: June 2009.</p> <p>Auditor's update as of Sept-2009: Completed. The City Manager's Office reports that the departments prepared a comprehensive matrix detailing responsibilities of all departments involved in maintenance of the City's park facilities. In addition, the Parks section of CSD has assumed responsibility to track repairs and to receive calls from the public even when another department has responsibility for the work. According to the City Manager's Office, this arrangement provides more seamless interaction for customers.</p>
<p>#17: One department or division should be solely responsible for all lighting in parks. The Parks Division, Public Works Department, and Utilities Department should work together to decide who should be responsible, and consider transferring the necessary resources to the responsible department.</p>	<p>CSD</p>	<p>Resolved</p>	<p>Original department response: Staff concurs that a more efficient way of coordinating lighting could be achieved, although the existing distribution of responsibilities has never caused major issues. The Utilities Department maintains utility standard fixtures throughout the City, not only in parks. Facilities Management generally maintains all other park fixtures. The standard fixtures are tied in to the street light circuit, and Utilities crews use specialized equipment to maintain and replace them. CSD maintains tennis court lighting at the Palo Alto High school site. It</p>

Audit report and recommendation	Department	Current status	Comments
			<p>might be feasible for Facilities Management to take on the tennis court lighting if adequate resources were provided. Solutions will be evaluated by July 2006.</p> <p>Auditor's update as of Oct-2006: Not started. This will be addressed by the City Manager's short term task force that is expected to convene in Fall 2006. Target date: Winter 2007.</p> <p>Auditor's update as of Oct-2007: Not started. CSD staff advises that they are working with the City Manager's Office to ensure that the review of this recommendation is completed. Target date: Nov-2007.</p> <p>Auditor's update as of Nov-2008: In process. The City Manager's Office is working with the relevant departments (Community Services, Public Works and Utilities) to clarify who should be responsible for which type of lighting. According to the Departments, the matrix of responsibilities will be updated to clearly specify such responsibilities. If the City Manager determines that the responsibilities cannot be consolidated, clear, written explanations of the reasons why will allow the Office of the City Auditor to consider this recommendation completed at the time of the next follow-up process. Target date: Spring 2009.</p> <p>Auditor's update as of Sept. 2009: Resolved. The City Manager's Office worked with the departments to clarify responsibilities and incorporated these into the matrix. The City Manager's Office reports that the development of the matrix developed clear lines of responsibility that has resulted in improved customer service and obviated the need to consolidate lighting repairs into one department, and noted safety reasons pertaining to servicing of high voltage lighting fixtures that require specialized training and equipment.</p>
#18: The Parks Division and Public Works should consider how to increase the frequency of tree trimming in parks, and consider contracting for this work.	CSD	In process	<p>Original department response: Staff concurs, and will evaluate whether including parks in the Public Work's Area Tree Trimming program is an effective approach for parks tree maintenance. Public Works Operations Tree Maintenance Section annually obtains bids for tree maintenance in parks. The annual Area Tree Trimming contract provides for trimming of trees in Parks that are within the area scheduled for street tree trimming. Having the Parks staff obtain bids for tree trimming would potentially increase cost per tree for trimming, since the Area Tree Trimming contract involved a larger quantity of trees which usually means contractors bid lower prices. Staff will evaluate and implement a solution by December 2006.</p>

Auditor's update as of Oct-2006: Not started. This will be addressed by the City Manager's short term task force that is expected to convene in Fall 2006. Target date: Winter 2007.

Auditor's update as of Oct-2007: CSD staff advises that they have been working closely with the newly-appointed manager of Street/Trees Operation to inspect and evaluate park trees on an "as-needed" basis. Staff continues to actively participate with the City Manager's Office in the development of an updated Urban Tree Master Plan. This updated plan is intended to include targets for tree inspections and pruning in park areas as well as along City streets. Target date: TBD.

Auditor's update as of Nov-2008: In process. Parks staff advises that they have worked closely with Public Works Operations (Tree Maintenance) to coordinate tree work in Parks. Public Works Operations' staff advises that they are now using a hazard rating system that allows them to prioritize work.

However, Public Works Operations advises that they are not able to inspect trees around play structures annually (as requested by Parks' staff) due to insufficient staffing. They advise that they are working on converting an existing vacant position to a tree inspector position.

Parks' staff has recommended and the Office of the City Auditor agrees that the City Manager's Office should assist in addressing the staffing shortage and identify ways to provide the appropriate levels of inspections to ensure public safety.

If Parks and Public Works can provide documentation showing that the frequency of tree trimming has increased and that the trees near play structures are inspected at least annually, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: July-2009.

Auditor's update as of Sept. 2009: In process. The Public Works Department reports it is conducting on-going and systemic tree inspection and maintenance of trees in parks and open space facilities, especially in areas near picnic, playground and recreational facilities. The Public Works Department will begin tracking tree inspections near playgrounds to document that trees near play structures are inspected at least annually.

The City Manager's FY 2010 Operating Budget identified the possible need to revisit additional reductions as a "Tier 2" list, which included estimated savings of \$46,000 for contracting out tree trimming and reduction of 1 FTE.

Audit report and recommendation	Department	Current status	Comments
<p>#21: Utilities should update the Landscape Water Efficiency Standards to:</p> <ol style="list-style-type: none"> (1) clearly assign responsibility for required tasks for City sites (e.g. who is responsible for performing irrigation audits); (2) clearly explain the purpose of the irrigation audits (e.g., to compare water usage before and after new system is installed) with regard to City sites; (3) clarify that medians are covered; and (4) make City sites subject to the maximum water allowance, if deemed appropriate. 	Utilities	In process	<p>Original department response: Utilities will be reviewing and making appropriate changes to <i>Landscape Standards</i>, once the new State AB 2717 is approved by the Governor.</p> <ol style="list-style-type: none"> (1) Each City project should have a project manager; this would be the person responsible for ensuring compliance with the <i>Landscape Standards</i>. (2) These audits will ensure the irrigation system was installed as planned by providing information on the systems distribution uniformity, sprinkler performance, system pressure, and irrigation scheduling. (3) As noted in the Auditor's report, the City is overseeing 26 acres of medians. Redesigning of individual medians would not trigger the <i>Landscape Standards</i>. Therefore, Parks staff should ensure water efficient practices are within the Contractor's scope of work or taken on by Parks staff for these small island projects. <p>These changes will be addressed in the revision process of the <i>Landscape Standards</i>.</p> <p>Auditor's update as of Oct-2006: Not started. AB 2717 passed in September 2004. It asked for a task force to determine recommendations on reducing outdoor water use throughout the state. In December 2005, the task force presented 43 recommendations to the Governor. AB 1881 is now in the process of updating the model water efficient landscape ordinance which incorporates the recommendations produced from AB 2717. The Department of Water Resources must finalize the updated model ordinance by January 31, 2009 and agencies must adopt the ordinance by January 10, 2010. Palo Alto's update would occur by January 2010. Target date: Jan-2010.</p> <p>Auditor's update as of Oct-2007: Not started. Utilities advises that DWR is still working on updating model ordinance. Target date: Jan-2010.</p> <p>Auditor's update as of Nov-2008: In process. Utilities advises that the DWR continues to work on updating the model ordinance and expects to adopt it in January or February of 2009. Utilities advises that as soon as it is adopted, the Palo Alto ordinance will then be updated. If the Utilities Department can provide documentation showing that the recommended updates have been incorporated into the Landscape Water Efficiency Standards, the Office of the City Auditor will then be able to consider this recommendation completed during the next follow-up process. Target date: Spring 2009.</p>

Audit report and recommendation	Department	Current status	Comments
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Auditor's update as of Sept. 2009: In process. The Utilities Department advises that the State Department of Water Resources approved the updated Model Water Efficient Landscape Ordinance (MWELo) on September 10, 2009. This ordinance becomes effective on January 2010, unless an agency adopts a local model ordinance that is at least as effective as the State's efficiency requirements. The Utilities Department is working with BAWSCA to develop a regional template model ordinance which can be applied to the City of Palo Alto. It is anticipated that the local model ordinance will be complete and ready for adoption by March 2010.

To update the City's Landscape Water Efficiency Standards, the Utilities Department plans to use the regional template model ordinance, and incorporate additional requirements to address the first and third elements of the audit recommendation (relating to assigning responsibility for the irrigation audits and clarifying median coverage). If the Utilities Department can provide documentation showing that the recommended updates have been incorporated into the City's Landscape Water Efficiency Standards, the Office of the City Auditor will then be able to consider this recommendation completed during the next follow-up process. Target date: March 2010.

AUDIT OF STREET MAINTENANCE (Issued 3/21/06)

Finance Committee

The objective of the audit was to review the criteria for prioritizing street repairs and to determine how well sub-surface work is coordinated. Of the 21 recommendations, 13 were previously completed, 1 was previously resolved/dropped, and 7 are in process.

#1: Public Works and ASD should develop and propose a long-term resurfacing-reconstruction plan and funding strategy to address the street maintenance backlog

Public Works and ASD

In process

Original department response: Staff agrees with this recommendation and has made strides in reducing the backlog by increasing the lane miles maintained per year. The amount of lane miles maintained can vary every year depending on the amount of streets either receiving preventative or resurfacing/reconstruction pavement treatments. Sometimes the number of maintained lane miles is reduced when funds go towards improving street drainage by repairing damaged curb and gutter. The number of maintained lane miles increase when streets receive preventative maintenance such as slurry or cape seals, as less funds are then needed to make curb and gutter repairs. Preventative maintenance slows down deterioration of the streets, allowing staff to stretch dollars and increase lane miles maintained.

Staff aggressively pursues additional federal, state and local funding for street maintenance to enhance the street program capital budget and has been very successful compared to other bay area cities. See Attachment A. This year alone, staff expects Surface Transportation (STP) funds for University Avenue, Embarcadero Road and Page Mill Road totaling an additional \$788,000. In addition, staff expects to receive Bicycle Transportation Account (BTA) program funds for Hanover Street and Porter Drive totaling an additional \$299,000. Federal, state and gas tax dollars are typically tied to selection criteria with priority on maintaining structural integrity.

Auditor's update as of Oct-2006: In process. Public Works will develop plan to address the backlog and ASD will address the financial issues related to the plan. This will be part of the discussion on increased funding for infrastructure during the 2007-09 budget process. Target date: Jan-2007.

Auditor's update as of Oct-2007: In process. The current 5-year capital improvement program includes a total of \$1.3 million more in funding for the Street CIP (PE-86070) than the previous 5-year CIP. In addition, Public Works has been notified that the City has received additional grant funding in the amount of \$1,959,956 to be expended by June 2011. Public Works will continue to seek additional funding to address the street maintenance backlog.

