



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

April 4, 2016

The Honorable City Council
Palo Alto, California

Policy and Services Committee Recommendation to Accept the Auditor's Office Quarterly Report as of December 31, 2015

The Office of the City Auditor recommends acceptance of the Auditor's Office Quarterly Report as of December 31, 2015. At its meeting on February 9, 2015, the Policy and Services Committee approved and unanimously recommended the City Council accept the report. The Policy and Services Committee minutes are included in this packet.

Respectfully submitted,

Harriet Richardson
City Auditor

ATTACHMENTS:

- Attachment A: Auditor's Office Quarterly Report as of December 31, 2015 (PDF)
- Attachment B: Policy and Services Committee Meeting Minutes Excerpt (February 9, 2016) (PDF)

Department Head: Harriet Richardson, City Auditor



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

February 9, 2016

The Honorable City Council
Attention: Policy & Services Committee
Palo Alto, California

Auditor's Office Quarterly Report as of December 31, 2015

RECOMMENDATION

The City Auditor's Office recommends the Policy and Services Committee review and recommend to the City Council acceptance of the Auditor's Office Quarterly Report as of December 31, 2015.

SUMMARY OF RESULTS

In accordance with the Municipal Code, the City Auditor prepares an annual work plan and issues quarterly reports to the City Council describing the status and progress towards completion of the work plan. This report provides the City Council with an update on the second quarter for FY 2016.

Respectfully submitted,

A handwritten signature in cursive script that reads "Harriet Richardson".

Harriet Richardson
City Auditor

ATTACHMENTS:

- Attachment A: Auditor's Office Quarterly Report as of December 31, 2015 (PDF)

Department Head: Harriet Richardson, City Auditor



CITY OF
**PALO
ALTO**

Quarterly Report as of December 31, 2015



Office of the City Auditor

"Promoting honest, efficient, effective, economical, and fully accountable and transparent city government."

Overview

The audit function is essential to the City of Palo Alto’s public accountability. The mission of the Office of the City Auditor, as mandated by the City Charter and Municipal Code, is to promote honest, efficient, effective, economical, and fully accountable and transparent city government. We conduct performance audits and reviews to provide the City Council and City management with information and evaluations regarding how effectively and efficiently resources are used; the adequacy of internal control systems; and compliance with policies, procedures, and regulatory requirements. Taking appropriate action on our audit recommendations helps the City reduce risks and protect its good reputation.

Highlights of Activities During the Quarter

- We published and presented the Audit of Parking Funds, which presented two findings and eight recommendations related to the City’s parking in-lieu and parking permit fees.
- We presented the City’s financial statements and reports, prepared by Macias Gini & O’Connell LLP, the City’s external financial auditor, to the Finance Committee and for recommendation to accept.
- We initiated the Request for Proposal process and evaluated proposals received for the City’s external financial auditor for fiscal years 2016 through 2020.
- Senior Performance Auditor Mimi Nguyen was asked to give a presentation at the Association of Local Government Auditor’s annual conference in May 2016 on the Office of the City Auditor’s use of SharePoint as a low-cost alternative to traditional, commercial audit management software.
- City Auditor Harriet Richardson was invited by the Comptroller General of the United States to sit on the Government Auditing Standards Advisory Council.

Below is a summary of our audit work for the second quarter of FY 2016 (as of December 31, 2015):

Title	Objective(s)	Start Date	End Date	Status	Results/Comments
Franchise Fee Audit	Determine if 1) the City accurately accounted for and oversaw the Media Center’s use of public, education, and government (PEG) fees, 2) the City established and defined roles and responsibilities to administer its cable communications program and state franchises awarded to Comcast and AT&T, and 3) Comcast and AT&T collected and promptly remitted the appropriate amount of franchise and PEG fees.	02/14	03/16	In Process	We have completed planning and field work and have drafted the report. A consultant conducted field work for the third objective and provided us with a draft of the results, which we have incorporated into the draft audit report. However, we are still clarifying issues that the consultant raised and will continue working with the City Attorney to resolve those issues. The City Attorney will review the draft report before we present it to the departments for review and comments. We expect to present the report to the Policy and Services Committee in April.

