



City of Palo Alto
Policy and Services Committee Staff Report

(ID # 6608)

Report Type: Action Items

Meeting Date: 3/22/2016

Summary Title: Status Update of Audit Recommendations for Fleet Utilization and Animal Services Audits

Title: Staff Recommendation That the Policy and Services Committee Recommend the City Council Accept the Description of the Status of Audits for the Fleet Utilization and Replacement Audit and the Animal Services Audit

From: City Manager

Lead Department: City Manager

Recommendation:

Staff recommends the Policy and Services Committee recommend that the City Council accept the attached Status of Audit Recommendations for the Fleet Utilization and Replacement Audit and the Animal Services Audit.

Executive Summary:

City Staff have been working with the City Auditor’s Office to address open audit recommendations. Over the past few months staff have been presenting status updates to the Policy and Services Committee to communicate progress made in addressing recommendations made from past audits. The attached status reports provide an update on recommendations made regarding the Fleet Utilization and Replacement Audit and the Animal Services Audit. As documented in the attached reports, all recommendations in the Fleet Utilization and Replacement Audit have been completed. Staff is still in the process of completing the recommendations included in the Animal Services Audit. During upcoming Policy and Services meetings staff will schedule updates on remaining open audit recommendations.

Background:

The City Auditor previously issued audits regarding Fleet Utilization and Replacement and Animal Services. Staff has been working to implement the Auditor’s recommendations. The attached reports provide an update on the status of the audit recommendations contained in these audits. As documented in the attached reports, all recommendations in the Fleet Utilization and Replacement Audit have been completed. Staff is still in the process of completing the recommendations included in the Animal Services Audit. Following presentation to the Policy and Services Committee and the City Council, updates will be

scheduled every six months for any remaining open audit recommendations. As new audits are completed updates will be scheduled six months following the Auditor's presentation to the City Council to keep the City Council updated on progress made.

Attachments:

- Fleet Utilization and Replacement Audit Status Report (DOCX)
- Animal Services Audit Status Report (DOCX)

**STATUS OF AUDIT RECOMMENDATIONS
FLEET UTILIZATION AND REPLACEMENT – ISSUED 4/14/10**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
Finding 1: The City recently avoided spending about \$2.5 million in FY 2010 through a temporary freeze on non-urgent fleet replacements, but longer term efficiencies can be realized through right sizing the City’s vehicle and equipment fleet				
8. Public Works Fleet Management should have the authority and responsibility to manage and operate the City fleet to ensure optimized use of fleet resources.	Public Works	Target Date Not Provided Staff and the Fleet Review Committee (FRC) will revise the Vehicle/Equipment Policy to include a new description of PWD Fleet Management's authority and responsibility to manage and operate the City fleet.	Complete	<p>January 2016 Management Update: The Vehicle and Equipment Use Policy 4-01/PWD Policy Statement states that the public works Fleet Management Group has the authority and responsibility to operate the City’s fleet to ensure optimized use of fleet resources.</p> <p>October 2015 Management Update: We are in the process of amending Policy and Procedures 4-01/PWD: Vehicle and Equipment Use, Maintenance and Replacement throughout to include PWD Fleet Management’s authority and responsibility to manage and operate the City fleet. Staff expect to present a draft policy to FRC in early 2016 for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. Expected Completion Date: March 2016</p> <p>June 2014 Management Update: Policy and Procedures (P&P) 4-01 gives the Fleet Manager the responsibility and authority to operate the fleet. In addition, the Fleet Review Committee oversees important fleet issues and provides direction to the Fleet Manager. The authority for vehicle use comes from the Fleet Review Committee who approves all vehicle replacements and acquisitions. The Fleet Review Committee's roles will be memorialized in the revised policy. A policy update and integration of new sections are in process and will be fully complete by the end of the calendar year. The draft policy will be presented to FRC in September/October for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. Expected Completion Date: 12/31/14</p> <p>2013 Management Update: Individual policy sections are currently being developed but finalization will not occur until after the operational study recommendations are brought to Council by the end of the calendar year.</p>
10. PWD Fleet Management should revise the policy and procedures to clarify the take-home policy and conduct routine follow-ups with departments to document	Public Works	Target Date Not Provided Staff and the FRC are revising the Vehicle/Equipment Policy to include clarifications to the take-home policy and will require	Complete	January 2016 Management Update: The Vehicle and equipment Use Policy 4-01/PWD Section I. “Vehicle and Equipment Use”; Subsections D. “Standby Vehicle Use” and G. “Occasional Overnight Use” clarify the procedures to be used by staff in the event that they need to take home a City vehicle including documentation requirements.