Audit report and recommendation	Department	Current status	Comments
<p>#7: The City Manager should require City departments and contractors (including Utilities) to obtain street work permits and the approval of the Public Works Director or his or her designee before cutting any street; require justification of emergency street cuts to the Public Works Director within 1 business day of the street cut; and consider imposing street work permit fees on City Utilities to cover the cost of permitting and inspection (the same as any other entity).</p>	<p>City Manager's Office</p>	<p>In process</p>	<p>Auditor's update as of Nov-2008: In process. Public Works staff reports three improvements to address the backlog of streets in "poor" condition. First, it has budgeted \$2.195M each year in the 5-year CIP to fund street maintenance. The majority of these funds will be used to address streets in "poor" condition, with the residual being used to conduct preventative maintenance to help alleviate future backlogs. Second, Public Works is aggressively pursuing grant opportunities to augment the \$2.195M in annual funds. Third, Public Works has modified its contract structure to reduce mark-up costs and anticipates this new approach will save up to 15% in street resurfacing costs, thereby allowing the City to resurface more lane miles. Through these strategies, Public Works estimates it will reduce the backlog from 100 lane miles in 2008 (21.3% of total lane miles), to 68 lane miles in 2011 (14.6% of total lane miles). Additionally, it estimates the condition of "excellent" streets will increase from 180 lane miles to 208 lane miles. Overall, Public Works staff advises that the City will not be able to completely eliminate the backlog as it is an ever changing figure and funds are limited.</p> <p>As Public Works completes its implementation of the new PMMS system, it will be able to compare the above results with other jurisdictions to see if this plan adequately addresses the backlog. If Public Works completes the PMMS conversion and obtains data that shows the decreased backlog and funding strategy has improved street conditions to become comparable, if not better, than other jurisdictions, the Office of the City Auditor will be able to consider this recommendation completed.</p> <p>Auditor's update as of Sep 2009: In process. Public Works reports that due to anticipated reductions in gas tax revenues, the proposed appropriations for street maintenance projects were reduced by almost \$0.4 million when compared to prior year levels. Public works reports it will continue to pursue grants and stimulus funding to augment the \$1.8 million appropriated each year for the projects. ARRA stimulus funding for FY2010 increased project funding by an additional \$1.3 million.</p> <p>Original department response: Staff agrees with the overall objective to improve coordination, which is addressed in responses to recommendations 6 and 19. Permitting is not the most cost effective or efficient use of resources as most street cuts that occur after the repaving of a street are the result of new utility services and required system repairs to subsurface utilities. The imposition of a permit will not stop the work from occurring. The issuance of a permit will also increase costs for the residents by forcing them to pay additional fees for service and increasing the cost of utilities.</p>

Audit report and recommendation	Department	Current status	Comments
			<p>Again, the additional procedural processes will not significantly impact the number of street cuts nor will they improve the quality of the street surface. In the last part of the recommendation a proposal is made to charge City Utilities a fee for permitting and inspection of facilities. Currently, Utilities pays the cost of Public Works inspections on CIP and in-house Projects through interdepartmental transfers from the Utility Fund to the General Fund. Staff recommends requiring notification of emergency street cuts on a quarterly basis.</p> <p>Staff already requires private development contractors to obtain street work permits. Staff recommends requiring notification of emergency street cuts by in-house crews and contractors to the Public Works Director on a quarterly basis instead of within one (1) business day of the street cut as this would be difficult to administer.</p> <p>Auditor's update as of Oct-2006: In process. ASD, Public Works and Utilities are developing a street work tracking system in GIS.</p> <p>Auditor's update as of Oct-2007: In process. As an alternative to the recommendation, Public Works and the Utilities staffs continue to improve coordination efforts by requiring the Utilities Operations section to provide a quarterly report on all street cut locations (including date, location, size of street cut, and reason for the work) This allows Public Works to monitor reported street cuts retroactively. In our opinion, the weakness of this approach is that it does not facilitate proactive coordination, or coordinated data tracking in the City's GIS system. We will hold this recommendation "in process" while staff experiments with this approach.</p> <p>Auditor's update as of Nov-2008: In process. Public Works reports Utilities Operations attends monthly coordination meetings with Public Works and makes non-emergency repairs before streets are resurfaced. This meeting also coordinates Utilities Capital projects with the annual Street Maintenance projects to ensure all planned Utility CIP work is completed before streets are resurfaced. Utilities Operations and Utilities Engineering report they provide a quarterly report to the Public Works Department on all street cut locations. The report includes locations, dates, sizes of the street cuts and the reason for the work. Public Works is drafting formal policies and procedures for coordinating project planning. The Office of the City Auditor will continue to monitor the adequacy and success of these efforts.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#8: The City Manager should consider adopting and enforcing a 5-year moratorium on street cuts for newly resurfaced streets (with appropriate exceptions), and consider requiring streets to be resurfaced at least one lane width from a cut on a newly resurfaced street.</p>	<p>City Manager's Office</p>	<p>In process</p>	<p>If the Public Works and Utilities Departments can provide formal, written policies and procedures for coordinating projects to minimize and/or prevent street cuts and can provide copies of meeting minutes for the coordinating committees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec-2008.</p> <p>Auditor's update as of Sep. 2009: In process. Public Works reports it has drafted a new Street Work Coordination Policy and Procedure that is being reviewed by affected department heads before routing it to the City Manager's Office for adoption and inclusion in the Citywide Policy and Procedures Manual. If the policy is approved and implemented by the next follow-up, the City Auditor's Office will consider this completed. Target date: June 2010.</p> <p>Original department response: Staff does not believe that a 5-year moratorium will significantly improve the quality of the pavement in Palo Alto but will consider imposing a penalty for cutting into a newly paved street. Most street cuts that occur after the repaving of a street are the result of private development requiring new utility services to customers and required system repairs to subsurface utilities. The moratorium will not stop these activities from occurring as the city can not impose a moratorium on private development, telephone companies, and other regulated entities. The other cities interviewed do not have comparably sized utility infrastructure work as compared to Palo Alto.</p> <p>Staff implements progressively higher fees for cuts into newly resurfaced streets. Collecting a fee and resurfacing a street when it is necessary is the easiest and most cost effective way to rectify pavement damage rather than require each project to resurface at least one lane width for a cut on a newly resurfaced street. Also, requiring Utilities to resurface at least one lane width would increase the cost of utility work which would need to be passed on to the rate payers in the form of increased utility rates.</p> <p>Auditor's update as of Oct-2006: In process. An internal staff working group including representatives from Public Works and Utilities has been convened to further define emergency work for City Utilities and require justification for emergency work; consider imposing penalties for street cuts on newly paved streets; and consider increasing street cut fees.</p>

Audit report and recommendation	Department	Current status	Comments
			<p>Auditor's update as of Oct-2007: In process. Public Works and Utilities are developing "targeted work zones" in neighborhoods that will encourage all utility work to be completed before the street is paved. The Public Works staff believes a moratorium will not be necessary as the coordination efforts improve. We will hold this recommendation "in process" while staff experiments with this approach.</p> <p>Auditor's update as of Nov-2008: In process. As stated in Recommendation #7, Public Works is drafting formal policies and procedures for coordinating project planning. Public Works states, due to its current coordination efforts, a moratorium is not necessary as in most cases streets are paved after all the utilities are installed. Targeted work zones (TWZs) in neighborhoods have also encouraged utility work to be completed before final paving. The Public Works Director is waiving street cut fees in the TWZ as an incentive to coordinate work. According to PWD, with these incentives, cutting a newly paved street should happen only in emergency work situations. The City Auditor will continue to monitor the success of this alternative.</p> <p>The Utilities Department reports it has adopted trenchless construction techniques that are greatly reducing the number of street cuts in Palo Alto. By using trenchless technologies in its CIP projects, Utilities reports it has reduced the square footage of its street cuts by nearly 60 % over the past three years and projects trenchless construction techniques will significantly reduce future street cuts and help alleviate the street maintenance backlog. Utilities plans to purchase an additional directional boring machine for its crews to use on their maintenance projects. Utilities states that the use of this equipment should further reduce the size of the street cuts in their operations. If the Public Works and Utilities Departments can provide formal, written policies and procedures for coordinating projects to minimize and/or prevent street cuts and can provide copies of meeting minutes for the coordinating committees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec-2008.</p> <p>Auditor's update as of Sep. 2009: In process. Public Works reports it has drafted a new Street Work Coordination Policy and Procedure that is being reviewed by affected department heads before routing it to the City Manager's office for adoption and inclusion in the Citywide Policy and Procedures Manual. If the policy is approved and implemented by the next follow-up, the City Auditor will consider this completed. Target date: June 2010.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#10: To facilitate coordination of surface and sub-surface street work, Public Works should consider dividing the City into at least 7 geographic zones with at least a 7-year planning horizon so that other divisions and entities also have a longer planning horizon.</p>	<p>Public Works</p>	<p>In process</p>	<p>Original department response: This recommendation would be applicable in a situation where all of the streets were of homogenous state of age, condition, and type of construction. Unfortunately, that is not the case in Palo Alto. The streets vary greatly in these criteria, particularly in type of construction. Palo Alto has a mix of both asphalt and concrete (some of which have been overlaid with asphalt) streets. For asphalt streets, a slurry seal is applicable as a preventative maintenance measure, in order to keep water from penetrating the pavement. For concrete streets, water is not a primary issue and slurrysealing will not correct its primary issue of ride quality. Given limited resources, streets need to be prioritized on a case-by-case basis to make sure the most appropriate and cost effective type of maintenance treatment is being utilized for that specific street's age, condition and type of construction. This is demonstrated by the information shown in Attachment "D". In Palo Alto, street maintenance activities do not lend themselves to geographic district groupings.</p> <p>Furthermore, the infrastructure priorities for street paving and utility rehabilitation do not align into geographic zones. Utility infrastructure priorities differ in maintenance and lifecycle replacement needs. Forcing the street maintenance and Utility infrastructure work into geographic zones would add to the required maintenance and infrastructure work scheduled.</p> <p>Auditor's update as of Oct-2006: In process. In lieu of dividing the city into 7 or more geographic zones, Public Works and Utilities are working together to rank, coordinate, and prioritize street maintenance and utility work in targeted geographical zones. The South of Forest Area (SOFA) is the first zone; Utility work is in process with Public Works repaving to follow in summer 2007.</p> <p>Auditor's update as of Oct-2007: In process. Public Works and Utilities are developing "targeted work zones" in neighborhoods that will encourage all utility work to be completed before the street is paved. Targeted work zones have been created for two neighborhoods, College Terrace and SOFA. These zones will require several years of planning. After Utilities completes its work, the streets will be resurfaced. We will hold this recommendation "in process" while staff experiments with this approach.</p> <p>Auditor's update as of Nov-2008: In process. Public Works is drafting formal policies and procedures for coordinating project planning. Public Works staff recommends using Targeted Work Zones (TWZs) as an alternative to 7 geographic zones. This has been implemented in three neighborhoods: College Terrace,</p>

Audit report and recommendation	Department	Current status	Comments
#12: The City Manager should consider centralizing street restoration resources, including crews and equipment, in the Public Works Department.	City Manager's Office	In process	<p>South of Forest Avenue (SOFA) and Crescent Park including several streets such as California Avenue and Arastradero Road. These areas require several years of planning and implementation where resurfacing a street is the last step after all utilities requiring replacement are installed. We will continue to monitor the success of this initiative. If the Public Works and Utilities Departments can provide formal, written policies and procedures for coordinating projects to minimize and/or prevent street cuts and can provide copies of meeting minutes for the coordinating committees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec-2008.</p> <p>Auditor's update as of Sep. 2009: In process. Public Works reports it has drafted a new Street Work Coordination Policy and Procedure that is being reviewed by affected department heads before routing it to the City Manager's Office for adoption and inclusion in the Citywide Policy and Procedures Manual. If the policy is approved and implemented by the next follow-up, the Office of the City Auditor will be able to consider this completed. Target date: June 2010.</p> <p>Original department response: Staff agrees to further review the concept of centralizing street restoration resources though it is important to note that this has been previously considered and rejected due to scheduling and efficiency constraints. Several discussions will need to occur between Utilities Department and Public Works Department to resolve many concerns, which were not pointed out nor discussed in the audit. Coordination between trench restoration (backfilling/compaction) and preparation for trench paving is critical to make sure resources are not wasted. Street restoration is an important aspect of a utilities project and complications will likely occur when pieces of a project are assigned to other departments.</p> <p>Auditor's update as of Oct-2006: In process. An internal working group has been convened to consider the cost/benefit of centralizing the City's maintenance crews for trench restoration, tightening trench restoration specifications, and increasing inspection resources.</p> <p>Auditor's update as of Oct-2007: In process. As an alternative to this recommendation, the Public Works and Utilities staffs have issued new trench restoration specifications and are discussing where to store input, maintenance, and reference data. The staffs are discussing how to increase inspection resources. We will hold this recommendation "in process" while staff experiments with this</p>

