05

City of SACRAMENTO

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Meeting Date: **4/8/2014**

Report Type: Consent

Report ID: 2014-00228

Title: City Auditor's Recommendation Follow-up Report for the Six Month Period Ending December 31, 2013

Location: Citywide

Recommendation: Pass a Motion accepting the Auditor's Recommendation Follow-up Report for the July 1, 2013 to December 31, 2013.

Contact: Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

Presenter: None

Department: Mayor/Council
Division: Office of the City Auditor
Dept ID: 01001201
Attachments:
1-Description/Analysis
2-December 2013 Recommendation Follow-up Report

City Attorney Review

Approved as to Form
Sandra Talbott
4/1/2014 9:31:23 AM

Approvals/Acknowledgements

Department Director or Designee: Jorge Oseguera - 3/26/2014 8:45:30 AM

James Sanchez, City Attorney Shirley Concolino, City Clerk Russell Fehr, City Treasurer
John F. Shirey, City Manager

Description/Analysis

Issue Detail: According to Resolution No. 2009-407, the City Council should be kept apprised of the City Auditor's work. The Audit Committee shall receive, review, and forward to the full Council the City Auditor's updates and reports. This report details the implementation status of open audit recommendations during the first half of fiscal year 2013/14.

Policy Considerations: The City Auditor's presentation of the Recommendation Follow-up Report is consistent with the Mayor and the City Council's intent to have an independent audit function for the City of Sacramento.

Economic Impacts: None

Environmental Considerations: None

Sustainability: None

Commission/Committee Action: The Audit Committee unanimously accepted this report on February 11, 2014 and forwarded it to the full City Council for approval.

Rationale for Recommendation: This staff report provides the Audit Committee with information that may be used to meet its responsibility to provide oversight and supervision of the City Auditor.

Financial Considerations: The costs of the audits listed in the Recommendation Follow-up Report were funded out of the 2013/14 Office of the City Auditor Budget.

Local Business Enterprise (LBE): No goods or services are being purchased as a result of this report.

CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

February 11, 2014

Honorable Members of the Audit Committee
915 I Street - Fifth Floor, New City Hall
Sacramento, CA 95814-2604

Honorable Members of the Audit Committee:

The Office of the City Auditor conducts performance audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City programs. In many cases, this involves verifying compliance with laws and regulations, identifying internal control weaknesses and failures, and assessing whether the City has acquired and used its resources efficiently. The office monitors the implementation of all audit recommendations, and reports on the status of all open audit recommendations every six months with a semi-annual report. In accordance with the City Auditor's approved 2013/14 Audit Plan, we prepared a report of the status of open recommendations for the six months ending December 31, 2013. To prepare this report, we met with department staff, reviewed documentation provided by departments, and performed testing to determine implementation progress.

We categorized recommendations by Auditee progress:

- Not started – The Auditee temporarily postponed implementing the audit recommendation or did not demonstrate sufficient progress toward implementing the recommendation.
- Started – The Auditee began implementing the recommendation, but considerable work remains.
- Partly Implemented – The Auditee satisfied some elements of the audit recommendation, but additional work and testing remains.
- Implemented – The Auditee provided documentation and the Auditor verified the satisfactory implementation of the audit recommendation.
- Drop – The auditor recommends eliminating the recommendation since a change in circumstances rendered it unnecessary.
- ☑ – A checked box[1] indicates notable new progress since the last semi-annual report towards implementing the recommendation.

One of the goals in performing audit work is to identify areas in which the City could reduce expenses or increase revenues. The Potential City Benefit shown in Exhibit 1 represents an estimate of possible financial benefits identified thought our audit work. Some examples of benefits captured include identifying revenue the City should have collected, errors that led the City to overpay expenses, and potential savings by modifying practices or agreements.

[1] Audits that are undergoing this process for the first time do not include a box.

As the benefits noted in Exhibit 1 cover various types of potential benefits and relies on decisions and agreements that may or may not be made, it does not represent an expectation that the City will necessarily save or recover the full amount identified. For example, although the Audit of the Community Development Department identified $2.3 million in fees that the City did not collect, recovering those fees may prove difficult due to developers going bankrupt.

One of the measures by which we evaluate the effectiveness of our function is by identifying more in benefit for the City than the City incurs in audit cost. The City Auditor's Office's budget for Fiscal Year 2013/14 was approximately $556,000. Dividing the Potential City Benefit for 2013/14 by half of the Office's budget (assumes audit resources split at 60 percent for performance audits and 40 percent for whistleblower investigations) results in $2 in identified potential benefit for every $1 of audit cost.

While many of our audits aim to identify financial benefits, they are not all solely focused on identifying savings. Sometimes they focus on areas that identify key benefits that are not easily quantifiable. For example, it could be difficult to quantify the value of increased residents' satisfaction with City services or the benefit of having policies in place that reduce the City's overall risk. We expect that most of our work will yield both financial and non-financial benefits. In cases in which the financial benefits are not easily quantifiable, we will include a narrative section in the Post Audit Recommendation Follow-up Report about potential non-financial benefits.

On behalf of the Auditor's Office, I would like to express my appreciation to the City staff members for their cooperation and assistance during our reviews.

Respectfully submitted,

Jorge Oseguera

Exhibit 1: Potential City Benefit and Recommendation Status

Report Title	Date Issued	Potential City Benefit	Estimated Realized Benefit	# of Rec's Made	Not Started	Started	Partly Implemented	Implemented	Dropped
2013-14 Audits									
Employee Supplemental Pay	Dec 2013	$336,000		17	17	0	0	0	0
2012-13 Audits									
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	0	5	6	3	0
Sacramento Regional Sports Education Foundation	Sep 2012	$400,000	$60,000	8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012	Program Improvement		22	0	6	16	0	0
2011-12 Audits									
Utility Billing Review	Jun 2012	$1,300,000		11	0	2	6	3	0
AB 1825 Compliance	Jun 2012	Reduce Liability		9	0	0	0	9	0
Whistleblower Hotline Assessment	Feb 2012	Reduce Fraud		2	0	1	0	1	0
Fleet Management	Dec 2011	$6,100,000	$2,800,000	18	0	6	2	10	0
Municipal Golf Revenue and Expenditure Analysis	Sep 2011	$500,000	$500,000	0	0	0	0	0	0
Revenue Collections	Jul 2011	$3,600,000	$40,000	12	0	1	1	10	0
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	0	6	15	1	0
2010-11 Audits									
Sacramento Utilities Department Operational Efficiency and Cost Savings Audit	Jun 2011	$8,641,000	$2,200,000	27	0	0	4	15	8
Audit of Employee Health and Pension Benefits	Apr 2011	$16,000,000	$7,470,000	28	1	3	11	13	0
Performance Audit of the Community Development Department	Oct 2010	$2,300,000		40	0	0	6	33	1
Total		**$39,177,000**	**$13,070,000**	**230**	**18**	**30**	**67**	**98**	**17**

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Post Audit Summary of the Audit of City Employee Supplemental Pay

The *Audit of City Employee Supplemental Pay* contained four findings and included 17 recommendations. The audit, which was released in December 2013, evaluated controls for administering supplemental pay including controls for time sheets, payroll processing, and the process for assigning employee incentives and allowances. Since we released this report just prior to the end of the recommendation follow-up period, we did not review the implementation status of the 17 recommendations.

Post Audit Summary of Citywide Purchase-Card Use

The *Audit of Citywide Purchase-Card Use* contained three findings and identified purchase card transactions that violated City policies. The audit, which was released in October 2012, included 14 recommendations to improve purchase program controls and administration.