Title	Objective(s)	Start Date	End Date	Status	Results/Comments
Parking Funds Audit	Determine if the City's parking funds are properly calculated, collected, accounted for, and used in compliance with applicable laws, regulations, policies, and governing documents. The audit focuses on the Parking in-Lieu Fund and the University and California Avenues and Residential Parking Permit Funds.	05/14	12/15	Completed	We issued and presented the report, which included two findings and eight recommendations, to the Policy and Services Committee in December.
Fee Schedules Audit	Evaluate City processes for establishing fees to determine if the fees cover the cost of services provided when expected. The specific fees to be reviewed will be narrowed down during the planning phase of the audit.	06/15	06/16	In Process	The audit is in the planning phase. Estimated date of draft report is June 2016, and estimated date of final report is August 2016.
Disability Rates and Workers' Compensation Audit	Assess the effectiveness of activities to manage and minimize disability retirements and workers' compensation claims. Review of processes to ensure employee safety, tracking and reporting activities, contract administration, and efficiency of claim processing.	06/15	06/16	In Process	The audit is in the planning phase. Estimated date of draft report is April 2016, and estimated date of final report is June 2016.
Utilities Customer Service: Rate and Billing Accuracy Audit	Evaluate whether the Utilities Department properly implements rates and accurately bills customers.	06/15	06/16	In Process	The audit is in the planning phase. Estimated date of draft report is April 2016, and estimated date of final report is June 2016.
Citywide Analytic Development and Continuous Monitoring: Procure-to-Pay	Develop and implement a continuous monitoring system to increase audit efficiency and coverage through the use of read-only access to City data. The project will involve developing data analytics to identify high-risk areas and improvement opportunities in the City's core processes. The focus of this project is accounts payable.	06/15	04/16	In Process	The project is in the planning phase. Estimated date of draft report is March 2016, and estimated date of final report is May 2016.

Title	Objective(s)	Start Date	End Date	Status	Results/Comments
Citywide Analytic Development and Continuous Monitoring: Overtime	Develop and implement a continuous monitoring system to increase audit efficiency and coverage through the use of read-only access to City data. The project will involve developing data analytics to identify high-risk areas and improvement opportunities in the City's core processes. The focus of this project is use of overtime.	06/15	05/16	In Process	The project is in the planning phase. Estimated date of draft report is June 2016, and estimated date of final report is August 2016.
National Citizen Survey™	Obtain resident opinions about the community and services provided by the City of Palo Alto and benchmark our results against other jurisdictions that participate in the survey.	07/15	01/16	In process	The National Research Center (NRC) completed data collection and provided a draft report on December 4. After providing feedback, the NRC provided an updated report. We will present the results to Council at the annual retreat on January 30.

Other Monitoring and Administrative Assignments

Below is a summary of other assignments as of December 31, 2015:

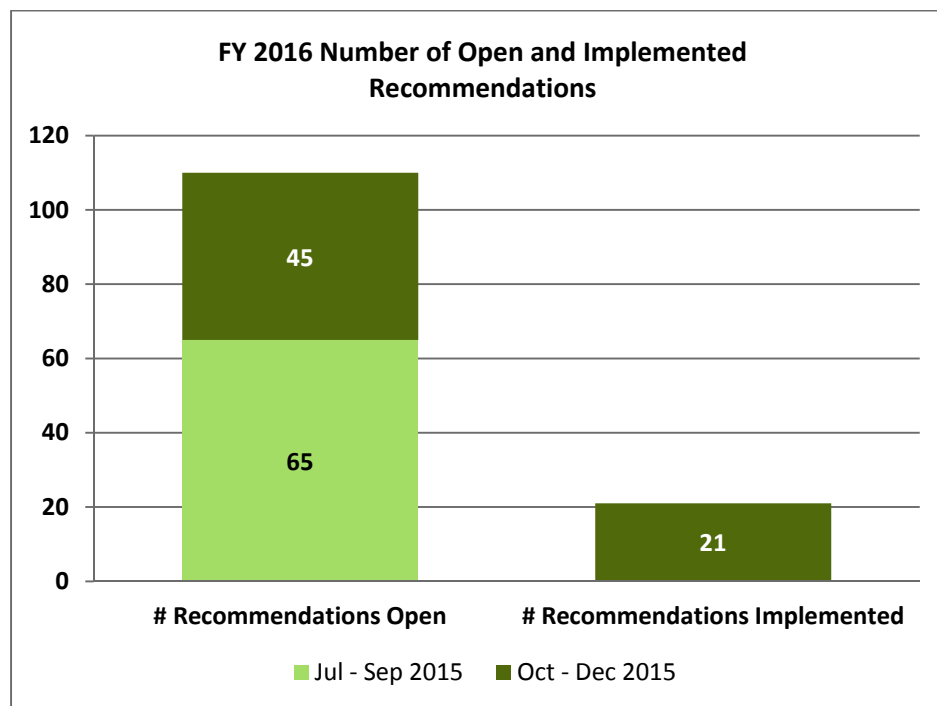
Title	Objective(s)	Status	Results/Comments
Sales and Use Tax Allocation Reviews	<p>1) Identify businesses that do business in Palo Alto that may have misallocated or underreported their sales and use tax and submit inquiries to the state for review and tax reallocation.</p> <p>2) Monitor sales taxes received from the Stanford University Medical Center Project and notify Stanford of any differences between their reported taxes and state sales tax information, in accordance with the development agreement.</p> <p>3) Provide Quarterly Status Updates and Sales Tax Digest Summaries for Council review.</p>	Ongoing	<p>1) Total sales and use tax recoveries for the second quarter were \$15,404 from our inquiries and none from vendor inquiries, for a total of \$16,912 year-to-date: \$15,404 from our office and \$1,508 from the vendor. Due to processing delays at the State Board of Equalization, there are 52 potential misallocations waiting to be researched and processed: 15 from our office and 37 from the vendor.</p> <p>2) We receive calendar-year sales tax information for the Stanford project about six months after the end of the calendar year. We will report the sales tax information for this project in our June 2016 quarterly report.</p> <p>3) Quarterly sales tax reports are published on the Office of the City Auditor website at www.cityofpaloalto.org/gov/depts/aud/reports/default.asp.</p>