**STATUS OF AUDIT RECOMMENDATIONS
FLEET UTILIZATION AND REPLACEMENT – ISSUED 4/14/10**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
adherence to the policy.		take-home vehicle users to provide documentation to ensure their adherence to the policy.		<p>October 2015 Management Update: We are in the process of amending Policy and Procedures 4-01/PWD: Vehicle and Equipment Use, Maintenance and Replacement to clarify the take-home policy and advise of annual follow-ups with departments to document adherence to the policy. Staff expect to present the draft policy to FRC in early 2016 for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. Expected Completion Date: March 2016</p> <p>June 2014 Management Update: The Vehicle Use policy is being rewritten. Changes to the existing policy, or adherence to the existing policy will be under direction from the Fleet Review Committee. A policy update and integration of new sections is in process and will be fully complete by the end of the calendar year. The draft policy will be presented to FRC in September/October for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. Expected Completion Date: 12/31/14</p> <p>2013 Management Update: Individual policy sections are currently being developed but finalization will not occur until after the operational study recommendations are brought to Council by the end of the calendar year.</p>
13. Public Works Department fleet management should develop written criteria for assessing the need of non-rolling stock equipment.	Public Works	<p>Target Date Not Provided</p> <p>Staff and the FRC are revising the Vehicle/Equipment Policy to include new standards and criteria for assessing the need of non-rolling stock equipment.</p>	Complete	<p>January 2016 Management Update: The Vehicle and Equipment Use policy 4-01/PWD Section IV. “Replacement Program”; Subsection D. “Minimum Use Requirements” includes the new standards and criteria for assessing the need of non-rolling stock equipment. Also, Attachment B. “Fleet Replacement Criteria” spells out the replacement criteria for both vehicle and non-rolling stock equipment included in the City’s fleet.</p> <p>October 2015 Management Update: We are in the process of amending Policy and Procedures 4-01/PWD: Vehicle and Equipment Use, Maintenance and Replacement to include department operational needs outside the budget process. Staff expect to present the draft policy to FRC in early 2016 for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. Expected Completion Date: March 2016</p> <p>June 2014 Management Update: The written 5-year replacement plan addresses “non-rolling” stock. The factors used in assessing this type of equipment are engine hours, regulatory compliance, safety, obsolescence,</p>

**STATUS OF AUDIT RECOMMENDATIONS
FLEET UTILIZATION AND REPLACEMENT – ISSUED 4/14/10**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
				<p>and maintenance costs. The revised vehicle use policy will memorialize these factors. A policy update and integration of new sections is in process and will be fully complete by the end of the calendar year. The draft policy will be presented to FRC in September/October for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. Expected Completion Date: 12/31/14</p> <p>2013 Management Update: Individual policy sections are currently being developed but finalization will not occur until after the operational study recommendations are brought to Council by the end of the calendar year.</p>
<p>Finding 3: Internal controls over fuel and parts inventory can be improved.</p>				
<p>21. PWD Fleet Management should include requirements for securing vehicles and equipment within the fleet policies and procedures.</p>	<p>Public Works</p>	<p>Target Date Not Provided</p> <p>Staff and the FRC are revising the Vehicle/Equipment Policy to incorporate requirements for securing vehicles and equipment.</p>	<p>Complete</p>	<p>January 2016 Management Update: The Vehicle and Equipment Use Policy 4-01/PWD Section I. "Vehicle and Equipment Use"; Subsection A. "General Use – Safety" states that employees are responsible for securing City vehicles and equipment at all times when the vehicles or equipment are unattended. This policy subsection further states that securing vehicles and equipment includes not only locking doors, but also making sure tool boxes and any auxiliary equipment is locked and secured.</p> <p>October 2015 Management Update: We are in the process of adding requirements for securing vehicles and equipment to the "Safety" section of Policy and Procedures 4-01/PWD: Vehicle and Equipment Use, Maintenance and Replacement with the language "Employees are responsible for securing their vehicle at all times when the vehicle is unattended. Securing a vehicle includes not only locking the doors but also making sure tool boxes and any auxiliary equipment is locked." Staff expect to present the draft policy to FRC in early 2016 for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. Expected Completion Date: March 2016</p> <p>June 2014 Management Update: Revisions to vehicle use policy (P&P 4-01) will include modification to section 1, item 2, "Safety". The existing language in that section will include the following language: "Employees are responsible for securing their vehicle at all times when the vehicle is unattended. Securing a vehicle includes not only locking the doors but also making sure tool boxes and any auxiliary equipment is locked." A policy update and integration of new sections is in process and will be fully</p>