Audit report and recommendation	Department	Current status	Comments
			<p>approach.</p> <p>Auditor's update as of Nov-2008: In process. Public Works reports that after reviewing this concept as discussed, it determined that centralizing street restoration would be costly and result in delays in completing street restoration work. As an alternative, Public Works implemented the Targeted Work Zone, ensured Utilities staff attended monthly coordination meetings with Public Works, and is using the GIS project coordinator module to plan and coordinate CIP projects.</p> <p>The Utilities Department reports it has adopted trenchless construction techniques that are greatly reducing the number of street cuts in Palo Alto. By using trenchless technologies in its CIP projects, Utilities reports it has reduced the square footage of its street cuts by nearly 60 % over the past three years and projects trenchless construction techniques will significantly reduce future street cuts and help alleviate the street maintenance backlog. Utilities plans to purchase an additional directional boring machine for its crews to use on their maintenance projects. Utilities states the use of this equipment should further reduce the size of the street cuts in their operations.</p> <p>In addition, Public Works reports the new trench restoration specifications and better coordination among Public Works and Utilities inspectors have improved street restoration.</p> <p>Public Works is drafting formal policies and procedures for coordinating the alternative TWZ planning process. We will continue to monitor the effectiveness of the TWZ initiative. If the Public Works and Utilities Departments can provide formal, written polices and procedures for coordinating projects to minimize and/or prevent street cuts and can provide copies of meeting minutes for the coordinating committees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec-2008.</p> <p>Auditor's update as of Sep. 2009: In process. Public Works reports it has drafted a new Street Work Coordination Policy and Procedure that is being reviewed by affected department heads before routing it to the City Manager's Office for adoption and inclusion in the Citywide Policy and Procedures Manual. Target date: June 2010.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#20: Public Works should consider switching to the MTC Streetsaver system so that Palo Alto data will be compatible with the other cities in the Bay Area. If Public Works decides to keep PMMS, then it should revise the priority-setting algorithm, add a budget optimization component, review maintenance tables, review PCI breakpoints, and establish a process for reviewing future changes to tables and breakpoints.</p>	Public Works	In process	<p>Original department response: Staff will consider these recommendations and report back at the end of the year with the results of the City's PMMS and MTC's StreetSaver comparison and the appropriate application of MTC grant funds.</p> <p>Auditor's update as of Oct-2006: In process. The Public Works staff has applied for a grant to compare the City's PMMS and MTC's StreetSaver systems to determine how the City's pavement conditions can be compared with other cities in the Bay Area.</p> <p>Auditor's update as of Oct-2007: In process. A consultant was hired to evaluate the City's PMMS software and to compare the City's PMMS with the MTC Streetsaver software. A draft report is expected in Fall 2007.</p> <p>Auditor's update as of Nov-2008: In process. Public Works reported a consultant was hired to evaluate the MTC and City pavement software. The consultant developed a model and the City is in the process of beta testing it to determine if the City's pavement management system modifications correlate with pavement condition scores in the MTC Streetsaver system. Testing should be completed by December 2008. The final report will be available in February 2009 and subsequently submitted to MTC for certification.</p> <p>If Public Works completes the PMMS conversion and can demonstrate system capabilities that are equal to or better than MTC Streetsaver qualities, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p> <p>Auditor's update as of Sep. 2009: In process. Public Works reports it is continuing to work with a consultant to verify the modifications made to the City's PMMS to ensure the pavement condition scores correlate with the MTC Streetsaver system. Public Works reports a meeting is scheduled with the consultant for Oct. 2009.</p> <p>Public Works reports it is hopeful the PMMS modifications will be successful in duplicating MTC streetsaver pavement condition scores and will demonstrate capabilities that equal or exceed MTC Streetsaver qualities by providing a direct link to the City's GIS system.</p>

Audit report and recommendation	Department	Current status	Comments
#21: Public Works should apply for an MTC grant either to upgrade its current PMMS system, or to switch to MTC StreetSaver, integrate StreetSaver into the City's GIS, and conduct a survey of street conditions.	Public Works	In process	<p>Original department response: Staff will consider these recommendations and report back at the end of the year with the results of the City's PMMS and MTC's StreetSaver comparison and the appropriate application of MTC grant funds.</p> <p>As in all pavement management and computer systems, the output of results is only one tool used to determine street selection and does not describe the entire process. This was evident in discussions with other cities. The purpose of this response is to educate and clarify the goals and efforts towards providing the best street quality, minimizing the use of city funds to accomplish street maintenance and staying competitive using the latest technology available.</p> <p>The goal of the annual street maintenance project is to reduce street deterioration, maintain the structural integrity, and ride quality in the most cost effective manner while coordinating with the public and other projects to ensure timely completion.</p> <p>Auditor's update as of Oct-2006: In process. Public Works has applied for a grant to compare the PMMS system and MTC's Street Saver, with the goal of making PMMS compatible with MTC's StreetSaver while maintaining the PMMS link to the City's GIS system.</p> <p>Auditor's update as of Oct-2007: In process. A consultant was hired to evaluate the City's PMMS software and to compare the City's PMMS with the MTC Streetsaver software. The consultant is expected to identify software enhancements needed to make PMMS similar to MTC's software. A draft report is expected in late September 2007.</p> <p>Auditor's update as of Nov-2008: In process. Public Works reports a consultant was hired to evaluate the MTC and City pavement software and developed modifications to the PMMS system that the City is testing to determine if the modifications correlate with the MTC Streetsaver system pavement condition scores. Testing should be completed by December 2008. The final report will be available in February 2009 and submitted to MTC for certification.</p> <p>If Public Works completes the PMMS conversion and can demonstrate system capabilities that are equal to or better than MTC Streetsaver qualities, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p>

Audit report and recommendation	Department	Current status	Comments
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Auditor's update as of Sep. 2009: In process. Public Works reports it is still working with a consultant to verify that the modifications to the City's PMMS are acceptable. Public Works staff report it used the PMMS modifications to perform a biannual pavement inspection and used the PCI scores to quantify the City's backlog of street projects. The results will be used to develop a new 5-year strategic plan for paving the City streets.

AUDIT OF COMMUNITY SERVICES DEPARTMENT CLASS COST RECOVERY (Issued 10/17/06) Finance Committee

The purpose of our review was to determine to what extent the fees charged cover the cost of offering recreation, sports, art, theater, dance, and music classes and camps. Of the 8 recommendations, 3 were previously completed, and 5 are completed this year.

#2: The Community Services Department should annually review and document actual cost recovery results for broad categories of classes. Data from such a review should be used to adjust pricing in accordance with City's cost recovery plan and other relevant factors.

CSD Completed

Original department response: Upon implementation of a cost recovery policy, staff will review, document, and track recovery results for consideration in adjusting pricing. In addition to review of actual cost recovery levels, market pricing will also factor into program pricing. Recently, the City's pricing levels were determined to be the highest in 6 of 11 programs compared on a per unit basis with local cities. Of the six programs, the City's rates were 38% higher than the average.

Auditor's update as of Oct-2007: Not started. Upon adoption by City Council of the proposed Class Cost Recovery Policy and implementation, staff will annually review and document cost recovery results by broad categories. Target date: TBD.

Auditor's update as Nov-2008: In process. The CSD has begun to implement the Class Cost Recovery Policy in stages. According to the CSD, it plans to review actual cost recovery results after completing the policy implementation and analyzing a year's worth of data. If the CSD can provide documentation of the review of actual recoveries for broad categories of classes, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: TBD.

Auditor's update as of Sept. 2009: Completed. CSD developed and implemented a fee-setting template for evaluating classes and cost recoveries. The template implements the Class Cost Recovery policy, which incorporates factors for direct and indirect costs, market pricing, and likely enrollment. During 2009, CSD submitted a mid-year budget reduction of \$55,000 from adjusting contracts where classes did not meet enrollment or cost recovery goals.

Audit report and recommendation	Department	Current status	Comments
<p>#3: The Community Services Department should: (1) set prices that take into consideration the cost recovery policy adopted by the City Council (2) provide staff with updated templates to facilitate price-setting; and (3) retain price-setting templates to document the assumptions underlying pricing decisions.</p>	CSD	Completed	<p>Original department response: Staff concurs and will set program fees in accordance to a City Council adopted cost recovery policy. Pricing models will be provided for programmers to set fees and the factors influencing the results of the models will be documented.</p> <p>Auditor's update as of Oct-2007: In process. Fees for select programs were raised at the beginning of Fiscal Year 2007-08. These increases are in response to a motion by the Finance Committee to recover an additional \$250,000 from the current subsidy. Upon adoption by City Council of the proposed Class Cost Recovery Policy and implementation, staff will be provided with updated fee-setting templates for use within the divisions offering fee based classes and camps: Recreation and Golf, Open Space and Parks, and Arts and Sciences. Target date: Jul-2008.</p> <p>Auditor's update as of Nov-2008: In process. Select fees have been increased, and select programs within the Recreation Division are using a fee-setting template. This Fall a department committee consisting of program coordinators will begin to roll out the fee-setting templates across the department. If the CSD can provide copies of the new templates as well as copies of the templates with data filled in to demonstrate the assumptions and rationale underlying given pricing decisions, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jan-2009.</p> <p>Auditor's update as of Sept. 2009: Completed. CSD reports the fee-setting template was rolled out to all division offering classes. For classes offered this fall, programmers used the template on select courses resulting in some fees being increased and some expenses decreased. The goal is for programmers to use the template on all applicable classes. Programmers are now using the fee-setting template as a tool to adjust a) minimum enrollment requirements, b) expenses, and/or c) registration fees to meet desired cost recovery levels.</p>
<p>#4: The Community Services Department should reduce refunds and transfers, and track the number of refunds and transfers processed as a workload measure in the annual budget. The Department should identify creative ways to reach the goal. Possibilities include a processing fee for transfers and a "try out" class pass.</p>	CSD	Completed	<p>Original department response: Staff has begun to reduce transfers and cancellations by implementing a new policy requiring one week notice prior to the start date of a class. A tracking process will be implemented and be included as a benchmark measure in the annual budget when sufficient data is available for a full fiscal year.</p>