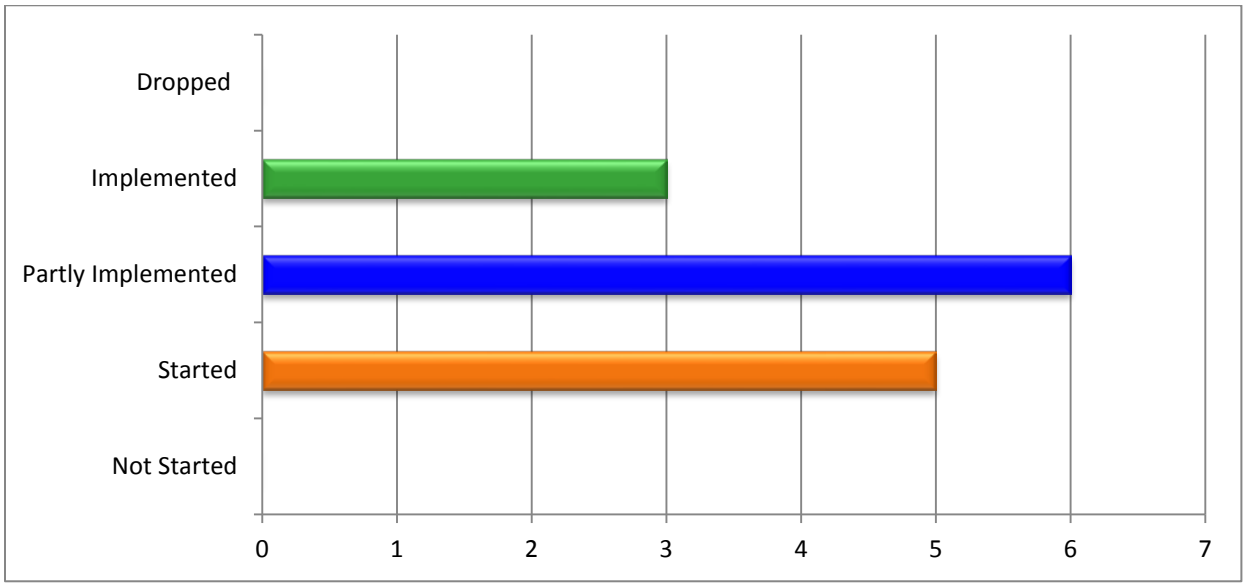
To evaluate the progress in implementing recommendations, we first requested a self-assessment from the Department and asked for evidence to support progress. Using this information, we worked with Procurement Services staff and obtained additional evidence.

Since the publication of the audit, Procurement Services has reduced the number of purchase cards in use and drafted a comprehensive Purchasing Card document. Of the 14 recommendations, we determined Procurement Services has implemented or partially implemented 9 recommendations (64%) and has started work on 5 others (36%). Many of the recommendations that have not been implemented are pending the deployment of the City's new Automated Policies and Procedures System (APPS.)

Since July 1, 2013 the Procurement Services Division has reported to the Finance Department. Prior to this, the Procurement Services Division reported to the Department of General Services (DGS.)

In our last follow-up report, one recommendation was implemented and therefore not included in this report.

Exhibit 2: Status of Purchase-Card Use Recommendations



Finding 1: While transactions reviewed did not reveal extensive personal purchases, some charges violated policy and lacked complete support

#2 Provide departments and cardholders more information about the benefits of purchasing through Citywide and cooperative agreements.

☐ Partly Implemented The draft Purchasing Card document includes language prohibiting the purchase of supplies, equipment or services that have been established by contract or agreement. The policy is expected to be distributed in early 2014. In addition, a list of Citywide contacts is distributed quarterly to the department directors by the Procurement Services Manager.

#3 Establish a consistent form and guidance to departments for processing lost receipt justifications.

☐ Partly Implemented The draft Purchasing Card document includes instructions related to missing receipts and a form to use to explain the missing receipts. The policy is expected to be distributed in early 2014.

Finding 2: The purchase card program lacked complete policy guidance and oversight

#5 Update the Purchasing Card Policy to make it consistent with other City policies.

☐ Partly Implemented The Purchasing Card document is in draft form and is expected to be distributed in early 2014.

#6 Create an authoritative document that clearly states what types of purchasing card transactions are allowable and prohibited, and distribute it to all cardholders and approving officials.

☐ Partly Implemented The Purchasing Card document, which is expected to be distributed in early 2014, will serve as the authoritative document.

#7 Ensure that the document is updated annually to reflect policy changes.

☐ Started The department has begun discussing annually updating the Purchasing Card document, and plan to do so as part of the City Manager's plan to require departments to conduct annual updates of their policies.

#8 Provide mandatory annual purchasing card-use training for cardholders, and require them to sign a form agreeing to program terms and acknowledging their responsibilities.

☐ Started The draft Purchasing Card document, which is expected to be finalized in early 2014, sets annual training requirements and includes a form that cardholders sign to acknowledge their responsibilities. Training will be developed and delivered via the City's recently acquired computer based training system (CBTS) in early 2014.

#9 Provide mandatory annual purchasing card-approval training for approving officials, and require them to sign a form agreeing to program terms and acknowledging their responsibilities.

☐ Started The draft Purchasing Card document sets annual training requirements and includes a form that approving officials sign to acknowledge their responsibilities. Will develop and deliver via City's recently acquired CBTS by in early 2014.

#10 Perform occasional surprise audits of purchasing card transactions and present any concerns to respective departments and the City Manager's Office.

☐ Partly Implemented The department performed four transaction reviews from January 2013 through December 2013. Questionable items were identified and forwarded to the Director of General Services or Finance for review. The Directors met with the City Manager, but have not yet presented the information to the respective departments.

#11 Consider running standard Works reports to help monitor purchasing card activity and provide this information to respective departments and the City Manager's Office.

☑ Partly Implemented Procurement Services is using Works reports and creating others in an effort to more efficiently manage purchase cards. However, this information has not yet been forwarded to the respective departments.

#12 Strengthen controls that are already in place and consider adding controls that are in line with best practices.

☐ Started The draft Purchasing Card document specifies strengthened controls. Also, staff will consider including "best practices" that were described in the audit. Staff has begun conducting regular reviews of purchase transactions and forwarding questionable transactions to the City Manager. Draft policy expected to be distributed in early 2014.

Finding 3: The City's credit limit exceeds $2 million per month and the City could reduce risk by limiting the number of cardholders and establishing more comprehensive controls

#14 Review merchant categories and block purchases from certain categories for all users as a default, but allow for an exception process based on departments' requirements.

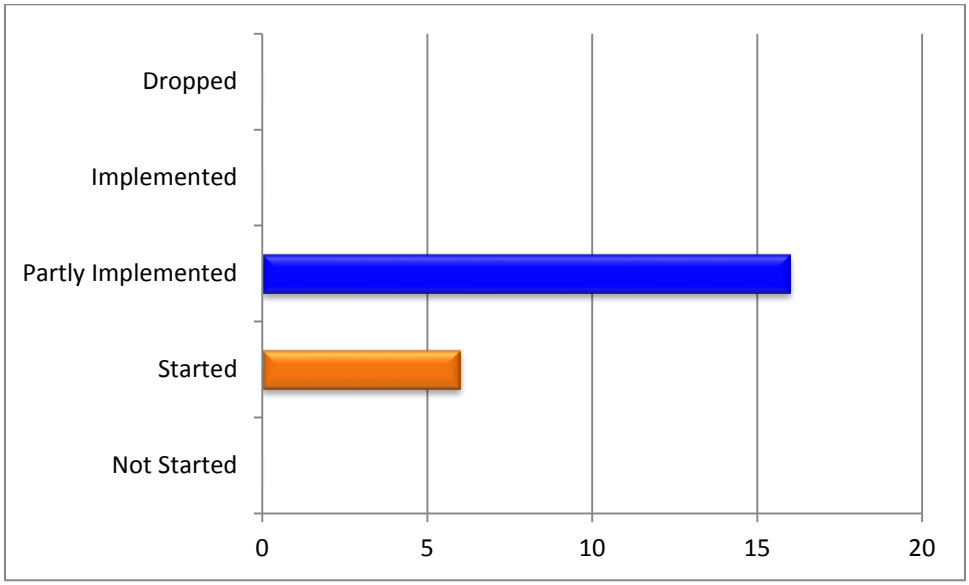
☐ Started The department has discussed blocking purchases by merchant categories and will work with cardholders' departments to ensure that cardholders can only make purchases from approved merchant categories. Procurement Services plans to set restrictions in early 2014.

Post Audit Summary of the Audit of the Fire Prevention Program

The *Audit of the City's Fire Prevention Program* contained three findings and made 22 recommendations for improving the compliance, effectiveness and accounting of the City's fire prevention program. By performing this assessment, we sought to assess the completeness and accuracy of the Fire Data Management system (FDM), inspection documentation and related practices, and the adequacy of its cash controls. With strong systems in place, the Fire Department will be better equipped to help prevent fires and reduce the impact of fires that do occur.

Since the audit's release in August 2012, we have been working with the Assistant Fire Chief to assess adequate implementation of the adopted recommendations. Steps taken toward implementation of the recommendations since the release of the audit include working with City IT and the software vendor to improve the database, working with Citygate Associates for assistance in developing policies and procedures, and the assignment of responsibility for the implementation of the audit's recommendations to key staff. As shown in Exhibit 3, we designated 16 recommendations as partly implemented (73%) and 6 recommendations as started (27%).