Title	Objective(s)	Status	Results/Comments
City Auditor Advisory Roles	Provide guidance and advice to key governance committees within the City.	Ongoing	The City Auditor continues to serve as an advisor to various boards and committees: Utilities Risk Oversight Committee, the Library Bond Oversight Committee, the Information Technology Governance Review Board, and the Information Security Steering Committee.

Status of Audit Recommendations

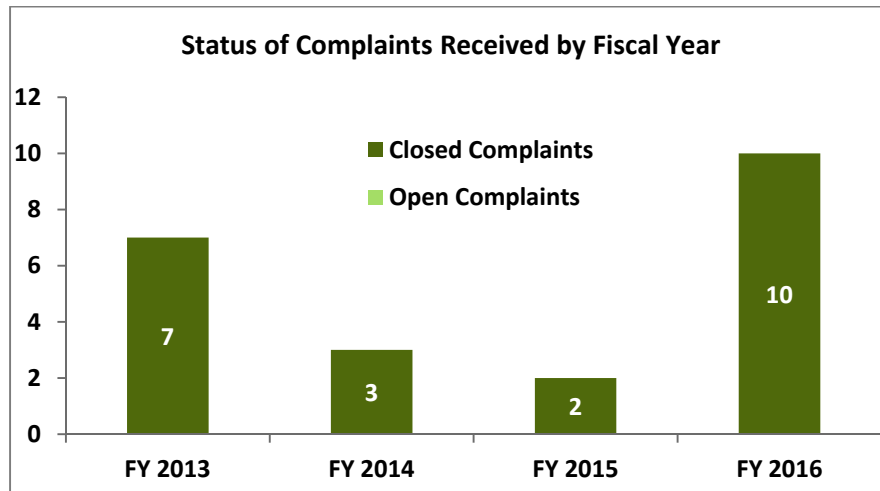
Below is a summary of audit recommendations as of December 31, 2015:

Audit Title	Date Issued	Total Recommendations	# Implemented During Quarter	# In Progress/Open
Employee Ethics Policies	01-23-08	7	3	0
Fleet Utilization and Replacement	04-14-10	22	0	4
Citywide Cash Handling and Travel Expense	09-15-10	11	1	2
SAP Security	10-18-11	21	1	0
Contract Oversight: Trenching and Installation of Electrical Substructure	11-05-13	6	0	2
Inventory Management	02-18-14	14	0	14
Solid Waste Program	06-03-14	16	16	0
Utility Meter Audit: Procurement, Inventory, and Retirement	03-10-15	15	0	15
Police Department: Palo Alto Animal Services	04-22-15	8	0	8