Audit report and recommendation	Department	Current status	Comments
	CSD	Completed	<p>Auditor's update as of Oct-2007: In process. Community Services states that they continue to review and revise cancellation and transfer policies and has begun to track the number of refunds. Target date: Jul-2009.</p> <p>Auditor's update as of Nov-2008: In process. The CSD continues to track the number of refunds and transfers and will publish this data in the annual budget. The Department has revised its policies to require five business days' notice in order to cancel a class registration or transfer to another class. Previously, enrollees could cancel an enrollment up until the second class meeting (or, in the case of school year summer camps, single session classes and workshops, up until 72 hours before the class). Transfers that could previously take place up until the second class meeting now require five business days' notice before the class starts. These policy changes are expected to reduce the number of refunds and the number of transfers. Once CSD tracks the number of refund and transfers processed as a workload measure in the annual budget, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jul-2009.</p> <p>Auditor's update as of Sept. 2009: Completed. CSD reports it is now tracking and publishing the number of class-related refunds as a benchmark measure in the City's annual budget. According to the FY 2010 Operating Budget information, the number of refunds decreased from 1,042 in 2007-08 to 910 in 2008-09.</p>
<p>#5: The Community Services Department should reduce the number of cancelled classes, and should track the percentage of classes offered that are cancelled as a performance measure in the annual budget.</p>	CSD	Completed	<p>Original department response: Staff concurs. Tracking the percentage of cancelled classes will be included in the annual budget when sufficient data is available for a full fiscal year.</p> <p>Auditor's update as of Oct-2007: Not started. Staff will begin tracking the number of cancelled courses beginning with the current Fall 2007 session. Target date: Jul-2009.</p> <p>Auditor's update as of Nov-2008: In process. The CSD has begun to track the number of cancelled classes and will publish this data in the annual budget. If the CSD publishes this data in the budget and can show that the percentage of classes cancelled (out of those offered) has decreased, then the Office of the City Auditor would be able to consider this recommendation completed during the next follow-up process. Target date: Jul-2009.</p> <p>Auditor's update as of Sept. 2009: Completed. CSD reports it is now tracking and publishing the number of cancelled classes as a benchmark measure in the City's annual budget. According to the FY 2010 Operating Budget information, the number of cancelled</p>

Audit report and recommendation	Department	Current status	Comments
<p>#7: The Community Services Department should establish minimum enrollment levels that relate to cost recovery goals, and document the criteria that will be used to decide to offer a class that doesn't meet its minimum enrollment.</p>	CSD	Completed	<p>classes decreased from 164 in 2007-08 to 150 in 2008-09.</p> <p>Original department response: Staff concurs. Minimum enrollment guidelines will be tied into the cost recovery policy to be presented to and adopted by City Council. This policy will determine minimum enrollment criteria and establish guidelines to determine whether a class is cancelled or offered when low enrollment exists.</p> <p>Auditor's update as of Oct-2007: In process. Community Services advises that a staff committee has been established to address issues faced by class and camp programmers and develop consistent guidelines. Community Services advises that this committee has been tasked with developing minimum enrollment criteria applicable to different types of classes and camps structures. Target date: Dec-2007.</p> <p>Auditor's update as of Nov-2008: In process. Minimum enrollment is being factored in with the fee-setting templates of Recommendation #3. If the CSD can provide documentation of the rationale (related to cost recovery goals and other key criteria) for setting minimum enrollment at certain levels, then the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jan-2009.</p> <p>Auditor's update as of Sept. 2009: Completed. CSD reports that minimum enrollment is factored in with the fee-setting templates implemented in Recommendation #3. Within the fee-setting template, programmers now have the option to adjust minimum enrollment requirements along with expenses and registration fees. When expenses decrease and/or registration fees increase, minimum enrollment requirements are reduced. However, when expenses increase and/or registration fees are unable to be increased, minimum enrollment requirements are increased. The direct correlation of these factors are simplified in the fee-setting template. Through reports exported from the CLASS registration system, CSD is now able to track the number of classes taught which met minimum enrollment and the number taught that did not meet minimum enrollment. With analysis of this data, CSD will be able to establish criteria of offering courses under enrolled for future reference and determination.</p>

AUDIT OF LIBRARY OPERATIONS (Issued 7/9/07)

Finance Committee

The purpose of our review was to identify potential operating efficiencies. Of the 32 recommendations, 20 were previously completed, 8 were completed this year, and 4 are in process.

#3: The City should fund ongoing, routine replacement of outdated furniture, shelving and minor repairs in Library facilities.

Library

In process

Original department response: This recommendation is consistent with one of the recommendations in the Library Advisory Commission's LSMAR report. Staff concurs. This recommendation will be implemented as a request through the 2009-11 budget process.

Auditor's update as of Nov-2008: In process. Library staff advises that the additional cost of routine replacement of furnishings and equipment for the three library bond measure projects was included as part of the estimated additional operating expenses for these facilities. The estimate is \$25,000 more than the Library's FY 2008-09 allocation of \$24,000. According to the Library, a funding proposal to address this recommendation will be developed as part of the Library's FY 2009-11 proposed budget. If the proposal is adopted, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jul-2009.

Auditor's update as of Sept. 2009: In process. The Library Department reports that the economic climate and construction on 3 libraries precluded a FY 2010 budget request for this recommendation. The Library Department may consider submitting a budget request after construction is completed.

#4: The City should fund and the Library should begin weekend inter-branch deliveries to help manage the Circulation workload and prevent backlogs.

Library

Completed

Original department response: This recommendation is consistent with one of the recommendations in the Library Advisory Commission LSMAR report. Staff agrees that weekend deliveries will help to prevent backlogs on Mondays and Tuesdays when deliveries are made that include materials processed after mid-day on Fridays, thereby resulting in a more even distribution of circulation workload across the seven day operation. Library staff will review options with the Administrative Services Department to implement this recommendation as a request through the 2007-08 mid-year budget.

Auditor's update as of Nov-2008: In process. Library staff submitted a request for the 2008-09 Interim Budget to fund deliveries on Saturdays. Budget did not approve the request. The Library will resubmit this request for the FY 2009-11 budget. If the

Audit report and recommendation	Department	Current status	Comments
#7: Since check-ins account for most of the Circulation workload, the Library should consider expediting RFID implementation.	Library	Completed	<p>request is approved, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jul-2009.</p> <p>Auditor's update as of Sept. 2009: Completed. The Library Department reports that it submitted two budget requests (FY 2009 and FY 2010) to fund interbranch deliveries on Saturdays, but neither request was approved due to funding constraints. In September 2009, the Library decided to implement an alternative method to help alleviate the circulation backlog through a software program, which will be installed at all branches following the testing period at the Main Library. The software program automatically changes the status of items to indicate they are available at the owning library without staff handling the second check-in. This program will eliminate the need to check-in returns twice (once at the receiving library and again at the owning library).</p> <p>Original department response: Staff agrees that installation of an RFID (radio frequency identification) system for inventory control of the library collection will be beneficial, especially in reducing the time spent on checking in returned library materials. A feasibility study, completed in April 2006, for the implementation of RFID and automated materials handling for the Library estimated that between 1,805 and 3,610 staff hours could be reallocated to other tasks. However, a full implementation across the five-system would be costly - over \$1 million plus annual costs at \$400,000, at the high end. A Technology Fund capital project in the amount of \$800,000 has been established for 2008-09.</p> <p>Regarding the target completion date, it would be most beneficial to establish the implementation schedule after the outcome of the proposed 2008 bond measure for library construction is determined. An important benefit of RFID is that it enables the use of automated materials handling systems. However, all current library facilities have insufficient space for installing this equipment. Adequate space can be planned in a new Mitchell Park Library, the branch with the highest circulation in the system. This time frame will also coordinate with the completion of the Library Technology Plan, to be completed in 2007-08, which will provide further direction on the potential of RFID. An added benefit of this timeframe is that several libraries in the area are now installing RFID and different models of automated materials handling systems. The experiences of other libraries will better inform an implementation in Palo Alto.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#9: The Library should set a target for minimizing cataloging modifications and explore ideas suggested by Technical Services staff during the audit such as: (1) using Library of Congress subject headings for media rather than local headings currently used and (2) investigating the use of macros to automate changes to records when they are imported.</p>	Library	Completed	<p>Auditor's update as of Nov-2008: In process. Staff, the Library Advisory Commission, and a Library Technology Citizens' Advisory Committee worked with consultants to complete a study that provides an evaluation of the use of automated materials handling systems (AMH) and RFID for the Library. The report recommends implementing RFID across the Library and installing AMH equipment at the three principal libraries. The estimated cost is \$1.2 million. The library technology plan working group began work on the more comprehensive library technology plan in October. Staff anticipates completing this report in 3-6 months. The recommendations of the RFID/AMH report will be considered along with those of the library technology plan with funding proposals developed for the 2009-11 budget. If the Library demonstrates that such plans have been considered and a decision made based upon them, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jul-09.</p> <p>Auditor's update as of Sept. 2009: Completed. In May 2009, the Library Department completed a study recommending RFID and automated materials handling systems to reduce the circulation workload and presented it to the Library Advisory Commission. The Library Department reports it is working with IT staff to develop a Request for Proposal and the project is included in the FY 2011 capital projects</p> <p>Original department response: Staff agrees it is beneficial to eliminate cataloging modifications that add only minimal value to facilitating searches of the library catalog. The two suggestions listed are examples of modifications that Technical Services staff has decided should be implemented, and the staff remains open to developing other changes. With the understanding, as pointed out in the Auditor's report, that modifying cataloging records is standard and Palo Alto's rate of modification is not higher than those of area libraries consulted, staff will establish a target for the percentage of cataloging records that are modified.</p> <p>These two changes in current cataloging practice will be implemented by December 2007. This timeframe was established with the knowledge that the Senior Librarian responsible for cataloging will retire at the end of July 2007, and staff anticipates it might take 3-4 months to recruit, hire, and train her replacement. The new Senior Librarian will be assigned responsibility for developing recommendations for cataloging modifications and</p>

Audit report and recommendation	Department	Current status	Comments
<p>#10: The Library should develop timeliness performance measures and periodically sample how long it takes to place new materials on the shelves and the amount of time for each phase of the process to identify potential efficiencies.</p>	Library	Completed	<p>establishing targets. Staff anticipates that targets will be in place by the start of FY 2008-09.</p>
			<p>Auditor's update as of Nov-2008: Not started. Library staff advises that implementation of this recommendation has been rescheduled due to staffing vacancies in FY 2007-08. Specifically, the cataloging staff of the Library was 50% staffed for 11 months in FY 2007-08. Target date: Dec-2008.</p>
			<p>Auditor's update as of Sept. 2009: Completed. The Library Department reports that it implemented the use of a macro to improve the efficiency of cataloging new items. The Library Department reports that it has reduced cataloging modifications by approximately 15% of the new titles added annually.</p>
<p>Original department response: Staff agrees that these measures would assist in the ongoing analysis of Technical Service operations. A method for sampling will be developed by January 2008 with the intent of conducting two sample measurements before the end of FY 2007-08. This will enable staff to test and adjust the process and, based on the results of these pilot tests, establish performance measures that can be used in FY 2008-09.</p>			
<p>Auditor's update as of Nov-2008: Not started. Library staff advises that implementation of this recommendation has been rescheduled due to staffing vacancies in FY 2007-08. The sampling method will be developed by January 2009 and tested in FY 2008-09. The performance measures will be used the following year. Target date: FY 2009-10.</p>			
<p>Auditor's update as of Sept. 2009: Completed. The Library Department reports that it developed timeliness performance measures to examine how long it takes to place new materials on the shelves and the amount of time for each phase of the process. The Department tested the performance methodology from January through June 2009 and found that it took 10 days on average to ready new materials. The Department will sample and measure the timeliness performance four times a year. The Department did not add the benchmark measure to the FY 2010 budget, but will consider looking at using this in FY 2011 for the "efficiency" component of the Collections & Technical Services Division benchmarks.</p>			