**STATUS OF AUDIT RECOMMENDATIONS
FLEET UTILIZATION AND REPLACEMENT – ISSUED 4/14/10**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
				<p>complete by the end of the calendar year. The draft policy will be presented to FRC in September/October for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. Expected Completion Date: 12/31/14</p> <p>2013 Management Update: Individual policy sections are currently being developed but finalization will not occur until after the operational study recommendations are brought to Council by the end of the calendar year.</p>

**STATUS OF AUDIT RECOMMENDATIONS
POLICE DEPARTMENT: PALO ALTO ANIMAL SERVICES – ISSUED 4/22/15**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
Finding: Palo Alto Animal Services (PAAS) faces challenges that are unlikely to be resolved if it continues operating as solely a city-managed function without a significant increase in general fund subsidy, donations, and/or revenue-generating contracts				
<p>1. Recommend to the City Council that it make a policy decision for management to explore options, and based on the results, develop a recommendation for the best approach for retaining Palo Alto Animal Services as a regional animal shelter facility.</p>	<p>City Manager's Office</p>	<p>Concurrence: Agree Target Date: April, May, and June 2015 Action Plan: The City Manager concurs with the recommendation. The financial condition of the animal services program along with the audit finding and community feedback make it clear that staff must explore a range of options. Council direction to do so is not required—the state of animal services is so dire-- but near term and ongoing engagement with Council and the Finance Committee will be essential.</p>	<p>In process</p>	<p>March 2016 Management Update: On June 8, 2015 City Council approved the Fiscal Year 2016 budget and directed staff to conduct a review of alternative service models including the allocation of \$250,000 to assist with the assessment and provide funding to transition to a new model for service delivery. In order to develop a recommendation for the best approach, the City issued a Request for Proposal for Animal Services and Shelter Operations which is scheduled to close on March 18, 2016. Expected Completion Date: June 30, 2016</p>
<p>2. Identify and assign someone with management skills to immediately begin working at Palo Alto Animal Services to learn the management side of the shelter operations and carry PAAS through its transition into the future after the acting superintendent retires. This can be either a current or new City employee, but should be a person with an understanding of the challenges currently facing PAAS. The person selected should be retained in the position until a clear direction is developed regarding the future of PAAS and the skills and experience needed for a director or superintendent position are known and recruitment can take place, if appropriate. As part of this process, determine whether to temporarily move animal services to a function under the Office of the City Manager until a permanent decision is made regarding</p>	<p>City Manager's Office</p>	<p>Concurrence: Agree Target Date: July 2015 Action Plan: Due to the range of issues-departing staff, a losing business proposition in the current form, facility conditions, and the need for more capacity and agility in improving services and raising funding, intervention and a “triage” based near term approach is required. The City Manager will share with Council how this near term intervention leadership will be provided. Initial discussion of directions can take place during this Audit discussion, with more refinement during the budget process with Finance in May. This recommendation in conjunction with several other recommendations in the audit will increase city costs over the next year.</p>	<p>In process</p>	<p>March 2016 Management Update: The City Manager's Office has designated an Assistant City Manager and Sr. Management Analyst to provide leadership and organizational support for departments involved with assessment and ongoing operations. As of this audit update, the City has not received a retirement notice from the current superintendent. In the event of a retirement, the City Manager's Office will pursue an interim plan to staff the shelter with a transitional manager. The decision to move animal services will be decide within the post RFP phase. Expected Completion Date: June 30, 2016</p>