Exhibit 3: Status of Fire Prevention Audit Recommendations



Finding 1: The Fire Department Needs to Formalize its Processes in order to Improve its Fire Prevention Program

#1 Establish a process that better identifies activities that require a permit per California Code, City Code or City Resolution and develop a plan on how the inspection needs will be met.

☑ Partly implemented Fire Prevention has established processes for all businesses that require a permit by California Code, City Code or City Resolution. Fire Prevention has identified key elements of inspection processes of scheduling, inspecting, invoicing, revenue/accounting and permitting, and created work queues in FDM that support the business activities needed to meet the required inspections. Fire inspection scheduling process guidelines have been developed that aid in the thorough and efficient scheduling of fire inspection. Inspections are being conducted for operational permits, daycare, schools, high rise, institutions, false alarms and new construction. Fire Prevention now assigns fire prevention officers (FPOs) to fire inspections geographically by zip code to maximize productivity. Fire Prevention has created a daily management summary that identifies outstanding inspections, ensuring all assigned inspections are completed in a timely manner. Citygate Associates (Citygate) continues to evaluate fire prevention's progress. MOAs and SOGs are still under development.

#2 Develop a process to ensure operational permits, and other permits jointly issued by the Fire Department with other City bodies, are signed by the fire code official or his delegate.

☑ Partly implemented Fire Prevention has implemented a process that ensures operational permits are issued securely, which negates the need for each permit to be signed by the fire code official. The process includes using unique high quality security paper from a specialized vendor that prevents unauthorized duplication of the operational permits. Fire Prevention has instituted processes for purchasing, inventory, and secure storage of the security paper. Fire Prevention has implemented internal security procedures that prohibit unauthorized issuance and is working with Citygate Associates to memorialize these processes in the form of a SOG.

The fire code official is authorized to approve an alternative material or method of construction (AMMR). Fire Prevention presently practices a procedure requiring all AMMRs to have signatures from both the fire code official and the chief building official. Fire Prevention is currently working with Citygate to memorialize this process with a MOA and a SOG.

#3 Formalize how inspections should be documented by its Fire Prevention Officers.

☑ Partly implemented Fire Prevention is presently developing inspection practices and SOGs for FPOs. Fire Prevention has already shifted clerical and accounting responsibilities away from FPOs. FPOs are now able to concentrate their efforts on the complete and thorough documentation of inspections. FPOs are now required to document each and every inspection occurrence in FDM, and the activities and findings of each inspection. Once the inspection is complete, the FPOs submit completed inspection documents to clerical staff. Clerical staff update the business records and forward the inspection documents to accounting staff for invoicing and quality assurance. Fire Prevention is working with Citygate to memorialize these processes in the form of a SOG.

#4 Work with the City Clerk to evaluate their records, establish consistent records requirements and establish controls to ensure compliance with California regulations and the City's retention schedule.

☑ Partly implemented To date, Signature Reprographics has completed scanning 38 boxes of small and large documents, for a total of 18,627 documents scanned. The City Clerk's Office

conducted a QA review of the electronic documents and authorized the destruction of the original documents. Signature Reprographics will then focus of the next phase of the project which will include 1,000 blue print documents from 300 Richards Blvd. that are slated for electronic archiving and subsequent disposal of the paper documents. Fire Prevention has secured the additional funding necessary to scan 18 file cabinets of small format documents stored in the basement of Fire Headquarters. This is a relatively large project in that each file will need to be reviewed by hand and will require the assistance of the City Clerk's Office. Fire Prevention anticipates this portion of the scanning project will begin in early 2014. Fire Prevention is working with Citygate to develop SOGs that will comply with the City Clerk's Records Management AX #1901-02 manual. The Auditor's Office confirmed the progress with the City Clerk's office.

#5 Explore making changes to the Accela system to better track the issuance and approval of construction permits required by the California Fire Code.

☑ Partly implemented The Fire Department Audit Team conducted a meeting on October 30, 2013, with Citygate and CDD staff members and gathered information on the feasibility and use of Accela software in place of the current FDM software. The Fire Department Audit Team received positive input from CDD staff to support moving forward with the project. Citygate has encouraged additional meetings to further evaluate Accela and its capabilities. The Auditor's Office confirmed Fire Prevention's progress with the CDD.

#6 Work with the Chief Building Official to update the City's procedure to identify required fire construction permits when considering building permits.

☑ Started The Fire Department Audit Team met with Citygate and CDD on August 14, 2013, to review/analyze Fire Prevention/CDD workflow processes. Citygate will develop policies/procedures to ensure that all construction activities requiring a fire construction permit are issued a permit. The Auditor's Office confirmed Fire Prevention's progress with the Chief Building Official.

#7 Establish Fire Prevention inspection and permitting policies and procedures.

☐ Started Citygate has developed program logic models for the different types of inspections conducted by the fire prevention division. Citygate has also gathered data on SOGs from several comparable fire prevention bureaus and met with the Audit Team on October 30, 2013, to discuss the next steps in developing SOGs.

#8 Communicate minimum compliance expectations to business owners via a standard document.

☑ Partly implemented Fire Prevention has collaborated with the fire department's website manager to incorporate self-certification fire inspection guidelines and forms onto the website for public access. Business owners are currently able to access the Fire Department website to view information regarding fire safety and self-certification for apartment complexes with 3 to 16 units. Fire Prevention is also working to include fire permit inspection requirements and procedures into the website capability. Fire Prevention is currently working with Citygate to memorialize this process with an SOG.

Finding 2: The Fire Department's Revenue Collection Process Does Not Adhere to City Code, Lacks Internal Controls, and May Result in Lost Revenue

#9 Establish and implement cash handling procedures that incorporate best practices and are in line with the upcoming citywide Cash Handling Policy.

☐ Started The Fire Chief has tasked the Fire Department's support services manager to develop a department-wide cash handling policy. Once the policy has been developed, Fire Prevention will work with Citygate to memorialize this process with a SOG. The Auditor's Office confirmed Fire Prevention's Progress with the Fire Department's support services manager. We were informed they hope to have the Fire Prevention Program's portion of the policy drafted by the end of January 2014.

#10 Establish and enforce a procedure that clearly dictates how the inspection and permit fees approved by the City Council are to be applied and detail under what circumstances exceptions to the Council approved fees are allowed.

☑ Partly implemented The Fire Department Audit Team recently drafted a fire prevention inspection fee and fee waiver policy which is currently being reviewed by the Fire Chief. Once this policy is finalized, it will clearly define to Fire Prevention staff how permit fees are applied and how fee waivers must be documented for subsequent accounting audits. Fire Prevention is currently working with Citygate to memorialize this process with a SOG.

#11 Pursue finalizing the move of its invoice and collection process to the Revenue Division.

☑ Partly implemented Fire Prevention currently utilizes the Revenue Division for all invoicing and collections. The Auditor's Office confirmed Fire Prevention's progress with the Revenue Division. Fire Prevention became aware in September 2013 that the request for additional staffing had been denied and has subsequently not met the volume/revenue expectations previously reported. Fire Prevention is currently working with the Interim Fire Chief and City Human Resources to develop a plan to hire additional clerical staff.

#12 Consider instituting an inspection application process and charging for inspections before they occur.

☑ Partly implemented Fire Prevention has implemented self-certification inspections which require the fees to be paid prior to issuing the fire permit. All other permits are issued after the inspection is completed, but Fire Prevention does not issue the fire permit until all fees are paid. The fire permitting process clearly defines that no fire permit is issued until full payment is received by City Revenue, the payment transaction is reconciled in the FDM, and the inspection is completed in the satisfactory status. Once all components are complete, Fire Prevention prints and mails the fire permit to the property owner.

#13 Apply its current late fees consistently and in accordance with Resolution 2009-178.

☑ Partly implemented Fire Prevention has transferred all invoicing and collection to the Revenue Division who enforces the City's standard invoicing/collections procedures. Fire Prevention is currently working with Citygate to memorialize this process with a MOA.

#14 Consider augmenting the current late fee structure, with additional penalties for extended non-payment.

☑ Partly implemented Fire Prevention has transferred all invoicing and collection to the Revenue Division who enforces the City's standard invoicing/collections procedures. Fire Prevention already has the ability to issue administrative penalties for non-compliance. Citygate will develop SOGs that will direct staff on the progression from compliant to non-compliant.

#15 Develop a process to document and track delinquent accounts in FDM.

☑ Partly implemented Fire Prevention has established a workflow process that tracks fire permitting in the FDM database from the creation of a new property/business to the final payment reconciliation and issuance of the fire permit. Additional staffing has not yet been secured. The Fire Chief is currently working with City Human Resources to resolve staffing issues by hiring temporary employees.