Audit report and recommendation	Department	Current status	Comments
<p>#12: The Library should use the data from analyses conducted based on Recommendations #6 and #11 to continually reassess workload changes and adjust the allocation of staffing between Reference and Circulation accordingly, if appropriate.</p>	Library	Completed	<p>Original department response: Staff agrees that use of data to measure workload changes is an important tool for analyzing how to allocate public services staff, and has routinely used such data in making decisions on staffing. In recent years, staff has used this type of data to reallocate regular and hourly staffing among library branches as well as to reallocate some staffing from the Reference to the Circulation operations. This is ongoing.</p> <p>Auditor's update as of Nov-2008: In process. The Library has completed the recommendations regarding tracking changes in circulation workload and measuring off-desk librarian work. As noted in the original response to the recommendation, Library administrators review staffing needs annually and make adjustments based on a number of factors. Library staff advises that in FY 2008-09, a 0.5 FTE professional position was converted to a support position in recognition of the changing nature of reference service. Library staff advises that data from the analyses suggested by the Office of the City Auditor will be maintained on an annual basis to support future staffing adjustments. If the Library can demonstrate that it has used the data analysis from Recommendation #6 and the performance measurement data from Recommendation #11 to decide how to reallocate staffing between Reference and Circulation, the Office of the City Auditor will be able to consider this recommendation closed during the next follow-up process.</p> <p>Auditor's update as of Sept. 2009: Completed. The Library Department reports that it uses data gathered from workload statistics (Rec. #6) and performance measures (Rec. #11) in combination with other information and factors to inform decisions regarding departmental staffing. In FY2009, a 0.5 FTE professional position was converted to a support position in recognition of the changing nature of reference service. Also, staffing was reallocated between the Main and Mitchell Park libraries in preparation for the expansion of service at the new Mitchell Park facility. However, several vacant positions were frozen in FY 2009, and in FY 2010 the Library lost approximately 3.5 FTE due to the City's budget challenges. The Library is currently in a state of transition due to building projects now underway. For the next 4-5 years, staffing will need to be adjusted each year as construction results in the closure and reopening of libraries. Usage patterns across the branches will be in a state of flux, and plans for the use of new technologies as well as desired program enhancements will affect future staffing decisions. The Department recommends undertaking a more comprehensive analysis of staffing needs once the building projects are completed.</p>

Audit report and recommendation	Department	Current status	Comments
#13: One goal of schedule changes should be to reduce or eliminate overtime pay on Sundays for full-time employees.	Library	In process	<p>Original department response: Staff will explore the feasibility of this recommendation and would be required to meet and confer with SEIU to make changes in the current practice. It has been the practice to pay overtime for Sunday work by full-time regular staff since 1979. The amount spent by the Library for overtime in a recent twelve-month period was \$45,500. This represented 1155 hours, or approximately 0.55 FTE, with 80% of the total hours worked on Sundays. Elimination of overtime pay on Sundays would result in a loss of approximately 0.4 FTE, and will require the establishment of alternative work schedules. The target completion date is the end of FY 2007-08 to complete feasibility study and establish need to meet and confer with SEIU.</p> <p>Auditor's update as of Nov-2008: In process. Library staff advises that the Library and Human Resources are reviewing this recommendation. Sundays are staffed with a combination of regular and hourly staff. It is Library policy to have regular staff assigned to work whenever a library is open as they are responsible for the safety of the public, overall operation of the facilities, and ensuring proper cash handling procedures. When full-time employees work on Sundays, it is in addition to their regular 40 hours per week schedule. The Library staff advises that to eliminate overtime pay for full-time employees would require a reduction in the number of hours that can be worked the rest of the week – typically 5 less hours for each full-time employee working on a Sunday. This would make it difficult to meet the City's standard work week of forty hours worked within five consecutive days, and on average, there would be 16 hours less per week available to staff all libraries Monday-Saturday. This recommendation will be evaluated along with Recommendation #14 since both involved scheduling. If the Library can demonstrate that it has analyzed schedules with serious consideration of how to reduce or eliminate overtime pay, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: June-09.</p> <p>Auditor's update as of Sept. 2009: In process. The Library Department reports that a team is studying this recommendation. The Library Department reports that it shifted staff between branches and beginning in FY 2010, it added 4 hours of weekly service at the Mitchell Park and Downtown branches. The Library staff decreased by approximately 3.5 FTE in FY 2010 so the possibilities for expanding hours at Mitchell Park may not occur.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#14: Before requesting additional staff, the Library should use different approaches to scheduling, including staggering shifts and reducing hours worked while the Library is closed to (1) better correlate staffing patterns to times when the Library is busy (evenings and weekends) and (2) potentially open more hours.</p>	Library	Completed	<p>Original department response: Staff will explore the feasibility of this recommendation and would be required to meet and confer with SEIU if alternative work schedules are needed to achieve these goals. Staff acknowledges the value of increasing library hours to the public, and this is one of the recommendations of the Library Advisory Commission's LSMAR report. The LSMAR report recommends adding staffing to support increased hours. The improved ratio of staff to annual hours in recent years has allowed the Library to offer some services it couldn't in the past, so it will be critical to evaluate the Auditor's recommendation thoroughly to determine the impact on the current service level now provided by the Library and the department's ability to move in new directions. It is anticipated that adding hours to the current schedule will increase circulation, resulting in the need to increase paging staff to handle the extra shelving. Additionally, some of the recommendations in this audit will have an impact on staffing and operations which also must be analyzed in light of the suggestion that increased hours can be accommodated. This recommendation will need to be evaluated in combination with Recommendation #13.</p> <p>The target completion date is the end of FY 2007-08 to complete feasibility study and establish need to meet and confer with SEIU.</p> <p>Auditor's update as of Nov-2008: In process. Library staff advises that they have completed the first step in the evaluation of staffing by setting up a standard system for all staff to track their time by activity. The Library tested and revised this system through FY 2007-08 to ensure consistency and accuracy. Once sufficient data has been collected in FY 2008-09, library staff can start the process of evaluating alternatives for increasing public service hours and gauging the potential impact on other library services. If the Library can demonstrate it has analyzed the effect of staggering schedules and better correlating staffing patterns to times when the Library is busy, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. If the Library determines that it is not possible to open more hours by staggering shifts and reducing staff hours worked while closed, the Library should provide clear and compelling evidence of why that is the case. Target date: June-09.</p> <p>Auditor's update as of Sept. 2009: Completed. The Library Department reports that it shifted staff between branches and beginning in FY 2010, it added 4 hours of weekly service at the</p>

Audit report and recommendation	Department	Current status	Comments
#17: The Library should propose a simplified job title structure and Human Resources should assist the Library with its implementation.	Library	In process	<p>Mitchell Park and Downtown branches. The College Terrace branch is closed for construction. Although the Library Department has implemented the audit recommendation for its current operations, staff also notes that with the implementation of the Measure N library bond construction, future staffing schedules and hours will need to be reassessed and adjusted.</p> <p>Original department response: Library and Human Resources staff agrees to review library job titles towards the goals of simplifying the structure and having broader band pay ranges for some positions, while maintaining an adequate career path. As the Auditor points out, changes in job titles or job description will require the City to meet and confer with SEIU. The completion date is to be determined.</p> <p>Auditor's update as of Nov-2008: In process. Library and Human Resources staff have met to review the Library's job title structure. It was agreed that one library specific classification could be eliminated and that the job descriptions of two classifications should be reviewed and updated as needed. The City will meet and confer with SEIU to submit any proposed changes as part of the 2009-11 budget. If the Library can demonstrate the issues were addressed with SEIU and the decisions about simplifying the job title structure were made accordingly, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jan-2009.</p> <p>Auditor's update as of Sept. 2009: In process. During the 2009 mid-year budget process, the Library Department proposed to simplify its structure through the consolidation of two job titles (by reclassifying 5.5 Library Assistant positions to Library Specialist positions). This was not approved since the reclassification would have increased budgeted costs by \$32,340. The Library Department will try to propose a simplified structure during the next budget cycle.</p>
#18: The Human Resources Department should complete as soon as possible the 2003 <i>Audit of Overtime Expenditures</i> recommendations #15 regarding an FLSA review of all City job titles and #18 regarding overtime pay to Management employees.	Human Resources	In process	<p>Original department response: The Human Resources Department is currently conducting the first phase of the review by way of a Management Classification/Compensation Study. This study will be completed by December 2007 and will provide current job descriptions and a basis for determining the appropriate compensation method. Following the completion of the study, the HR Department in collaboration with the City Attorney will commission an FLSA audit using the data from the study to address and resolve this issue.</p>

Audit report and recommendation	Department	Current status	Comments
			<p>Staff agrees to meet and confer with SEIU on this issue by the end of FY 2007-08 and address it through the next round of contract negotiations in 2009.</p> <p>Auditor's update as of Nov-2008: In process. With regard to overtime audit recommendation #15, Human Resources advises that management/professional job descriptions are now completed and the FLSA review will begin in March 2009. With regard to this recommendation #18, Human Resources advises that a statement related to management leave and overtime pay will be proposed as an addition to the next revision of the management compensation plan. Target date: for recommendation #15, TBD; for recommendation #18, July-2009.</p> <p>Auditor's update as of Sept. 2009: In process. With regard to overtime audit recommendation #15, Human Resources reports the City Attorney's Office has contracted with outside council to review the FLSA designation of 63 positions in the management/professional group. Remaining positions will be reviewed upon completion of the management classification & compensation study, currently underway. With regard to recommendation #18, because the FLSA study is not yet completed, Human Resources deferred implementing the recommended wording specifying that management leave is granted in lieu of overtime pay, and has not yet determined how to address the category of employees who receive both management leave and overtime pay. If the HR Department is able to complete both of the audit recommendation requirements, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Dec. 2010</p>
#30: Cash handling procedures should be updated to reflect changes in receipt procedures, safe access, waiving of fees and fines, and to identify groups exempt from overdue fines and fees.	Library	Completed	<p>Original department response: Staff concurs. The target completion date is September 2007.</p> <p>Auditor's update as of Nov-2008: In process. At the time of the Library Department's update to the City Council in September 2008, the Library Department was in the process of updating its Cash Handling Procedures to include this information. Even though the written procedures were not yet in place, the Library Director advised that staff already changed their daily practices related to cash handling in accordance with recommendations #27, #28, and #29. These changes include: weekly supervisory review of waived fees and fines; daily reconciliation of the Library computer system to the cash register; and quarterly review of the</p>

Audit report and recommendation	Department	Current status	Comments
#31: The Library should resume sending collection letters and should determine whether uncollected accounts could be sent to a collection agency.	Library	Completed	<p>list of employees who have access to the safes. The updated written procedures should include these changes as well as identify which groups are exempt from overdue fees and fines. Note: As this status report was going to final review and publication, the Library Department submitted approved Cash Handling Procedures to the City Auditor's Office for review. If these written procedures address internal controls over the areas noted above, the City Auditor's Office will be able to consider this recommendation completed.</p> <p>Auditor's update as of Sept. 2009: Completed. The Library updated its department cash handling procedures to reflect changes in receipt procedures, safe access, waiving of fees and fines, and identified groups exempt from overdue fines and fees.</p> <p>Original department response: Staff agrees and will follow through on this recommendation. The collection letter process was developed many years ago in consultation with the Attorney's Office and Revenue Collections and proved beneficial in recovering many long-overdue items. Following the upgrade to the Horizon library software system in January 2005, the custom program that enabled the generation of these letters no longer functioned. Staff will work with the company that develops customer software programs for the Horizon system to investigate the potential to generate collection letters. Staff will also investigate the feasibility of sending uncollected accounts to a collection agency. The target completion date is December 2007.</p> <p>Auditor's update as of Nov-2008: In process. Library staff advised that they resumed the practice of sending collection letters in January 2008 after working with a vendor to develop a custom program to generate these electronically from the circulation system software. Library staff has researched the use and effectiveness of collection agencies by public libraries in the region and has met with Revenue Collections to discuss the collection process in place for other city departments. Pending final discussions with the City Attorney's Office and Revenue Collections, staff will submit a budget request for 2009-11 to contract for collection agency services. If the Library can provide the results of its analysis regarding collection agencies and explain its decision based on that analysis, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date for decision on use of a collection agency: Dec-2008.</p>

Audit report and recommendation	Department	Current status	Comments
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Auditor's update as of Sept.-2009: Completed. The Library Department resumed the practice of sending collection letters in January 2008. In March 2009, the Department noted that approximately 60% of these collection letters resulted in returned items or payment for lost items. Given the success of this program, the Library Department plans to continue this practice. In September 2009, the Department reported that it had analyzed 21 years of uncollected accounts and "purged" \$236,086 in outdated unpaid charges. The Library Department has reported that it will be sending the remaining uncollected balance to a collection agency in January 2010. The Department anticipates annual recoveries of about \$7,650.