**STATUS OF AUDIT RECOMMENDATIONS
POLICE DEPARTMENT: PALO ALTO ANIMAL SERVICES – ISSUED 4/22/15**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
the long-term direction for providing animal services.				
3. Conduct a staffing analysis to determine an appropriate staffing level to continue performing shelter operations during the transition period without the assistance of the ACOs. Include an analysis of potential expanded hours, including variations of extended weekday, weekend, and holiday hours and the potential increase in revenues as a result of expanded hours. Seek budget funding from the City Council to hire the appropriate staff based on the analysis and recruit for the necessary positions.	City Manager's Office	Concurrence: Agree Target Date: May 2015 Action Plan: This staffing analysis will be conducted and appropriate recommendations brought to Council as funding is needed.	Not Started	March 2016 Management Update: Tasks will be done as part of post RFP process within the possible contract development and negotiations with a new services provider. Expected Completion Date: June 30, 2016
After implementing Recommendations 1-3:				
4. Engage in discussions with nonprofit organizations and/or other animal shelters for strategies to operate Palo Alto Animal Services or provide specific services that would enhance current animal shelter services under a long-term partnership agreement with the City, including potential assistance in raising funds to build a new shelter. Present the results to the City Council for a policy decision on the direction to take for pursuing either the long-term future of PAAS, including the possibility of continued general fund support, or closure of the facility if no strategy is feasible from both a financial and operational perspective.	City Manager's Office	Concurrence: Agree Target Date: June 2016 Action Plan: Conversations with various entities have occurred in some form over the past two years. Conversations with representative stakeholders are currently under way. The City Manager believes that a new model is essential for continuation and improvement of the animal shelter in Palo Alto. This effort will occur concurrent with the triage staffing recommendations in 2-3. Staff will have a better schedule for timeline for Council discussion before the Council summer break.	In process	March 2016 Management Update: On October 15, 2015 the City issued a Request for Proposal for Animal Services and Shelter Operations with the goal of identifying a partner who could provide professional services for animal care operations to include, but not limited to, tracking all animals intake, billings, budget monitoring, financial reporting, annual audits, computerized financial system, report preparation, recruiting and training staff, and implementing volunteer services program, community education program, fundraising, facility management, facility improvement, and disaster preparedness. On December 11, 2015 the RFP closed. Seven organizations registered: Placer County Contractors Association, Humane Society Silicon Valley, Friends of Palo Alto Animal Shelter, Pets In Need, Peninsula Humane Society & SPCA, Silicon Valley Animal Control

**STATUS OF AUDIT RECOMMENDATIONS
POLICE DEPARTMENT: PALO ALTO ANIMAL SERVICES – ISSUED 4/22/15**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
				<p>Authority, TracSoftware, LLC. One of the seven organizations, Pets In Need, submitted a response to the RFP. Due to the low response and as part of best practices associated with local government procurement processes, city staff conducted debrief sessions with the local organizations who registered, but did not submit a response, to better understand current market conditions. The debrief sessions were conducted in January 2016.</p> <p>The results of the debrief sessions lead to a new RFP with a broader scope. The prior scope was prescriptive and detailed. Organizations preferred a broader scope to allow for flexibility with alignment with their existing service models. The new RFP closes on March 18, 2016. Staff will update the Policy & Services Committee on March 22, 2016 about the current status the RFP.</p> <p>Expected Completion Date: June 30, 2016</p>
<p>5. As part of the discussion in Recommendation 4, analyze the feasibility of separating the ACO activities from the shelter activities. If appropriate, transition the ACO function out of PAAS so it becomes solely a Police Department function or part of another regional animal services organization with ACOs dedicated to the Palo Alto service area, including Los Altos and Los Altos Hills, to continue providing the level of response time service that PAAS currently provides. Depending on the outcome, engage in discussions with other jurisdictions to promote the City's competitive response</p>	<p>City Manager's Office</p>	<p>Concurrence: Agree Target Date: June 2016 Action Plan: This will be done. At this time, the City Manager presumes that bifurcation of the duties will be our future approach, maintaining ACO operations within the City and spinning the shelter off to a non-profit entity in the longer term. This assumes shelter will remain in Palo Alto.</p>	<p>In process</p>	<p>March 2016 Management Update: The City Manager's Office continues to support this recommendation. Per City Council direction, the City will retain ACO functions. Upon completion of the RFP, a recommendation about this finding will be brought forth to City Council.</p> <p>Expected Completion Date: June 30, 2016</p>