Fraud, Waste, and Abuse Hotline Administration

The hotline review committee, composed of the City Auditor, the City Attorney, and the City Manager, or their designees, meets as needed to review hotline-related activities. We received 3 hotline complaints during the second quarter of FY 2016, which were all various forms of four other complaints related to the same issue and were already under investigation. External investigators were hired to investigate nine of the open complaints, and an internal investigation was done on the tenth complaint. The investigations for all ten complaints received to date during this fiscal year were closed during this quarter. Three of the allegations were within the scope of fraud, waste, or abuse as defined in the hotline protocols, but the investigations did not identify evidence to support the allegations. The remaining issues were determined to be outside the scope of the hotline protocols. The chart below summarizes the status of complaints received in each fiscal year since the hotline was implemented.



Source: City of Palo Alto hotline case management system as of December 31, 2015



POLICY AND SERVICES COMMITTEE TRANSCRIPT

Regular Meeting
February 9, 2016

Chairperson DuBois called the meeting to order at 7:03 P.M. in the Community Meeting Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Berman, DuBois (Chair), Kniss arrived at 7:08 P.M., Scharff

Absent:

Agenda Items

2. Auditor's Office Quarterly Report as of December 31, 2015

Harriet Richardson, City Auditor: Good evening, Harriet Richardson, City Auditor, here to present the Office of the City Auditor's Quarterly Report as of December 31, 2015. Some highlights of activities during the quarter. We published and presented the audit of parking funds, which presented two findings and eight recommendations related to the parking in-lieu and the parking permit fees. The primary issues were that they needed better methodology to track the cost of construction and update parking in lieu fees in a timely manner and that the errors caused the City to overdraw the bonds used to construct the two most recently built garages. They will be defeasing a portion of--ASD (Administrative Services Department) will be diffusing a portion of those funds to correct that. We presented the City's Financial Statements and Reports presented by Macias Gini and O'Connell, the City's external financial Auditor, to the Finance Committee for recommendation to the Council to accept. And we also initiated, so that the financial audit was expiring, it ran for five years, the External Financial Auditor Contract ran for five years and we initiated the request for proposal (RFP) process and evaluated proposals received for the City's external financial Auditor for fiscal years 2016 through 2020. We are currently processing that contract and that will be presented to the Council as a Consent Item on the March 14th Agenda. We are expecting to retain the same firm. Senior Performance Auditor Mimi Nguyen was asked to give a presentation at the Association of Local Government Auditor's annual conference in May, 2016, on the Office of the City Auditor's use of SharePoint as a low cost alternative to traditional commercial audit and management software. We'll also do a presentation to ELT (Executive Leadership Team) in two weeks on the ways that we're using it. By

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implementing SharePoint in our office, we were able to save \$12,000 a year by discontinuing the use of "TeamMate," which is a commercial audit management software package. I was invited by the Comptroller General of the United States to sit on the Government Auditing Standards Advisory Council. In the world of auditors, that is probably the most prestigious appointment you can get, so I'm happy to announce that I'll be serving on that Council.

Chair DuBois: Congratulations.

Ms. Richardson: Thank you. So moving on to the audits that we're doing, the active audits. The franchise fee audit--this has been a very complex audit. It seems like every time we turn around, there's a new issue coming up. We've been working very closely with the City Attorney on this audit. I'm wrapping up some issues on that this week and we should be able to move forward with that shortly. We do have it tentatively schedule to present to the Policy and Services Committee (Committee) in April. I already mentioned that we wrapped up the Parking Funds Audit. We have three audits that are currently in field work phase. They were in the planning phase at the end of the quarter. That's the Disability Rates and Worker's Compensation Audit, the Utilities Customer Service Billing and Rate Accuracy Audit and the Citywide Analytical Group Development and Continuous Monitoring audit of procure-to-pay, which is really focusing on accounts payable, regarding duplicate payments and duplicate master records for vendors. So all of those that auditors have been actively discussing issues that they have been identifying as the audits progress. We're also doing a Fees Schedules Audit that has not progressed passed the planning phase while the auditor working on that is focused on the procure-to-pay Continuous Monitoring Audit. And then we're also doing another Continuous Monitoring Audit on overtime. That one was in planning at the end of the quarter, the Auditor has done some field work on that, but has been primarily been focusing on Worker's Comp. (Compensation) audit. That one scheduled to be presented in August. As of the end of the quarter, we're in the process of finishing up the National Citizen Survey and the Performance Report. Both of those were scheduled to be presented to the Council at the annual retreat on January 30 and that did happen, but they were in progress at the end of the quarter. On an annual basis, we have one Auditor who works with a consultant and also has worked on her own to identify businesses that may have under recorded their Sales and Use Tax. To date this year, we've collected \$16,912 that included \$15,404 for this quarter. We are on the low side for the year. I did go back and look at previous years and we are actually lower than each of the last four fiscal years (FY), so I will be monitoring that. You may want to look at whether that is work that we should continue doing, whether it's cost effective to