AUDIT OF SAP PAYROLL CONTROLS (Issued 9/18/07) **Finance Committee**

This review is one in an ongoing series of reviews of the controls in the SAP system. This report contains the results of our recent review of SAP Payroll controls. Of the 7 recommendations, 6 were previously completed and 1 is resolved.

#2: Since HR is responsible for approving and providing current and accurate data to Payroll, HR should prepare corrected PAFs for the identified employees, and should work with departments to improve the accuracy of PAFs.

ASD Resolved

Original department response: HR will be working with ASD to create an electronic PAF during the upcoming SAP upgrade project. The electronic PAF should have the capability to capture employee data from SAP and transfer it onto the PAF, thus, improving the accuracy of the PAFs. Target completion date: With the SAP technical upgrade, scheduled for FY 07-08.

Auditor's update as of Nov-2008: In process. An electronic PAF is in the testing stage. If the HR Department completes the PAF initiative and demonstrates the PAFs are accurate, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: June 2009.

Auditor's update as of Sep. 2009: Resolved. HR staff report the electronic PAF project was not successful and terminated. If funds become available, HR may restart the project. HR staff reports manual methods were used to implement the recommendation and PAF accuracy has improved.

AUDIT OF EMPLOYEE ETHICS POLICIES (Issued 1/23/08)

Policy and Services Committee

The objective of this audit was to review the City of Palo Alto's procedures for ascertaining and handling potential conflicts of interest among City employees, and to assess the need for an employee ethics policy. Of the 7 recommendations, 3 were completed this year, 1 is in process, and 3 are not started.

#1: The City should periodically provide (or make available) ethics training targeted for designated employees, and remind employees that the FPPC is available to answer questions.

City
Manager's
Office

Completed

Original department response: Staff will work with the City Attorney's Office to develop an ethics training program for designated employees by June 30, 2008

Auditor's update as of Nov-2008: In process. The Human Resources Department will coordinate with the City Attorney's Office to add ethics training to the City Attorney's annual Form 700 trainings for designated employees in the 2009 Calendar Year Training Schedule. The City Manager will work with department heads to ensure all affected employees attend training every two years. Documentation will be retained by the Human Resources Department to record employee attendance.

If the City Manager's Office provides copies of the training syllabus, class schedules, and lists of attendees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Jun-2009.

Auditor's update as of Sep. 2009: Completed. In March 2009, the City Attorney's Office offered two sessions of Form 700 & Ethics training for employees in designated positions. The training provided contact information for the Fair Political Practices Commission (FPPC) 1-866-ASK-FPPC.

#2: Department heads and supervisors of employees in designated positions should review, and initial, employee Form 700s before the forms are filed with the City Clerk.

City
Manager's
Office

In process

Original department response: The City Attorney's Office will take the lead in developing and implementing a training program on employee form 700s. In conjunction with that training, a procedure requiring department head review prior to submission to the City Clerk will be developed and implemented. Development of the program will be accomplished by June 30, 2008.

Auditor's update as of Nov-2008: In process. The City Manager staff agreed to implement a process requiring department head and supervisor review of an employee's Form 700 if an employee has a reportable interest or on receipt of a complaint.

Furthermore, staff has advised us that the City Clerk will include in the filing notification that employees are responsible for identifying and avoiding conflicts of interest. It will be the employee's

Audit report and recommendation	Department	Current status	Comments
<p>#3: The City should develop a section on the City's intranet site that links city employees to the City or State policy, procedure, law, or regulation that addresses each of the major requirements for avoiding conflicts of interest and for acceptable and ethical behavior.</p>	<p>City Manager's Office</p>	<p>Completed</p>	<p>responsibility to be aware of potential conflicts and to identify these on their Form 700 documents and to their supervisor as necessary. Supervisors should ensure that employees are not involved in a decision-making capacity with respect to any of their reportable interests. The ethics training incorporated in the Form 700 training will also address these issues.</p>
			<p>If the City Clerk's Office provides sample copies of Form 700s that show supervisory review and sign-off for those Form 700s with reportable interests, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p>
			<p>Auditor's update as of Sep. 2009: In process. The Auditor's Office reviewed the Forms 700 on file with the City Clerk's Office and did not find evidence of supervisory review and sign-off for those Forms 700 with reportable interests. Based on our follow-up review, there were 71 individuals with reportable interests, and only 2 Form 700s indicated supervisory review.</p>
			<p>To provide better direction to employees and ensure the recommendation is implemented, we would recommend that the City Manager's Office lead the effort to develop a process requiring supervisory review and sign-off on Form 700s prior to employees filing with the City Clerk's Office. During our next follow-up, if the City Clerk's Office provides copies of Form 700s that show supervisory review and sign-off for those Form 700s with reportable interests, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: June-2010</p>
			<p>Original department response: A link to relevant City and State policies, procedures, laws and regulations for conflict of interest and ethical behavior will be developed and implemented on the City's internal website by June 30, 2008.</p>
			<p>Auditor's update as of Nov-2008: In process. Links to relevant City and State laws, codes, regulations, policies, and procedures on conflict of interest and ethical behavior will be included in an employee ethics section on the City's intranet during FY 2008-09. The implementation schedule will be coordinated with planned updates and revisions to the Municipal Code and Merit System Rules and Regulations. The centralized intranet reference for employee use will include pertinent citations and websites and other useful external resources on ethics and conflicts of interest. City Manager staff will also explore ways to incorporate this information in the New Employee Orientation materials.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#4: The City should develop a code of ethics that employees can use as a guidepost for avoiding conflicts of interest, for ethical behavior, for deciding what actions are needed when conflicts of interest occur, and for making decisions. Employees should be required to read and sign an acknowledgment of the policy.</p>	<p>City Manager's Office</p>	<p>Not started</p>	<p>If the City Manager's Office completes the intranet site as described above, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p> <p>Auditor's update as of Sep. 2009: In process. The City Manager's Office added a link to the Intranet site titled "Visit the Ethics Center," which provides a matrix of City and State laws, codes, regulations, policies and procedures on conflicts of interest and ethical behavior. The Human Resources Department reports that it will be providing a handout about the Ethics Center during New Employee Orientations as of Oct. 20, 2009. In addition, an item will be added to the New Hire Checklist stating that employees need to review the information contained in the Ethics Center.</p> <p>Original department response: Staff will research what other cities have developed in terms of a comprehensive ethics policy and develop a policy for the City of Palo Alto by June 30, 2008..</p> <p>Auditor's update as of Nov-2008: In process. City Manager staff reviewed the City Auditor's sample ethics codes along with codes of other California cities and recommended a positive, values-based versus rules-based code that is brief, easily understood, and designed to build public confidence. Over the next 6 months, the City Manager's Office will launch an effort to engage the organization in a series of conversations about ethical values and the development of a code of ethics. Further, the City Manager's Office plans to develop a code of ethics, a training plan on the code of ethics, and is committed to work on developing a mechanism for employees to acknowledge receipt of ethics training.</p> <p>If the City Manager's Office approves a formal copy of a code of ethics and implements a mechanism for employees to acknowledge receipt, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p> <p>Auditor's update as of Sep-2009 Not started. The City Manager's Office reports that due to other priorities, implementation of this audit recommendation was delayed.</p>

Audit report and recommendation	Department	Current status	Comments
#5: The City should formalize its policy on ethics training and ensure that employees attend periodic training updates.	City Manager's Office	Not started	<p>Original department response: An ethics training program for all employees will be developed for the next training season.</p> <p>Auditor's update as of Nov-2008: In process. As soon as the code of ethics is developed through the implementation of Recommendation #4, the City Manager's Office and Human Resources will begin to implement an associated training policy and program.</p> <p>If the City Manager's Office develops and implements an ethics training program, provides copies of ethics class schedules, and copies of attendee lists, of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p> <p>Auditor's update as of Sep. 2009: Not started. The City Manager's Office reports that due to other priorities, implementation of this audit recommendation was delayed.</p>
#6: The City should survey employees using the League of California Cities' Institute for Local Government's ethical culture assessment tool.	City Manager's Office	Completed	<p>Original department response: Staff will look at the League's ethical culture assessment and determine whether and in what manner to survey the City staff.</p> <p>Auditor's update as of Nov-2008: In process. City Manager staff reviewed the Institute's ethical culture assessment tool and will design a survey instrument for the new City Manager's review and implementation by June 30, 2009.</p> <p>If the City Manager's Office provides a copy of the Institute for Local Government (ILG) survey results, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.</p> <p>Auditor's update as of Sep. 2009: Completed. In December 2008, the City Auditor's Office provided the City Manager's Office with the opportunity to participate in the National Employee Survey offered by the National Research Center. In the spring of 2009, the City Manager's Office conducted the employee survey. This survey included questions to assess employees' perceptions of the ethical environment. Following are the ethics-related questions and the survey results:</p>

Audit report and recommendation	Department	Current status	Comments
<p>#7: The City Manager should form a working group to (1) establish policies and procedures for handling employee complaints of waste, fraud, and abuse through normal supervisory channels; (2) establish and monitor a hotline for anonymously reporting fraud, waste and abuse; (3) develop procedures for reporting, investigating, handling, and following-up on hotline reports; and (4) develop whistleblower policies and procedures.</p>	<p>City Manager's Office</p>	<p>Not started</p>	<p>The City's performance on:</p> <ul style="list-style-type: none"> - Communicating standards of ethical behavior: 58% good or excellent - Modeling standards of ethical behavior: 55% good or excellent - Communicating its strategic direction, vision, mission and values: 61% good or excellent - Listening to employee opinions: 50% good or excellent - Welcoming employee involvement in decision making: 48% good or excellent - Maintaining a work environment that is free of violence or harassment: 76% good or excellent - Applying discipline fairly and consistently: 41% good or excellent <p>Original department response: The City will form a working group to develop a policy and procedure to ensure that employees have a way to report fraud, abuse, and waste, and that such complaints will be appropriately investigated and followed up on. Staff has a number of reservations about the Auditor's recommendation to create a hotline for complaints, and will take the opportunity to talk to other cities and professional organizations prior to making a final determination as to how to achieve the very appropriate goals that led to this recommendation.</p> <p>Auditor's update as of Nov-2008: In process. The City Manager's Office formed a working group and developed a policy for employees to report complaints of waste, fraud and abuse. The City Manager will also work with the City Auditor and City Attorney to implement a hotline that would enable community members to register complaints with the City by Spring 2009. These hotlines may be administered by third party vendors who review and categorize the complaints. The City Auditor has expressed interest in the development of such a hotline, given recent changes with the State's passage of AB2001 that provided City Auditors with the ability to protect confidentiality of complainants.</p> <p>The Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process if the City Manager works with the City Auditor and City Attorney to implement a community hotline to receive and review complaints of</p>

Audit report and recommendation	Department	Current status	Comments
			<p>waste, fraud and abuse, and to implement the procedures and reports outlined in this audit recommendation.</p> <p>Auditor's update as of Sep. 2009: Not started. The City Manager's Office reports that due to other priorities, implementation of this audit recommendation was delayed. Currently, members of the public can contact the City Auditor or City Manager directly to report instances of potential fraud, waste, and abuse. The City Manager reports interest in evaluating mechanisms for incorporating a fraud, waste and abuse hotline within a larger customer service/request tracking system. The City Auditor's Office continues to express interest in the development of a dedicated fraud, waste, and abuse hotline and plans to report back to the Policy and Services Committee on this recommendation.</p>

INFRASTRUCTURE REPORT CARD FOR PALO ALTO (Issued 3/4/08) Finance Committee

The purpose of our review was to assess the results of the increased capital spending, and to assess the impact of increased capital spending on the City's infrastructure including utilities – is the City making progress, losing ground, or just holding its own? Of the 10 recommendations, 5 are in process and 5 are not started.