Finding 3: The Fire Data Management System Lacks Accuracy, is Not Managed Efficiently, and is Not Being Used to its Fullest Potential.

#16 Develop a control to test the FDM database system for accuracy and completeness on a regular basis.

☐ Started Fire Prevention commissioned a software application developer from FDM to work with PSIT during the week of August 12, 2013. During that week, the developer worked on verifying the accuracy and validity of the data as well as establishing needed user security groups to deter any future contamination of the database. Utilizing comparison and test databases is valued, but it is still too early to work on implementation of this feature.

#17 Work with the City's IT Department to determine how best to improve the completeness and accuracy of the FDM data.

☑ Partly implemented Fire Prevention has been working continuously with PSIT to purge the FDM database of all erroneous data and to verify the validity of the remaining data. PSIT was successful in eliminating approximately 174,000 properties in the database that contained no useful data. Of the remaining 48,000 plus properties currently in the database, nearly 35,000 require additional data analysis. Given current Fire Prevention staffing levels, analysis of the questionable data will be a challenge to complete in a timely manner. Fire Prevention is currently working with Citygate to memorialize this process with a SOG.

#18 Determine how to streamline the maintenance of inspection and permit related data within its FDM database.

☑ Partly implemented Fire Prevention has been working continuously with PSIT to purge the FDM database of all erroneous data and to verify the validity of the remaining data. Fire Prevention has also implemented workflow processes that removed FPOs from the data entry responsibilities which led to the data irregularities. Fire Prevention is working on standardized practices of how data is entered/updated in FDM. Fire Prevention is currently working with Citygate to memorialize this process with an SOG.

#19 Use the GISA licenses it has procured to automate the importation of inspection and permit related data.

☐ Started Utilizing the GISA software to import inspection and permit related data is valued, but Fire Prevention has not spent any additional time on this due to staffing deficiencies.

#20 Discontinue the maintenance of GISA licenses it is not using.

☐ Started The Fire Prevention Division is still waiting for a policy determination from Fire Senior Staff. Once Senior Staff determines policy, Citygate will memorialize this process with a SOG.

#21 Evaluate which properties to allow to self-certify and work towards improving compliance.

☑ Partly implemented Fire Prevention is prepared to reinstitute the former fire company inspections (CIS) program as a self-certification program. The CIS fire safety program is for approximately 8,000 business and mercantile occupancies throughout the City of Sacramento and, is being vetted through the Interim Fire Chief. The Auditor's Office confirmed the Fire Prevention's progress with the Interim Fire Chief.

#22 Track all self-certification entities in the FDM database system rather than only entering those entities that submit self-certification forms and payments.

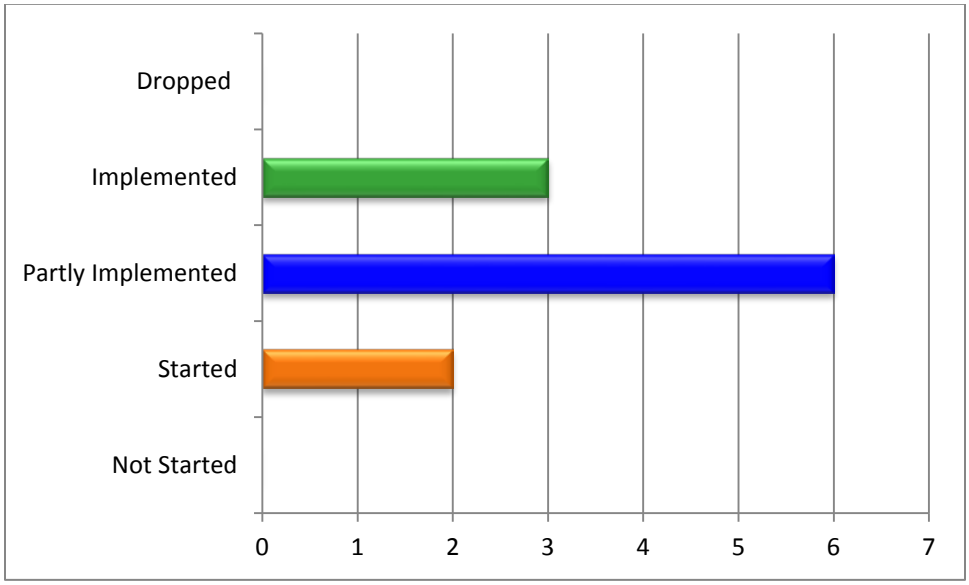
☑ Partly implemented Fire Prevention has implemented a workflow process that tracks all self-certification fire permits in the FDM database. Fire Prevention has discontinued the practice of tracking entities with other software applications. The FDM database tracks all self-certification entities from the time the property/business is established through issuing of the fire permit. Invoicing for self-certification fire permits, like all fire permits, is now processed through City Revenue and tracked in FDM.

Post Audit Summary of the Audit of Utility Billing

The Audit of City Utility Billing contained seven findings and identified as much as $1.3 million in potential additional revenue. The audit, which was released in June 2012, included 11 recommendations and evaluated internal controls, tested the accuracy of utility service charge bills, and assessed the City's ability to recover amounts billed.

Since the publication of the audit, the Department of Utilities (Utilities) has made progress towards implementing all 11 of the recommendations. We determined that the department has implemented or partly implemented nine recommendations (82%) and has started work on two others (18%). The division's progress is shown in the exhibit below.

Exhibit 4: Status of Audit Recommendations



Finding 1: Preparation of Residential and Commercial Bills Are Highly Accurate, but Improvements are Needed to Ensure All Eligible Parcels are Properly Billed for Storm Drainage

#1 Continue to review all variances and update account records to reflect actual square footage, or document reason for exception.

☐ Partly Implemented Utilities has been actively updating accounts with the current square footage since August 2012, resulting in 1,233 updated accounts. Approximately 2,700 variances in storm drainage billing were identified via a comparison of County parcel data and the City's billing system. Of these, just over 1,400 were over billed and nearly 1,300 were under billed. About 46% of the total variances have been corrected to date. Utilities estimates that all account variances identified will be corrected by or before August 2014.

#2 Review parcels without CIS accounts, determine which are at the same street address as an existing account and receiving City services, and set up accounts for those parcels.

☑ Partly Implemented Approximately 14,000 parcels have been identified in the County's parcel database, without a unique account reflected in the City's billing system. Of those parcels, 2,017 have been physically inspected by Utilities, and almost 1,300, or 65%, of the inspected parcels have been reviewed and added to the billing system. Approximately half of the inspected parcels have been identified as vacant lots; not having any paving or structures. Additionally, approximately 1,000 parcels have been worked outside of the audit assignment via staff's completion of other daily assignments. As a result, over 2,300 parcels (or 16%) of the total parcels have been added to the billing system. According to Utilities, the volume of parcels that require review and update currently exceeds its staffing capacity to resolve this issue in a timely manner. Utilities is estimating a minimum of a two-year timeline for review and update of all parcels identified in the audit.

Finding 2: Liens and Special Assessments are an Effective Tool for Collecting on Delinquent Accounts, but Result in Higher Write-Offs than Necessary

#3 Consider initiating discontinuance process for delinquent accounts.

☐ Partly Implemented On August 8, 2013, Utilities presented a recommendation before City Council to start practicing a discontinuance program for delinquent accounts, which City Council approved. In the fall of 2013, Utilities worked with a committee of stakeholders within the Department, to gather recommendations and present policy questions. A steering committee, consisting of Utilities management, reviewed the recommendations and policy questions for final approval of the program. Utilities is currently working on designing the discontinuance program criteria and procedural processes, including integration with the CIS billing system. Due to the unknown response and volume of shut-offs initially, the program will be implemented in two phases with the first phase estimated to go live in February 2014.

In phase one, the accounts with the oldest balances will be identified in which the customers with the oldest balances will be noticed first in a controlled method, so that Utilities can assess response, workload impacts in the field and office, and make necessary adjustments through lessons learned. Utilities estimates that the second phase will be implemented after six to nine months of experience and necessary adjustments, including automating the process. Posting notices, handling disputes and hearings will remain manual processes.

Finding 3: The Department does not Monitor Collections' Performance

#4 Monitor collections performance and investigate policy changes to improve performance.