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continue doing that work in our office. We've continued doing our City Auditor Advisory Roles serving on the Utilities Oversight Committee, the Library Bond Oversight Committee and the IT (Information Technology) Governance Review Board and the Information Security Steering Committee. We are expecting the Library Bond Oversight Committee to wrap up pretty soon, and so that role will go away when that happens. New in this year, in this quarterly report, we started to put the status of audit recommendations as just a summary here because the departments are now reporting directly to you on the status of those recommendations. So during this quarter, the departments implemented forty five recommendations that allowed us to close out three audits; the Employee Ethics Policies Audit, the System Application and Data Processing (SAP Security Audit and the Solid Waste Program Audit. We still have two audits that are more than five years old. Those are in progress; Fleet Utilization and Replacement. I know that we will be closing that one out in our next quarterly report and the Citywide Cash Handling and Travel Expense Audit. The other audits are newer audits, but they still need some work to get those closed out. The last item on the report is the Fraud, Waste, and Abuse Hotline. So during fiscal year 2016, we received ten complaints, seven of those were variations of the same issue. For all of these complaints, for nine of the complaints, we used an external investigator to investigate them for one we used internal Staff investigated them. We did close out all of those audits as the unsubstantiated, and so moving forward, we currently have no open investigations. That concludes my report and I'll answer any questions.

Council Member Berman: Thank you very much Harriet for the presentation and congratulations on being an advisor to serve on the Government Standards Advisory Council, very cool. A follow up question that I had, mainly about the last page of the report, the Status Audit and recommendations. So the first is just kind of a point. I was confused at first and I just figured out the confusion. The graph at the bottom, it seemed like it should be broken out into three different--what it looked like was that the number of recommendations open was a 110.

Ms. Richardson: Right. So the 65 should have actually have been 66.

Council Member Berman: Oh, no, but is also should be a separate bar because what that is that is recommendation that were opened July to September and the 45 on top is essentially, the 45 same recommendations showing that ...

Ms. Richardson: The 45 of the 66, correct, okay.

Council Member Berman: But it shows--yeah, you kind of see where I'm--

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Ms. Richardson: Yes, yes.

Council Member Berman: So that would just make it a little easier to follow. This might be a question for Jim, but on the Inventory Management, the Utility Meter Audit and the Police Department Program and Services Audit-- Well, I guess, it shows those are in progress, so is it that--Harriet, do you feel that Staff is moving forward on things or things just totally been dropped and aren't being acted upon or--are we in progress or are we--why are we (Crosstalk)

James Keene, City Manager: I'll let Harriet speak to it, but also when we're in annual, you'll see on the March 22, 2016, Policy and Service Committee, we actually have an audit update on Animal Services and Inventory before Policy and Services, so we'll have the Staff here to give that ...

Council Member Berman: More in details. Perfect.

Ms. Richardson: So Animal Services, I know that they're some work being done on that. I know that they went up for an RFP and that there's some work being done on that. Utility Meter Audit, I have not received any update. The Fleet Management, I have reviewed up to the end of this quarter. I have since reviewed the Status Report and know that will be closing that one. Inventory Management Audit, we did receive a draft of the Status Report and I talked to the Auditor today on that one who is reviewing it and there are some issues we're going to have to go back on so I'm not sure how many of those were actually end up being closed or will remain in progress at this point.

Council Member Berman: Okay. Sorry, you said that the Utility Meter auditing, you have not gotten an update on?

Ms. Richardson: Correct.

Council Member Berman: So Jim, is there any plans to ...

Mr. Keene: That one has been on a slower track schedule for the April 12, 2016 Policy and Services Committee meeting, so ...

Council Member Berman: Okay.

Mr. Keene: That will explain it then.

Council Member Berman: Okay. I know there's been changes, etcetera. So a question on the Fraud Waste Abuse Hotline (Hotline), so you mentioned that seven were determined not good fit within the parameters of the Hotline

...