Note from the Office of the City Auditor:

At the time of issuance, management did not provide a recommendation-by-recommendation response to this report as is the case for most audits. Instead, the City Manager's Office issued a statement that staff was in general agreement with the recommendations and would be providing a more detailed response at the March 18, 2008 Finance Committee Meeting. At the March 18 Finance Committee meeting, staff presented an update on the infrastructure backlog, however, no further responses were provided to address the audit report, presumably because the City Auditor position was vacant during this timeframe.

In November 2008, the City Manager's Office committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009. The City Manager's Office reports that due to other workload issues, it has not yet brought forth a comprehensive plan or status report to the Finance Committee. However, the City Manager gathered a team of ICMA government managers to evaluate the infrastructure challenges facing the City. The ICMA team was asked to develop a list of all infrastructure projects, evaluate funding mechanisms, and develop an engagement strategy. The ICMA team issued their report in September 2009, which confirmed the audit report's findings and recommendations. Additionally, the City incorporated \$2M in on-going infrastructure funding into the City's long-range financial plan as a "placeholder" until a strategic direction is more fully developed.

#1: The City should adopt the Government Finance Officers Association Recommended Practice "Capital Maintenance and Replacement" as City policy.	City Manager's Office	Not Started	<p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p>
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Audit report and recommendation	Department	Current status	Comments
<p>#2 (GFOA recommended practice): Develop and maintain a complete inventory of all capital assets. This inventory should contain essential information including engineering description, location, physical dimensions and condition, "as-built" documents, warranties, maintenance history, book value and replacement cost. Operating cost information could also be included. Database and geographic information technologies should be employed to assist in this task.</p>	City Manager's Office	In process	<p>Auditor's update as of Sep. 2009: Not started. Due to other workload issues, the City Manager's Office has delayed implementation.</p>
<p>#3 (GFOA recommended practice): Develop a policy to require periodic measurement of the physical condition of all existing capital assets. Document the established methods of condition assessment. Periodically evaluate the capital program using data driven analysis of asset condition as well as past expenditure levels.</p>	City Manager's Office	Not Started	<p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p> <p>Auditor's update as of Sep. 2009: In process. The Public Works Department formed a Capital Improvement Program Committee to develop a workplan for enhancing the current inventory system. The Utilities Department reported that it identified inventories of key individual assets stored in a variety of databases used to maintain and track assets.</p> <p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p> <p>Auditor's update as of Sep. 2009: Not started. Due to other workload issues, the City Manager's Office has delayed implementation. In the meantime, the Public Works and Utilities Departments have advised us they are using methods to identify the condition of their departmental inventories.</p>
<p>#4: The City should utilize the GIS system as a central coordinating tool and, to the extent feasible, an ongoing repository of infrastructure inventory and condition.</p>	City Manager's Office	In process	<p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed</p>

Audit report and recommendation	Department	Current status	Comments
<p>#5 (GFOA recommended practice): Establish condition/functional performance standards to be maintained for each component of capital assets. Such standards may be dictated by mandated safety requirements, federal or state funding requirements or applicable professional standards. Use these standards and a current condition assessment as a basis for multi-year capital planning and annual budget funding allocations for capital asset maintenance and replacement.</p>	<p>City Manager's Office</p>	<p>Not Started</p>	<p>to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p> <p>Auditor's update as of Sept-2009: In process. Although a plan to utilize the GIS system as a central coordinating tool for all of the City's infrastructure has yet to be developed, the Utilities Department is in the process of executing a contract to integrate the electric, water, gas, wastewater, fiber optic, traffic signal and street light utilities data (currently maintained in different databases or systems) into one geospatial design platform in the GIS database. The Utilities Department reports that this GIS database will serve as the sole repository of all Utilities infrastructure data and will allow querying and analysis capabilities.</p> <p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p> <p>Auditor's notes: Mid-Year status notes that currently the Capital Improvement Program Committee will review this recommendation and determine how this could be implemented.</p> <p>Utilities has established standards for life expectancy of the various materials used in the construction of the systems which are used in conjunction with current condition assessments to establish replacement schedules.</p> <p>Auditor's update as of Sep. 2009: : Not started. Due to other workload issues, the City Manager's Office has delayed implementation.</p>
<p>#6 (GFOA recommended practice): Develop financing policies for capital maintenance/replacement which encourage a high priority for those capital programs whose goal is maintaining the quality of existing assets. Consider earmarking fees or other revenue sources to help achieve this goal.</p>	<p>City Manager's Office</p>	<p>In process</p>	<p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#7 (GFOA recommended practice): Allocate sufficient funds in the multi-year capital plan and annual operations budget for routine maintenance, repair and replacement of capital assets in order to extend the useful life of these assets and promote a high level of performance throughout the target period.</p>	<p>City Manager's Office</p>	<p>In process</p>	<p>Auditor's update as of Sep. 2009: In process. During our mid-year review, the departments reported that Council directed staff to fund the Infrastructure Reserve annually to ensure Capital expenditures maintain the quality of existing assets however, these transfers have been impacted by unprecedented downturns in the economy. Transfers from the general fund have been reduced and the possibility exists that further funds may not be transferred in the current and upcoming fiscal year. Staff is working on establishing new revenue to address the significant backlog and will readdress the plan once the general fund stabilizes from the current recession. Until then, the City incorporated \$2M in on-going infrastructure funding into the City's long-range financial plan as a "placeholder".</p> <p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p> <p>Auditor's update as of Sep. 2009: In process. On a case-by-case basis, funds are allocated in the 5-year CIP and in departmental operating budgets to provide repair and replacement of capital assets in order to extend the useful life of assets as revenues allow. The Utilities Department reports that it currently has sufficient funds for the capital program. Additional funds may be necessary in the future to meet maintenance and operations functions due to regulatory requirements.</p> <p>The allocation of sufficient funds for the City's Infrastructure inventory will depend on the development of a long-term infrastructure funding plan.</p>
<p>#8 (GFOA recommended practice): At least annually, report on capital infrastructure, including:</p> <ul style="list-style-type: none"> • Condition ratings jurisdiction-wide • Condition ratings by geographical area, asset class, and other relevant factors • Indirect condition data (e.g. water main breaks, sewer back-up complaints) • Replacement life cycle(s) by infrastructure type 	<p>City Manager's Office</p>	<p>Not Started</p>	<p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the</p>

Audit report and recommendation	Department	Current status	Comments
<ul style="list-style-type: none"> Year-to-year changes in net infrastructure asset value Actual expenditures and performance data on capital maintenance compared to budgeted expenditures performance data (e.g. budgeted street miles reconstructed compared to actual). 			<p>Finance Committee by the end of January 2009.</p> <p>Auditor's notes: Mid-Year status notes that other Auditor recommendations as they relate to assets are developed, the Capital Improvement Program Committee will review and determine the resource level required to meet this recommendation.</p> <p>Utilities tracks many of these in required reports to regulating bodies. Some of the data is tracked on an as needed basis. This could be done annually if required.</p> <p>Auditor's update as of Sep. 2009: Not started. Due to other workload issues, the City Manager's Office has delayed implementation.</p>
<p>#9 (GFOA recommended practice): Report trends in infrastructure spending and accomplishments in the jurisdiction's Capital Improvements Program including trends in spending, replacement cycle, and other important factors for each major infrastructure category.</p>	City Manager's Office	Not Started	<p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p> <p>Auditor's update as of Sep. 2009: Not started. Due to other workload issues, the City Manager's Office has delayed implementation.</p>
<p>#10: Staff should propose and the City Council should consider a sustainable capital budget that:</p> <ul style="list-style-type: none"> Provides additional funding for critical needs that have been identified in the infrastructure condition assessments, including construction cost inflation. Lists all other unfunded needs that were identified in those assessments in the annual capital budget document. 	City Manager's Office	In process	<p>Original department response: Staff is in general agreement with the audit recommendations.</p> <p>Auditor's update as of Nov-2008: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.</p> <p>Auditor's update as of Sep. 2009: In process. The City incorporated \$2M in on-going infrastructure funding into the long-range financial plan as a "placeholder" until a strategic funding plan is developed. The Infrastructure backlog was discussed during the development of the City's 2010 Capital Budget, and the budget documents identify the amount of infrastructure backlog. The City Manager's Office is working on developing a strategy for a sustainable infrastructure budget.</p>

AUDIT OF AMBULANCE BILLING AND REVENUE COLLECTION (Issued 02/02/09)

Finance Committee

The objective of the audit was to assess the overall efficiency and cost effectiveness of ambulance billing and collections. We also reviewed the City's contract for ambulance billing services and evaluated the contractor's compliance with key contract terms. Of the 17 recommendations, 11 are completed and 6 are in process.