☑ Implemented In November 2013, Utilities modified the timing of collection referrals for closed accounts. The City's collection agency now receives accounts 49 days sooner. According to Utilities, these changes should assist in tracking down and noticing customers as early as possible after the sale of a property, increasing the response and collections.
In 2012, the City entered into a 5-year contract (3-year contract with 2 option years) with the existing collections vendor. This limits the short-term ability of the City to consider different

vendors. Utilities is in direct communication with the collection vendor and has obtained more detailed reports to assist in monitoring collection activities. Further, Utilities is working with Revenue Services, who manages the City's collection activities, and the City Manager's Office to explore opportunities to increase active account collections.

#5 Increase assertiveness of billing and collection efforts immediately after a lien is canceled due to foreclosure, such as stronger-worded invoices and clear communication that the Department will soon assign the account to collections.

☑ Implemented Utilities recently revised the timing of closed account collection referrals, resulting in closed accounts being referred to the City's external collection agency 56 days after a final/closing bill's generation date, when it remains unpaid, versus 105 days previously. In addition, the City's collection notice process & language, prior to the collection referral, is more assertive in that the first notice is generated the first day after the final bill due date, with a follow-up collection notice that is now sent 15 days later. The second notice communicates the addition of a collection fee, and the revised total amount that will be due, if the account is not paid 20 days from the second collection notice.

Moreover, Utilities is currently working on implementing a discontinuance process for non-payment of water, as part of recommendation three of the audit findings, which would also increase assertiveness of billing and collection efforts immediately following a lien.

Finding 4: Additional Performance Reporting Can Provide a Useful Tool to Monitor Billing Operations

#6 Determine critical leading (e.g., business process, account aging, lien rates, employee development) and lagging (e.g., revenue) performance indicators and incorporate into Balanced Scorecard measurement system. Use month-to-month trends to identify opportunities for operational improvement.

☐ Partly Implemented A number of existing reports are currently generated either on a monthly, quarterly or semi-annual basis, including bad debt, account aging, revenue, lien releases. Utilities recently completed an organizational assessment, which includes a plan to measure key performance indicators in a balanced scorecard system. In addition, the Utilities has developed a new active account delinquency report, and has identified other valuable reports, which Utilities plans to schedule monthly generation of the reports, beginning in calendar year 2014. Monthly analysis will be performed on revenue, fees and account delinquency following the end of each month. Account aging, active service counts and lien assessments will be reviewed on a quarterly basis.

#7 Monitor lien and foreclosure rates and anticipate revenue changes should significant changes in rates occur.

☐ Partly Implemented As part of the Bad debt analysis, data on foreclosures are reviewed to compare with annual bad debt trends. In addition, as part of the discontinuance analysis, a review of lien and foreclosure trends for current and prior years has been conducted, which will assist in developing a process for monitoring revenue changes related to these activities. Lien assessments will begin being monitored on a quarterly basis by the Billing Program Manager in 2014.

Finding 6: Most Billing Services Job Descriptions Align with Responsibilities of Position Incumbents

#9 Investigate alternative Class Specifications for a subset of Account Clerk IIs that perform more research and account troubleshooting tasks.

☐ Started Utilities is in the process of finalizing a Position Description and Qualifications (PDQ) document for the Account Clerk II positions and a reclassification request will be included in the City FY2013-14 Mid-year budget.

Finding 7: General and Application Controls on IT Systems Could be Improved

#10 Develop policies and implement procedures requiring periodic (e.g. monthly) reviews of CIS super user activities.

☑ Partly Implemented Utilities conducted a review of the security and access rights of CIS super users and surveyed other agencies practices relating security rights of similar billing systems. Some best practices were identified, and Utilities drafted a Privileged Users Access Monitoring Policy for implementation. This document has been approved and will be implemented by spring of 2014.

#11 Develop and implement a formal administrative policy increasing the minimum password configuration requirements for applications that impact Department revenue.

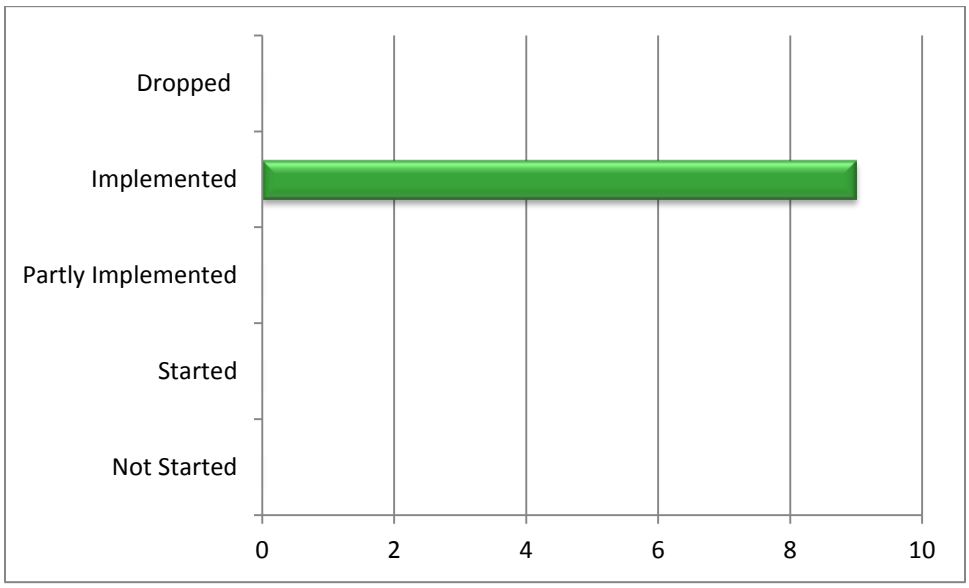
☐ Started The external vendor who currently hosts the database that stores meter reads used for billing has filed for bankruptcy and the City has selected a new vendor to collect meter reads. The Department continues to receive limited support from the current vendor, and Utilities is planning to phase out all meters set-up in their system over an 18-month period. During the phase out period, Utilities will be using both vendors in parallel. The new vendor will allow Utilities to set-up user credentials, at which time the password requirements will be strengthened.

Post Audit Summary of Audit of the City's Compliance With AB 1825 Requirements

The *Audit of the City's Compliance with AB 1825 Requirements* contained one finding and determined that approximately 16 percent of the employees required to complete the training had failed to do so. The report, which was released in June 2012, contained nine recommendations for improving the City's compliance with the requirements established by AB 1825.

Since the publication of the audit, the Department of Human Resources (HR) has implemented all 9 recommendations. This concludes the recommendation follow-up process for this audit.

Exhibit 5: Status of AB 1825 Audit Recommendations



Finding 1: Approximately 16 Percent of Employees Required to Complete AB 1825 Sexual Harassment Prevention Training Did Not Complete the Training Within the Reporting Period

#2 Develop controls to help test and reconcile AB 1825 training records.

☑ Implemented Employee training requirements have been established in the Target Solutions Learning Management System (LMS) and eCAPS. Employees in job classifications that require AB 1825 training were assigned the sexual harassment prevention class in August of 2013 shortly after the City executed a contract with Target Solutions. The Department of Human Resources monitored compliance by running reports in Target Solutions and reporting back to departmental LMS administrators and managers responsible for training. Department heads were notified in December of 2013 of employees who had not yet completed AB 1825 training for the 2013 compliance year.

The Fire Department implements AB 1825 training based on individual compliance date rather than compliance year. Fire Training Division personnel assign AB1825 training to supervisors at the time of hire and monitor compliance for their department using Target Solutions reports.

City wide employee compliance with the AB 1825 training requirement is 98.5 percent. Some employees did not complete the training due to leave of absence. City wide compliance excluding employees on leave of absence is 99.8 percent. Employees on leave of absence will be required to complete the training within 60 days of their return to work.

#3 *Modify the CITY's (PAR) form to require that the appropriate person be notified of all new supervisors so that Human Resources can assign AB 1825 training to be completed within the six months of new supervisor's appointment.*

☑ Implemented The PAR form is not the most effective means of identifying new supervisors. Instead, a weekly report is automatically generated in eCAPS which enrolls new employees in the LMS via an application programming interface. Twice a month, the Department of Human Resources generate a LMS report to identify new supervisors who are then assigned AB 1825 training. The LMS automatically notifies employees of new training assignments.

The Department of Human Resources generate LMS reports twice a month to monitor the status of all assigned AB 1825 training as incomplete, in progress, or complete. The Department of Human Resources notifies departmental LMS administrators and department head if new supervisor compliance is not achieved within two weeks of the assigned due date.

Fire Training Division personnel assign AB1825 training at the time of hire based upon job classification and monitor AB1825 completions and compliance for their department.