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Ms. Richardson: Actually several of them. The seven referred to variations of the same issue.

Council Member Berman: Okay. So hypothetically speaking, maybe not necessarily with that specific example then, but if something is reported that doesn't fit necessarily within the confines of Fraud Waste and Abuse, what happens then? Is there something that gets investigated or does it just get dropped completely because it doesn't fit this purpose?

Ms. Richardson: Most of the ones we did determine did not fit within the protocols that we set for the Hotline, which was that they would be Fraud Waste and Abuse topics, but they still did get investigated.

Council Member Berman: Okay, and acted upon if warranted?

Ms. Richardson: Yes.

Council Member Berman: Okay, great. And Fraud, Waste, and Abuse, Abuse meaning abuse of City funds that kind of thing, or abuse meaning, my boss yelled at me and I'm mad at them about it?

Ms. Richardson: It does not mean that. It does mean more like the first, abuse of resources, City resources. My boss yelled at me, would be treated more like a personnel type of action.

Council Member Berman: Handed over to Human Resources (HR) then?

Ms. Richardson: Correct. However, it is the type of thing you could look at and say, is it abuse of authority, but we aren't currently looking at it that way.

Mr. Keene: Many things we get ended up involving HR, they can involve the City Attorney and this predates I think your being on the Council when we were discussing this, but it's pretty clear that the definitions of Fraud, Waste, and Abuse get fuzzier the further away you get away from fraud, for example. And the truth is, it's sort of like, beauty is in the eye of the beholder. People can still make complaints based on their perception of saying, you know, I think this is some kind of an issue and it can be that the initial investigation would say, well, that really doesn't meet that test or it does or potentially or it is something else, but sometimes we'll sort of say maybe, who knows, maybe a relationship, just a problem between two people and then we can refer them to that. And often still addressed that and deal with that even though it doesn't (Inaudible.)

Council Member Berman: Right. Thanks.

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Chair DuBois: Liz?

Council Member Kniss: So Harriet, would you go into some more details into the Sales and Use Tax and with the fact that there are 52 potential misallocations and so forth.

Ms. Richardson: So we fill out a form when we identify a business that has potentially underpaid its taxes. We fill out a form that's called short form

Council Member Kniss: Did they purposely do it? Is that the question?

Ms. Richardson: We don't know because we don't actually do the audit. So we fill out a form called the Short Form. We send it to the State Board of Equalization and they do the investigation. Usually it's been where they allocated their tax for example to a different City accidentally. It's not usually intentional that they don't pay. It's usually misallocated to another City. We also contract with MuniServices who does similar work. The 52, we do rely on the State to do the audit work on that and send us back and tell us yes, they identified it as a misallocation and they're transferring the funds back to the City. The auditor in my office who works on that told me that they have a backlog at the State due to some Staff shortages. That's why you see so many that are pending at the State. 52 is a pretty large number of short forms to be waiting to be reviewed.

Council Member Kniss: Not a huge amount of money, right?

Ms. Richardson: We don't know until we actually get it. So I went back and look at previous quarters, and the range that we get in any one quarter, we had two quarters in the past five years where we didn't get anything and then we had one quarter where we only got a \$6,200. Then we had a quarter where we got \$93,000. And so it really kind of depends on the business and how the money was misallocated.

Council Member Kniss: Okay. Thanks on that, that was my question.

Vice Mayor Scharff: On the Parking Funds just so I understood it, we gave money back.

Ms. Richardson: We're going to. It hasn't been done yet.

Vice Mayor Scharff: Who do we give the money back to?

Ms. Richardson: What they're actually--their intent is to defease a portion of the bonds, which means they'll call in some of the bonds.

Vice Mayor Scharff: Oh, so we pay off the bonds?

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Ms. Richardson: A portion of them.

Vice Mayor Scharff: We pay off a portion of the bonds. Okay.

Ms. Richardson: I believe that they are going to do that when they do the--once they get approval on the mid-year Budget adjustments.

Vice Mayor Scharff: So it's been a little while since I thought about this. So we have--these are the open audits on the page, right? And you said that the Fleet Utilization and Replacement Audit is likely to be closed pretty soon?

Ms. Richardson: It will. I already reviewed the Status Reports.

Vice Mayor Scharff: So that's the four recommendations would have been completed?

Ms. Richardson: Yes.