<p>#1: The Fire Department, with the assistance of ASD, should:</p> <ol style="list-style-type: none"> 1) Work with the ambulance billing contractor to provide the City with monthly lists of accounts that are 180 days old and turn those accounts over to the City each month; 2) Develop a mechanism to ensure the ambulance billing contractor returns uncollected accounts in a timely manner; and 3) Work with the ambulance billing contractor to provide the City with a written plan for how it will ensure that it does not continue to bill accounts that have already been returned to the City. 	<p>Fire/ASD</p>	<p>Completed</p>	<p>Original department response: Staff agreed with this recommendation and noted steps they were taking to address each of the three items in the audit recommendation.</p> <p>Auditor's update as of Sep. 2009: Completed. The Fire Department and ASD report that staff has been meeting monthly with the contractor, is receiving updated lists of accounts, and is reviewing all accounts over 180 days to determine appropriate follow-up action. They also report that old accounts have been largely reconciled and are down to a minimal number in the process of completion. ADPI presented staff with a written plan containing a system-based control to prevent "re-billing" once an account has been assigned to a collection status. This status indicates the invoice was returned to the City and ADPI cannot re-bill. The Fire Department and ASD tested this control to their satisfaction and continue to review it during the monthly meetings.</p>
<p>#2: Once the ambulance billing contractor returns the older accounts to the City, ASD's Revenue Collections should review the accounts receivable balance to appropriately process and reconcile the outstanding balances.</p>	<p>ASD</p>	<p>Completed</p>	<p>Original department response: Staff agrees with the recommendation and Revenue Collections has initiated the review process. Monthly meetings with ADPI to review the oldest, open accounts began last November and will conclude by the end of February.</p> <p>Auditor's update as of Sep. 2009: Completed. The Fire Department and ASD report that increased diligence by all parties, better oversight and system checks/balances, and improvements to practices, procedures and compliance, has resulted in an on-going increase in ambulance revenue collections. Specifically, the Fire Department noted that the contractor's information shows \$2.4 million in cash receipts in FY 2009, an increase of about \$550,000 from the prior year. The cash receipts are those amounts the contractor collected, including collection of prior year accounts, which differs from fiscal year revenue.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#3: The Fire Department and ASD should work with the ambulance billing contractor to:</p> <p>1) provide the City with timely exception reports it regularly reviews to provide assurance that accounts do not remain unbilled if the system initially rejects the billing address, and</p> <p>2) implement a process to follow-up on the unbilled accounts</p>	Fire/ASD	Completed	<p>Original department response: Staff agrees and will incorporate regular reviews of reports to monitor billing address and other issues. With staff's input, ADPI has developed a more rigorous process to review accounts to ensure follow-up. This follow-up will occur at the staff monthly meetings.</p> <p>Auditor's update as of Sep. 2009: Completed. The Fire Department and ASD report that staff has been meeting monthly with the contractor and conducting monthly exception report reviews. This recommendation was also included and defined in the new contract.</p>
<p>#4 In order to improve and ensure continued improved contractor performance. ASD and Fire Department should continue to award the contact on a short-term basis (one year for example) and develop and incorporate measurable criteria to renew the contract based on satisfactory contractor performance.</p>	Fire/ASD	Completed	<p>Original department response: Staff agrees with this recommendation. As part of the current RFP process and in the future, staff will work to develop acceptable criteria.</p> <p>Auditor's update as of Sep. 2009: Completed. City staff developed and presented criteria for the contract's scope of services to the Finance Committee for approval. Staff incorporated the approved criteria into the new contract. The contract provides ambulance billing and collection services through September 30, 2010 with the option to extend annually for an additional two years based on satisfactory contractor performance. The City Council approved the new contract on October 5, 2009.</p>
<p>#5: The Fire Department and ASD should request the ambulance billing contractor to provide more consistent reporting to the City and provide supporting evidence that gives the City a reasonable level of assurance regarding the accuracy of accounts receivable balance and the predictability of write-offs.</p>	Fire/ASD	Completed	<p>Original department response: Staff agrees with the recommendation and has worked with ADPI to resolve this issue. Old account inventory has been processed and all statutory adjustments are being recorded and accounted for in accordance with the City's requirements. Monthly reports now include the level of detail necessary to address this recommendation.</p> <p>Auditor's update as of Sep. 2009: Completed. The Fire Department and ASD report that they have worked with ADPI to customize the monthly reports. The information and format now include the level of detail necessary for staff to have a reasonable level of assurance on the accounts receivable balance and write-offs.</p>
<p>#6: ASD should establish a bank account to receive patient credit card payments so that they are verifiable and no longer deducted from the ambulance billing contractor's invoice.</p>	ASD	Completed	<p>Original department response: Staff agrees and has initiated the process to establish direct deposit of all credit card payments into the City's bank account. Our bank (Wells Fargo) has been contacted to establish a new merchant account number and the application has been submitted to Moneris (ADPI's credit card provider). Direct deposit to the City's account is anticipated by the</p>

Audit report and recommendation	Department	Current status	Comments
#7: The Fire Department should develop a written process for conducting spot checks of billed ambulance services to help ensure consistent billings.	Fire	In Process	end of February 2009. Auditor's update as of Sep. 2009: Completed. ASD reports that the steps above were implemented in March 2009.
#8: The Fire Department should request that the ambulance billing contractor provide assurance to the City that it has sufficient internal controls in place to prevent duplicate billings. The Fire Department also should also assess its own practices and identify internal controls that will prevent two PCR's from being completed for the same patient.	Fire	Completed	Original department response: Staff agrees that a written policy will be developed and the Fire Department will confer with the Auditor's Office to recommend the parameters for conducting the "spot " checks. Auditor's update as of Sep. 2009: In process. The Fire Department reports that it is conducting joint spot checks and follow-up with the contractor and ASD. The Fire Department plans to formalize this joint process through a written policy. Once this policy is completed and implemented, the Auditor's Office will be able to consider the recommendation completed. Original department response: Staff agrees and will work with the vendor to put the necessary internal controls in place. The Fire Department will evaluate its' internal controls and develop policies to minimize or eliminate such occurrences. The current implementation of the electronic patient care report should minimize any possibility of duplication. Auditor's update as of Sep. 2009: Completed. The Fire Department reports that staff has monitored the ambulance billing contractor's billings and there have been no new occurrences of duplicate billing. The Fire Department also reports that the current implementation of electronic PCRs should provide additional internal controls to minimize any such occurrence in the future.
#9: Revenue Collections should work with the City Attorney's Office to clarify the applicable statute of limitations for billing patients for ambulance service.	ASD	In process	Original department response: Staff agrees and has already initiated the process. Revenue Collections has had conversations with the Attorney's Office and a meeting has been scheduled for follow-up. Revenue Collections will request annual reviews of the procedures to determine if changes are necessary. Auditor's update as of Sep. 2009: In process. ASD reports that it is in the process of updating written procedures to provide better clarification of the applicable statute of limitation time periods. ASD will forward the procedures to the City Attorney's Office for review and also plans to review them annually to determine if changes are necessary. Target date: June-2010.

Audit report and recommendation	Department	Current status	Comments
#10: After completing recommendation #8, Revenue Collections should revise write-off procedures for ambulance billing revenue. The revised procedures should reflect actual practices and should cite the criteria used in deciding whether to write off accounts.	ASD	In process	<p>Original department response: Staff agrees and will work to revise current procedures to reflect the recommendations and guidelines provided by the City Attorney's Office.</p> <p>Auditor's update as of Sep. 2009: In process. In conjunction with the written procedures for recommendation #9, ASD's Revenue Collections is also revising the written procedures for ambulance billing write-offs. Target date: June-2010.</p>
#11: The City Manager's Office should work with the Fire Department and the Administrative Services Department to identify key roles related to ambulance billing and to clarify in writing (with a table or matrix) specifically who is responsible for which roles.	City Manager's Office	In process	<p>Original department response: Staff agrees regarding the importance of this issue. ASD and Fire will work with the City Manager's Office to clearly define the necessary roles and responsibilities to achieve this goal.</p> <p>Auditor's update as of Sep. 2009: In process. The Fire Department and ASD report that they have been working together to identify key roles and responsibilities related to ambulance billing. Once these roles are finalized, the departments intend to submit a matrix to the City Manager's Office for review and approval. Target date: June-2010.</p>
#12: The Fire Department, the Administrative Services Department, and the ambulance billing contractor should establish a schedule to meet at least quarterly to stay informed about problems and opportunities related to ambulance billing.	Fire/ASD	Completed	<p>Original department response: Staff agrees and has been conducting monthly meetings since August 2008. These meetings have proved very beneficial in identifying any areas of concern and developing solutions for them by all parties. ADPI has agreed to additional meetings and to more frequent meetings as necessary.</p> <p>Auditor's update as of Sep. 2009: Completed. The Fire Department and ASD report that they are meeting monthly with the contractor and the monthly meetings are a requirement in the new contract. The new contract also provides the City with the ability to schedule additional meetings if deemed necessary.</p>
#13: The Fire department should take a lead role in monitoring the accuracy of invoices from the ambulance billing contractor. This should include verifying the accuracy of the invoice by reviewing supporting documentation if necessary, to understand how the amount was calculated.	Fire	In process	<p>Original department response: Staff agrees and the Fire Department will work to provide the necessary resources to satisfy this recommendation through reallocation of existing duties or other means.</p> <p>Auditor's update as of Sep. 2009: In process. The Fire Department reports that it is implementing a new procedure to monitor the accuracy of ambulance billing invoices and to review supporting data. Target date: June-2010</p>
#14: The Fire department should work with the Accounting Division in ASD to ensure the ambulance billing contractor's commission adjustment related to refunds, is correct.	Fire/ASD	In Process	<p>Original department response: Staff agrees and will work with ASD to provide a mechanism for adjustments that is accurate.</p> <p>Auditor's update as of Sep. 2009: In process. The Fire Department and ASD report that they are currently monitoring the contractor's commissions and have established a process to</p>

Audit report and recommendation	Department	Current status	Comments
#15: For the new ambulance billing contract, the City should clarify key provisions such as the 180-day timeframe to return uncollected accounts to the City and the provisions specifying the billing timelines the contractor will follow. Both should clearly state the start date from which the number of days are counted.	Fire	Completed	<p>review each monthly invoice for accuracy. They are planning to develop a written procedure to complete the audit recommendation. Target date: June-2010.</p> <p>Original department response: Staff agrees and these language provisions can be incorporated into and clearly stated in the contract language.</p> <p>Auditor's update as of Sep. 2009: Completed. The City Council approved a new contract on October 5, 2009. The new contract clarified the 180-day timeframe to return uncollected accounts to the City and the start date.</p>
#16: The City should attempt to negotiate a lower commission (than the current 7%) in the new ambulance billing contract.	Fire	Completed	<p>Original department response: Staff agrees and will attempt to negotiate into the contract language a lower commission rate.</p> <p>Auditor's notes; Mid-Year Fire is planning to ask ADPI to lower their commission rate in the contract amendment.</p> <p>Auditor's update as of Sep. 2009: Completed. The City Council approved a new contract on October 5, 2009. The new contract lowered the commission from 7% to 4.75%. Based on the 2007-08 revenue of \$2.02 million, this lower commission is anticipated to save the City at least \$45,000 in annual costs.</p>
#17: The Fire Department should ensure that all employees who access patient health data related to ambulance billing (in the Fire Department, ASD, and any other departments) complete HIPAA training.	City Manager's Office	Completed	<p>Original department response: Staff agrees and The Fire department will work with employees in other departments and Human Resources staff to assist in providing the necessary training. There are currently training programs mechanisms in place to easily accomplish this task.</p> <p>Auditor's update as of Sep. 2009: Completed. The Fire Department reports that it has implemented an on-line self-study training program that properly ensures completion of HIPPA regulation knowledge competency. The Fire Department will notify the appropriate departments of any changes in HIPPA regulations and ask each department to monitor their employees' training.</p>

AUDIT OF POLICE INVESTIGATIVE FUND (Issued 07/21/09)

Finance Committee

The purpose of our audit was to verify the accuracy of the reported cash on hand and assess controls over the use of the funds. The audit scope included a review of transactions since the prior audit in April 2007 through April 2009. Of the 3 recommendations, 2 were completed this year and 1 is in process.

#1: In our opinion, the Police Department should continue its update of the Police Investigative Fund procedures. We recommend that the Police Department update the PIF procedures to reflect actual practices including integration of the PIF procedures into the Department's approved policies.

City
Manager's
Office

In process

Original department response: Staff agrees with the recommendation.

Auditor's update as of Sept.-2009: In process. The Police Department reports that updated procedures have been submitted to the Human Resources Department and should be included in the Police Department's next updated policy manual. Target date: June 2010.

#2: We recommend that the Police Department update the PIF procedures to reflect actual practices including a requirement for the two officers who had direct knowledge of the disbursements from the PIF to document the final disposition of the funds on an updated form and/or updated log

City
Manager's
Office

Completed

Original department response: Staff agrees with the recommendation.

Auditor's update as of Sept.-2009: Completed. The Police Department added a section in the procedures which states that when funds are paid to an informant, two officers who had direct knowledge of the transaction between the informant and third party (person selling the narcotics, contraband, stolen property, etc...) shall sign the second page of the voucher which references the disposition of the funds.

#3: We recommend that the Police Department update the PIF procedures to reflect actual practices including clarification of the timing and responsibility for performing periodic cash counts of the PIF.

City
Manager's
Office

Completed

Original department response: Staff agrees with the recommendation.

Auditor's update as of Sept. 2009: Completed. The Police Department added a section in the procedures to reflect that Revenue Collections will complete a random, annual cash count of the PIF. The PIF will also be subject to random audits from the external financial auditors and City Auditor's Office. Revenue Collections reports that it is aware of this recommendation and will complete the random cash counts at times of their choosing.