STATUS OF AUDIT RECOMMENDATIONS
POLICE DEPARTMENT: PALO ALTO ANIMAL SERVICES – ISSUED 4/22/15

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
<p>times and consistently high customer satisfaction ratings to potentially enter into agreements with the City of Palo Alto for animal control services as the jurisdictions' current agreements expire.</p>				
<p>6. Develop and implement a strategy to market Palo Alto Animal Services to both residents and nonresidents. Marketing efforts should focus on promoting awareness of all available services, as well as the cost savings available to customers for using PAAS' services. Engage nonprofit organizations, volunteers, and other animal shelters to assist in marketing PAAS' services to a larger group of potential customers.</p>	<p>City Manager's Office</p>	<p>Concurrence: Agree Target Date: June 2016 Action Plan: Staff will develop a plan to increase and improve the website, database and other marketing materials to promote awareness about services during the triage period. The new long term model will need to ensure successful marketing to be successful.</p>	<p>In process</p>	<p>March 2016 Management Update: Further work will need to occur with marketing and promotions post the RFP phase. The RFP will evaluate prospective services providers and their capabilities to effectively market and promote services. Staff at the animal shelter continue to market services to residents and non-residents. Additionally, our local stakeholders continue to assist with marketing and outreach efforts. Staff and stakeholders have increased the use of social media. Expected Completion Date: June 30, 2016</p>
<p>7. Review the work that has already been done related to building a new animal shelter. Assess the feasibility of obtaining sufficient funding through fundraising, public/private partnerships, general fund subsidies, or a bond initiative, to build a new animal shelter that meets modern-day standards for animal care and safety, including animals' physical and behavioral needs, as established by the Association of Shelter Veterinarians or a comparable standard. Explore the potential revenue that can be generated from including new features in a new facility, such as a community and education center. Involve the Public Works Department in this assessment as necessary. Based on the results, present a proposal to the City Council for a decision on whether to move forward with pursuing construction of a new animal shelter and the</p>	<p>City Manager's Office</p>	<p>Concurrence: Agree Target Date: June 2016 Action Plan: The improvement of the Animal Shelter is key to the long term viability of our program. This work will be done as an integral part of the assessment of alternative models and a presumed eventual decision to transfer shelter operation to a new entity.</p>	<p>Not started</p>	<p>March 2016 Management Update: Two options exist for constructing a new shelter or remodeling the existing shelter. Either have a new service provider fundraise and complete a project or have the City finance the project through existing infrastructure funds or a bond measure. At this stage, staff believes that the RFP needs to be completed before any further exploration of this topic. Expected Completion Date: 6/30/18</p>

STATUS OF AUDIT RECOMMENDATIONS
POLICE DEPARTMENT: PALO ALTO ANIMAL SERVICES – ISSUED 4/22/15

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
funding source.				
8. Seek future opportunities to provide animal licensing services to the County of San Mateo when its current contract expires in 2016.	City Manager's Office	<p>Concurrence: Partially Agree</p> <p>Target Date: June 2016</p> <p>Action Plan: Initial staff review suggests that the County's licensing services would not provide profit to the operation. However, staff will reassess the opportunity and provide those results to as part of the audit update. Other opportunities to increase revenue in the near term appear quite limited. Staff presumes that the long term plan will need to expand services to be successful.</p>	Not Started	<p>March 2016 Management Update:</p> <p>Task will be conducted along with evaluation of new service model.</p> <p>Expected Completion Date: June 30, 2016</p>