Vice Mayor Scharff: So on each of these, there are very few recommendations left to be completed with the exception of the inventory management one, right? And the Utility Meter Audit one?

Ms. Richardson: Correct. The Utility Meters and the Animal Services were just released last year, so ...

Vice Mayor Scharff: Why does it take too long to get the audit recommendations done?

Mr. Keene: Well, I don't know that it's always years.

Vice Mayor Scharff: Okay. 2008, we have gone finally completed on the employee ethics. 2010, we have four left ...

Mr. Keene: Well ...

Vice Mayor Scharff: I'm just asking. At least I'll know why it takes years.

Mr. Keene: I'd say it takes--let's see, how long is it taking us to assess and make changes on our enterprise system that isn't subject to an audit or an ERP (Enterprise Resource Planning)? Six, seven years we've been working on it. A lot of these things are change efforts. In this case, the auditor identifies deficiency or changes and in truth, they're sometimes about--even working through whether or not--what does it take to actually implement the change, which is sometimes more difficult than identifying the change in whether or not it really has a good payoff for us and there's back and forth, that sort of thing, so.

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Ms. Richardson: Well, I'd also like to add, on the Animal Services audit, that was really the first audit where I was completely involved after I arrived here. And I made bigger effort than I think had been done in the past to work with the City Manager's office and Staff involved in the audit to make sure that the recommendations would be feasible. I know that for that particular one, there was--there's sometimes a progression that you can't do some things until you've done other things, so on that particular one, that's definitely the case, but I think us moving forward, we are trying to make more of an effort to make sure the recommendations make sense, that they're feasible and that it can be implemented although it doesn't necessarily always mean they can be implemented quickly. One of the other things I've asked my Staff to do, because of the ERP project, to start making note of weaknesses that are the result of the current SAP system and rather than focusing on making changes to that when we're going to be changing from SAP to something new, which might still be SAP, but a newer version of it, to make recommendations to hold off on those that we will make a list that we can make sure that we're addressing those types of issues when the new ERP system is implemented.

Vice Mayor Scharff: So the next time we see these reports, the ones that have zeros will no longer be on here. Is that correct?

Ms. Richardson: Correct. And so as we issue new audits, you'll start seeing those added and as audits gets closed they'll fall off the list.

Vice Mayor Scharff: When we complete an audit, right? When there's a bunch of recommendations--I remember you come in and present the audit and the department head is usually here. That was the last time I remembered it. And then there's sometimes discussions about whether or not we think that we should implement the recommendations and we have that discussion. Should, would it be also helpful, and maybe it's not easy to do, but to set expectations at least for Council Members and the public who (Inaudible), well these are the 14 recommendations, we agree they can be done, but you know, we need to do this one first, so we expect it. This will be done over a two-year period or we expect it will--I mean, is there any of that, that sort of--cause it's really hard to oversize a Council Member when--you know, you see this on an infrequent basis, you know, the other recommendations hanging around maybe for a real good reason. I'm not saying they're don't, but it's really hard to do any sort of oversight and figure that out.

Ms. Richardson: When we issue an audit now, when we ask for the audit response from the departments, which basically comes from, through the City Manager, we give them a template that has the audit recommendation,

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what was the audit recommendation, and then we ask them to write their implementation plan and in estimated completion date. And the Status Reports that you will start seeing as the new Committee, those take that template and they update that status. And so you'll see the original estimated completion date and then you'll see how that changes over time if the recommendation did not get implemented by that date.

Vice Mayor Scharff: And on the Fraud, Waste, Abuse and Hotline, have we ever had a complaint that turned out to be legitimate?

Ms. Richardson: The only one that turned out to be legitimate was the one that our office investigated by doing an audit and that was the contract oversight trenching and installation of electrical substructure.

Vice Mayor Scharff: And that originally came in ...?

Mr. Keene: Last year or something.

Ms. Richardson: That was 2013.

Vice Mayor Scharff: So that was around the seven in 2013, and that we then launched an audit?

Ms. Richardson: Yes.

Mr. Keene: I can assure you we have other complaints that don't come through the Hotline that are valid. (Inaudible)

Vice Mayor Scharff: No, I understand. Just wondering, you know, I mean, it's nice to have a Fraud, Waste, and Abuse Hotline I suppose, but I'm really curious as to--to some extent how effective it's being and you know, whether or not it takes a lot of Staff time and you know, maybe it doesn't take much Staff time at all and whether or not it's being useful. It may be, I'm just curious as to, you know, we've had one--so we've had one out of, you know, out of 22.