#4 *Incorporate into the City's new employee orientation process a requirement that all City employees read and acknowledge receipt of the City's anti-harassment policy as well as any other critical City policies.*

☑ Implemented The Department of Human Resources has incorporated an acknowledgement that new employees have received and read the following policies:

Statement on Sexual Harassment
Drug Free Workplace Policy
Information Technology Resource Policy
Workers' Compensation Designation of Personal Physician

Acknowledgement pages have also been added to each of these policies provided to new employees.

#5 *We recommend that City department heads and appointed officials provide written documentation that they have verified that their departments' list of supervisors is accurate and complete.*

☑ Implemented The Department of Human Resources identified classifications required to complete AB 1825 training and provided this information to department heads and appointed officials in May 2013. All of the department head verifications are complete.

#8 Consider extending harassment prevention training to all City employees and consider expanding the harassment prevention training to include the many forms of discrimination and harassment.

☑ Implemented Target Solutions contains a sexual harassment prevention awareness training module. The Department of Human Resources are currently working with departmental LMS administrators to assign this training to non-supervisory staff with an expected completion date of April 1, 2015

The Fire Department has an existing procedure to assign the Target Solutions sexual harassment prevention awareness class to all non-supervisory employees at the time of hire. This practice will be adopted city wide.

#9 Consider expanding the City's AB 1825 harassment prevention training to include the many forms of discrimination and harassment.

☑ Implemented Training on other forms of harassment including bullying has been incorporated into the City's Workplace Violence Prevention training class. Specialized training on harassment has been delivered in two departments during 2013. Inclusion training has been and will continue to be delivered as part of the CityYOU curriculum.

Post Audit Summary of the Assessment for Establishing a Whistleblower Hotline

The *Assessment for Establishing a Whistleblower Hotline* contained one finding and estimated that the City's loss to fraud, waste, and abuse could total several million dollars each year. The report, which was released in February 2012, contained four recommendations and covered the potential benefits of establishing a hotline, results of an employee survey, information about other cities' hotlines, and cost estimates to establish a Sacramento hotline.

Report recommendations were made to the City Council in March 2012 to seek its guidance. Council voiced support for establishing a whistleblower hotline and directed the City Attorney's Office, City Manager's Office and Office of the City Auditor to begin implementing a whistleblower hotline program.

In response to Council's direction, the Office of the City Auditor began receiving and investigating whistleblower complaints. In December 2012, the City Auditor released the first Whistleblower Hotline activity report.

In addition to Council's general direction to begin implementing the whistleblower hotline program, Council directed the City Attorney's Office and City Manager's Office to take specific steps towards implementation.

#2 Direct the City Attorney and City Manager to establish a Citywide Code of Ethics.

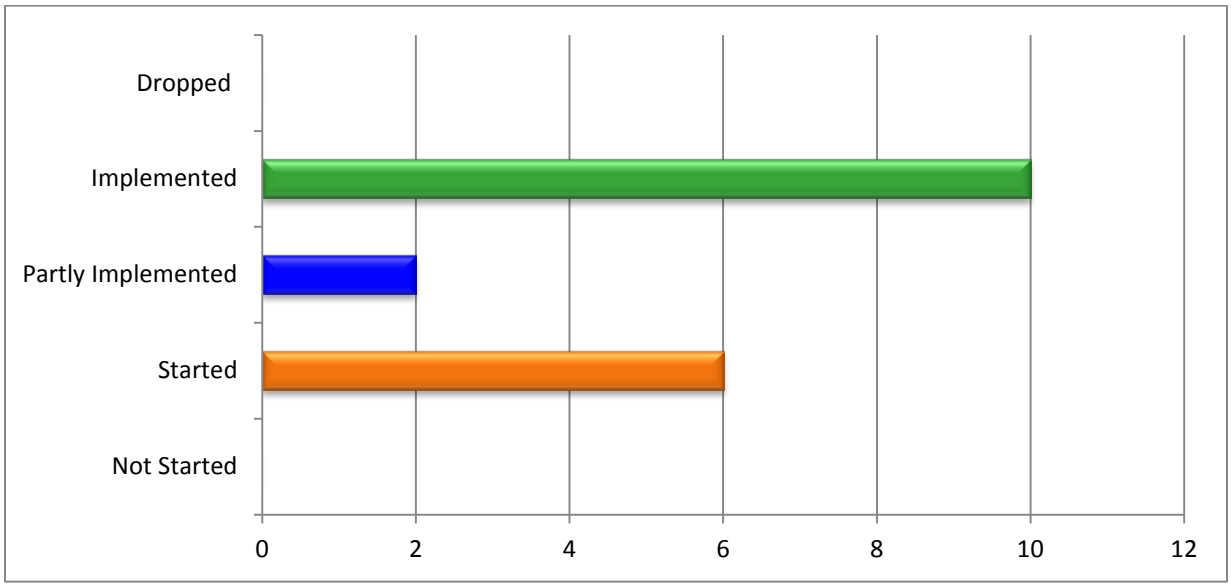
☐ Started Staff from both offices have discussed parameters for moving forward and plan additional meetings.

Post Audit Summary of the Audit of City Light Duty Vehicle Use

The *Audit of City Light-Duty Vehicle Use* contained three findings and identified as much as $6.1 million in one-time and future benefits, with most of these benefits generated through avoided vehicle replacement. The audit, which was released in December 2011, included 18 recommendations and covered vehicle use, Fleet information, and take-home vehicles. To evaluate the Department of General Services' Fleet Management Division's progress in implementing recommendations, we first requested a self-assessment from the Department and asked for evidence to support progress. We reviewed this information, worked with DGS staff, and requested additional evidence as needed.

In addition to making recommendations to DGS, this report also included some recommendations to the City Manager's Office, City Attorney's Office, and Department of Finance. Of the 18 recommendations, we found work had already begun on all of them. We considered 10 recommendations to be implemented (55%) and two to be partly implemented (11%).

Exhibit 6: Status of Audit Recommendations



Finding 1: Removing and not replacing the City's light-duty vehicles that were driven less than 6,000 miles per year could yield more than $5 million in onetime and future benefits, with most of these benefits generated through avoided vehicle replacement

#2 Conduct a review of replacement standards in order to ensure that the time and mileage requirements are realistic and set efficient targets.

☐ Partly Implemented Fleet hired a consultant to develop a Comprehensive Asset Management Replacement Solution to provide ongoing review and evaluation of equipment replacement criteria. Testing of the new system is scheduled to begin March 2014.

#5 Work with the City Manager's Office to establish a Fleet Utilization Review Board that is empowered to set minimum use standards and remove low-use vehicles.

☑ Implemented Effective January 1, 2014, the City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Committee is now tasked with reviewing and updating the current fleet utilization and employee transportation policies.

Finding 3: The lack of a detailed City take-home vehicle policy has allowed the City to approve almost 250 take-home vehicles, resulting in a substantial cost

We recommend that the City Manager's Office:

#10 Revise the City's transportation policy to consolidate City direction and enhance criteria for allocating take-home vehicles.

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

#11 Require employees who receive a take-home vehicle to maintain a log of call back events.

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

We recommend that the City Attorney's Office:

#12 Review the details of the undocumented arrangements with Police and advise City Council about its options.

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

We recommend that the City Manager's Office:

#13 Work towards incorporating into all City labor agreements language that clearly states the City's rights and authority over vehicle assignments and removals.

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

We recommend the City Manager:

#14 Enforce the current take-home vehicle distance limitation that restricts take-home vehicle assignments to employees that live within thirty-five (35) air miles from the freeway interchange at W-X, 29th-30th Streets.

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

#15 Work towards reducing the allowable distance for assigning a take-home vehicle so as to promote reasonable response times to emergency call backs.

☐ Started The City Manager's Vehicle Review Committee was expanded to include review of vehicle use. The Chair of the committee is coordinating recommendations with departments to revise the City's employee transportation policy.

We Recommend that Finance:

#18 Work with the Attorney's Office to determine if the City is accurately reporting the IRS liability.