Vice Mayor Scharff: I do want metrics on things. I actually disagree. I actually think that part of our role is to be, not necessarily be political, and that if ...

Council Member Kniss: I can see they have it on there.

Vice Mayor Scharff: That's fine, I can see that too. I understand the need for it. I'd say if we had--I'm not ready on 22, but I would say that, you know, if we go five years and we have one legitimate complaint, you told me

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it takes a 100 Staff hours a year, I think that's a waste of Staff time. And I would at that point suggest we get rid of it.

Ms. Richardson: I would say, right now it's not taking a lot of our Staff time based on the number of hours, but I will say that it is costly to do an investigation, particularly if we're hiring outside investigators.

Mr. Keene: I just want to say one thing really quick. I think as it relates to the schedule, I think it's important to remember that there is specific process for audits and the back and forth and I want to say that it is kind of like lawyers exchanging, you know, briefs and--but there is an aspect of that. There's a timeframe and a gap and so let's just take the Employee Ethics Policies, that is done as far as I'm concerned. Not only have we adopted two years ago the Ethics Policy, we are training every single employee through the Institute of Local Government. The only City in all of California to train every employee in our--half day, in our ethics program and in our Ethics Policy. And yet because of the way we sequence this, and there five years' worth tough languishing before Harriet got here, you know what I mean, to actually close something out. We just haven't gotten to that yet.

Chair DuBois: Well, since this is your work plan for the quarter, I guess what happens after June 16, 2016? You're not starting any audits that are further out?

Ms. Richardson: If someone finishes an audit, they will get started on a new audit that's currently on our work plan, our adopted work plan.

Chair DuBois: Right now, nobody's working on anything else beyond June, etcetera?

Ms. Richardson: Correct.

Chair DuBois: Okay. So come June, you'll typically have other people freeing up?

Ms. Richardson: I'll be coming forward with a new audit plan for next year. In the past, they presented the audit plan usually at the first Policy and Services Committee after the summer break. Last year, I did it early so it would be in effect by the time the fiscal year starts and that's my plan to try to have it presented at the June Policy and Services Committee, so we'll always have it at the beginning of the fiscal year.

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Chair DuBois: Okay, good. And then on the Status Table, is it true that the difference between open and total are the closed ones or is there any other status?

Ms. Richardson: Yes, that is true.

Chair DuBois: Is it worth showing the status column of not just open, but maybe items in contention? Is there such a category? The ones that are going to be implemented and they have a work plan. There may be others that are remained opened within their work plan.

Ms. Richardson: Right. And I would say for the older ones where I wasn't here, I can give you an example on the Travel Expense Audit where there was an old recommendation that didn't necessarily makes sense. I've been trying to work through those with the departments (Crosstalk.)

Chair DuBois: Did you dispose of them yourself ...?

Ms. Richardson: Well, as an example for the Travel Expense one, there was a recommendation that we should be making sure that we have the receipt for every meal when employees travel. And that's sort of a very administratively costly way to manage your travel expenses. Per diem is more common, is accepted by the IRS (Internal Revenue Service), it's the way the Federal Government does it. There's a study that the Federal Government did where they went back and revisited, and so when I met with ASD (Administrative Services Department), we worked through that and said no, I don't think that recommendation is a reasonable recommendation and they've revised the travel policy based on me saying, no you don't have to get receipts. So I'm trying to work through some of those to make them not be contentious moving forward.

Chair DuBois: And the last question, just on the hotline. We had talked at one point about maybe you putting together some materials, or maybe the new HR Director, want me to go ahead and do that or?

Ms. Richardson: Correct. Well, one of the things I want to do is to go back and talk to some other cities that have hotlines and see how they're doing it. I do have policies and procedures from the City of Toronto, which is considered kind of the model for how hotlines are handled. I don't have any from other cities yet, but I plan to get those and just kind of look though and see are we doing it the right way or should we be doing it differently.

Chair DuBois: Can I get a Motion to accept the Auditor's Report?

Council Member Berman: So moved.

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Council Member Kniss: Second.

MOTION: Council Member Berman moved, seconded by Council Member Kniss to recommend the City Council accept the Auditor's Office Quarterly Report as of December 31, 2015.

MOTION PASSED: 4-0