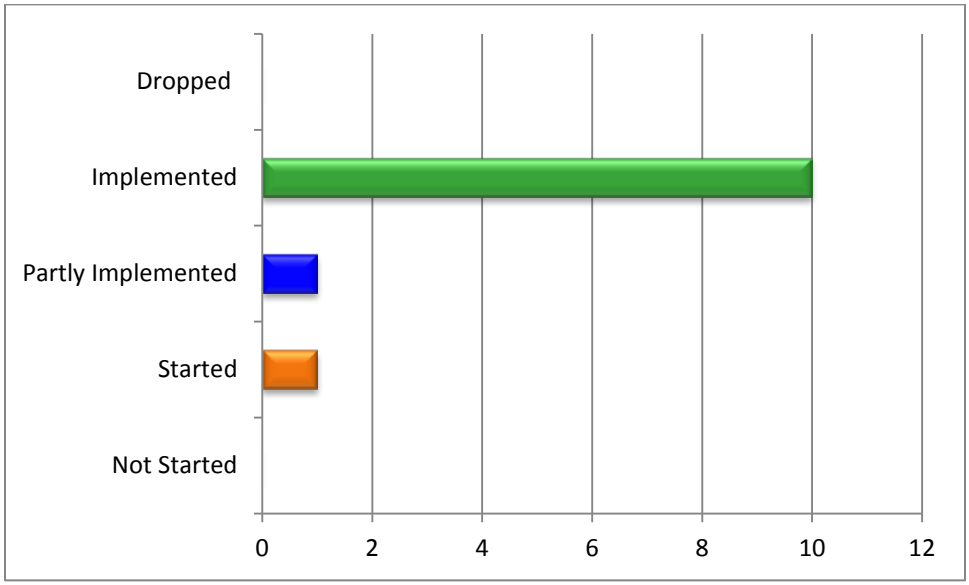
☑ Partly Implemented The City Attorney's Office performed its legal review and recommended to the Finance Department an update of the City Employees Transportation policy. The Finance Department is working with Fleet to update the policy language.

Post Audit Summary of the Audit of City Revenue Collection

The Audit of City Revenue Collection contained four findings and identified as much as $3.6 million in potential additional revenue. The audit, which was released in July 2011, included 12 recommendations and evaluated cash handling policies and procedures, and the effectiveness and efficiency of the Revenue Division's overall operations.

Since the publication of the audit, the Department of Finance's Revenue Division (Revenue) has made progress towards implementing all of the 12 recommendations. Of those, we determined that the department has implemented or partly implemented eleven recommendations (92%) and has started work on one (8%). In previous follow-up reports, three of the recommendations were implemented and therefore not included in this report. The division's progress is shown in the exhibit below.

Exhibit 7: Status of Audit Recommendations



Finding 1: The City, Including The Revenue Division, Could Improve Its Cash Handling Policies and Procedures

#3 Create, maintain and enforce formal procedures for the processes the City uses to collect revenue from and on behalf of other City Departments. These procedures should be in writing and easily accessible to those City Departments that regularly interact with the Revenue Division. In addition, the Revenue Division should include these procedures in the training it provides other departments regarding the use of the Cashiering System.

☐ Partly Implemented In addition to creating the citywide cash handling policy, AP-2300, the Finance Director requested procedures from each of the City's Departments by 12/31/2013. The Revenue Division is currently reviewing the policies provided by the deadline and is following up with Departments that did not provide policies.

Finding 2: Efficient Revenue Division Management Is Hindered By Its Lack Of Performance Measures

#6 Publicly reports the results of its performance measures.

☐ Started The Revenue Division is in the process of redesigning its website and plans to include performance metrics on the new website. Currently Revenue is in the process of determining which measures would be most useful to the public.

Finding 3: The Revenue Division's Process For Collecting Transfer Tax Revenue Is Inefficient And Does Not Conform To City Code

#7 Consider options for a more efficient transfer tax collection system.

☑ Implemented The Revenue Division established an agreement with the Sacramento County Clerk/Recorder's office where the County collects the City's transfer tax when properties are recorded.

Post Audit Summary of the Audit of Citywide Policies and Procedures

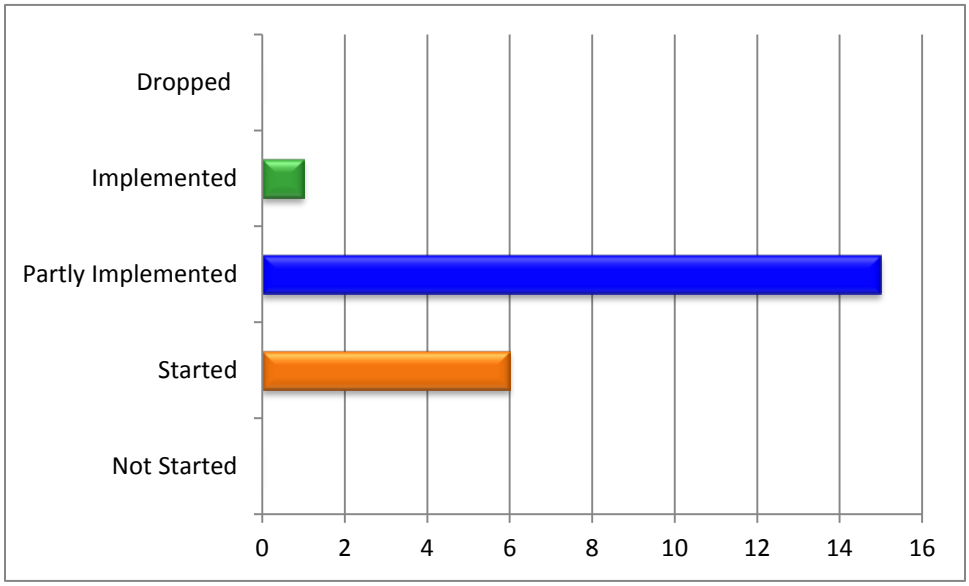
The *Audit of Citywide Policies and Procedures* contained three findings and made 22 recommendations for improving the City's administration of its citywide policies and procedures. By performing this assessment, we sought to identify ways to reduce time spent by employees looking for or explaining policies and procedures, and to reduce risk to the City in case of inconsistent direction. With an adequate policy manual, City employees will be better able to act effectively, decisively, fairly, legally and consistently.

Since the audit's release in July 2011, the City established an implementation team representing the City Manager, City Clerk and City Attorney. The Department of Finance, Revenue Division issued AP-2300 Cash Handling Policy in May 2012. The City Manager issued AP-1002 Whistleblower Protection in October 2012. In addition, City management issued an RFP for a revamped website to include citywide policies. In late 2012, the City Manager's Office convened a working group of Charter Officers and select department staff to develop a comprehensive digital solution to the findings of the Audit Report.

Full publication of updated policies has been delayed due to requests from City labor unions to meet and confer over policies potentially impacting working conditions. Due to active labor relations activities and limited staff, meet and confer meetings have not yet been scheduled.

A demonstration of the APPS backend system and a published policy document was provided to the City Auditor's Office on June 18, 2013 but due to meetings with City labor unions, progress has stalled since June 2013. As shown in Exhibit 8, we designated one recommendation implemented (5%), 15 recommendations partly implemented (68%), and six recommendations as started (27%).

Exhibit 8: Status of Audit Recommendations



Finding 1: While the City has a System for Establishing Policies & Procedures, It is Generally Circumvented

#1 Establish a control to ensure that e-mailed memorandums that establish or change citywide processes are incorporated into the official body of Administrative Policies and procedures.

☐ Partly implemented The APPS working group has rewritten AP-1001 (renamed Automated Policy and Procedure System policy) to reflect the APPS system design. The language of the new policy document includes a statement that all e-mailed memorandums that establish or change citywide processes will be incorporated into the body of administrative policies and procedures via the APPS system.

#2 Develop a control to ensure that documents referred to in Administrative Policies exist and are accessible for policy users before approving the policy

☐ Started The City Manager's Office informed us the APPS policy is updated to ensure all attachments referred to in a policy document are available, and that the Administrative Policy Coordinator will not approve a policy document unless all referenced documents are included at the time the policy is submitted. This will be implemented when APPS goes live.

#3 Update *Developing Administrative Policies or Guidelines PR-1001.01* to clarify responsibility for linking documents within policies and procedures

☐ Partly Implemented Because policy and procedure documents published via the APPS will only link to sections within the policy or procedure document (no external links), previous challenges with maintaining linked documents will be eliminated. The structure of APPS easily identifies missing supporting reference documents before publishing.

#4 Establish a time frame for periodic review of established Administrative Policies and procedures and incorporate it into *AP-1001*.

☐ Partly Implemented The new Automated Policy and Procedure System (APPS) requires a review frequency be provided for each policy and procedure. As noted in the revised procedure, APPS will automatically send an email 60 days prior to the review date to the document's contact person to inform them of the pending review deadline. Because APPS will track the approval date for each document, queries may be made to determine performance and establish future performance benchmarks.

#5 Update *AP-1001* to clearly describe the mechanism for updating Administrative Policies

☐ Started Consistent with the Automated Document Review System (ADRS), the City Clerk's Office will develop a video tutorial, which will include illustrations, to assist staff with the creation and updating of administrative policy and procedure documents. With the advent of APPS, the review process has been refined to include a two-week review and comment period for all departments and review/approval by all Charter Officers to ensure all employees understand the rules and expectations that govern their work.

#7 Formally document the roles, responsibilities and processes of area experts.

☐ Started The City will ensure area experts' roles and responsibilities are incorporated into policies and procedures. Additionally, the City will update AP-1001 to state, "If a policy or procedure document does not provide sufficient information, questions should be directed to the contact listed as responsible for the subject matter."

#8 Analyze roles and access privileges of area experts to determine whether any are incompatible with others, to ensure segregation of duties and prevent conflicts of interest.

☐ Started The City is in the process of incorporating the roles and responsibilities of area experts into existing policy and procedure documents via the APPS transition while taking care to evaluate incompatibility, ensure segregation of duties, and prevent conflicts of interest. The APPS Policy will be rewritten to require the APPS Manager to ensure no subsequent policy or procedure is published without a review for these same issues.

Finding 2: The Inventory of Citywide Policies Could be More Complete and Organized

#9 Evaluate the divisions of Support Services and determine if the policies currently in place are adequate and where additional policies are needed.

☐ Started The Department of Finance, Revenue Division, issued AP-2300 Cash Handling in May 2012. The policy outlines internal control of cash, credit card acceptance, accounting practices, balancing and reconciling and other key practices. It also requires departments which receive payments to establish department specific cash handling policies. The Human Resources Department retracted its statement from June 2012 that 24 documents were completed. However, according to the City Manager's office, HR has reduced the number of documents from 85 to 39 in preparation for approval. Other policies established include AP-1002 Whistleblower Protection (October 2012), and AP 4701 Healthy Vending Nutrition (September 2011). In addition the City Manager scheduled time with the Department of General Services in early 2013 to review final drafts of an updated policy for purchase cards, and a new Purchasing Policy.

#10 Strengthen the language in *AP-1001* to require department directors and division managers who manage citywide processes to establish Administrative Policies over key operational areas.

☐ Partly Implemented The new APPS platform was built to facilitate, create and manage citywide, department and division policies. The Draft APPS policy language requires department directors to establish policies and procedures over key operational areas.

#11 Assess the inventory of outside policies and procedures and determine whether they should be incorporated or retired.

☐ Started The City's web team has partially launched a new City website. As department webpages are updated, outside policies and procedures will be removed in coordination with the web team and department. Existing policies are housed in the Citywide Content Management (CCM) system and published to the intranet or website. Archived policies may be accessed by contacting the City Clerk's Office. The APPS team is focused on transitioning existing citywide policies and, after the core (e.g. pre-existing APIs) policies are published, will conduct a thorough review of the remaining 250 documents identified by the audit to determine if they can be incorporated into existing policies, discarded, or developed into individual policy or procedure documents.

#12 Assess whether the City should develop policies to address some of the policy areas owned by other cities and noted in Exhibit 13.

☐ Partly Implemented The City Manager's Office evaluated the examples provided in the Audit report. Many of the policies identified have been implemented since the City Auditor's Report was issued. Other policies have been drafted and will be incorporated into a review process for the Executive Team's forthcoming review/testing process of the APPS system. Additional policies will be considered per direction from the City Manager. This recommendation will be implemented when these policies are published and are accessible by employees.

We recommend that the City Manager and City Clerk:

#13 Revisit how Administrative Policies and related documents are housed in CCM.

☐ Partly implemented The City's new APPS policy document notes that all current citywide policies and procedure documents shall be published to the CCM. CCM will provide the source documents for posting of City policies and procedures to the City's new website.

#14 Update *PR-1001-01* to include a clear description of how Administrative Policies and Procedures are integrated and accessed in CCM.

☐ Partly implemented The City's new APPS policy document notes that all current citywide policies and procedure documents shall be published to CCM. CCM will provide the source documents for posting of City policies and procedures to the City's new website.

 # 15 Centralize citywide policies and procedures to a location where employees can easily find all current policies that relate to their position or employment at the City.

☐ Partly Implemented Staff has designed and built the APPS system to serve as a central repository for Citywide, department and division policies and procedures. The APPS system will house the "source" documents from which formal policy and procedure documents are "published" to the CCM (and intranet or website).

#16 Evaluate the 250 documents and determine which warrant integration into the formal process described in *AP-1001* and related formats.

☐ Partly Implemented There is awareness that the Human Resources Department policies present the most significant opportunity to achieve rapid success in transitioning existing policies into the APPS system and resolving a large portion of the 250 documents. The APPS project team will be partnering with HR to convert the recently updated HR policies into the APPS format. Several draft HR policy/procedure documents have been converted to the APPS format including: Reasonable Accommodation, Employee Handbook, Educational Assistance, Wireless Communications, Health and Welfare, Leave Administration, and Employee Separation.

#17 Design a control to ensure outdated policies and procedures are removed from CityNet and the City's public website.

☐ Partly Implemented The updated APPS procedure document requires the APPS Manager to archive policy and procedure documents when new documents are published to the CCM. The procedure also notes that archived policy and procedure documents are available by request via the City Clerk's Office.

 # 18 Change the department owners of policies to reflect correct owners.

☐ Partly Implemented APPS will provide a single point of accountability for each policy and procedure document including name, title, department, telephone number (new) and email address (new).

#19 Update the department drop-down list to align with the current organization chart.

☐ Partly Implemented The Clerk is updating the drop-down menu to reflect the current organization chart without losing former departments.

#20 Consider making a change to CCM to allow for the distinction between active/current policies and inactive/replaced policies.

☐ Partly Implemented The updated APPS procedure document requires the APPS Manager to archive policy and procedure documents when new documents are published to the CCM. The procedure also notes that archived policy and procedure documents are available by request via the City Clerk's Office

#21 Ensure department directors and division managers regularly review the policy repository to ensure only, and all, their current policies are posted.

☐ Partly Implemented The APPS design provides a digital solution to the recommendation. Department directors and division managers and other key staff responsible for policy review will be notified by the APPS system when a policy or procedure document requires their review. A digital review and approval process will ensure policy and procedure documents remain current.

Finding 3: A Long-Established Tradition of Undocumented Processes Hinders Some Directors' Efforts to Establish Department-Specific Policies and Procedures

#22 Reinforce management's expectation that all department operations policies and procedures be put in place and kept up to date.

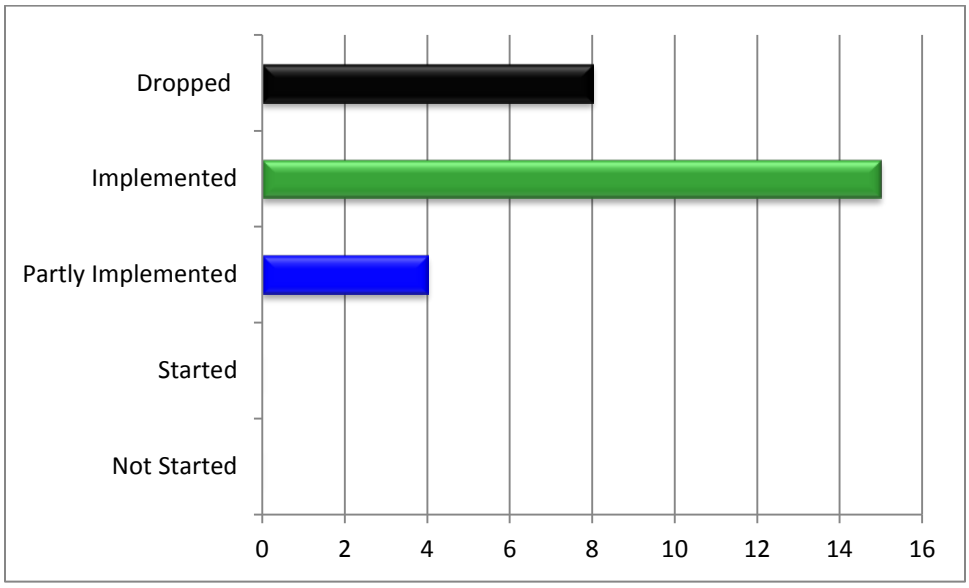
☐ Partly Implemented APPS was built to accommodate and provide a central repository for and the accountability for ensuring citywide, department and division policy and procedure documents are put in place and kept up to date. A briefing was provided to department directors on April 26 as well as July 10 to update them on the developing APPS system, including the fact that APPS was built to house department and division policies.

Post Audit Summary of the Department of Utilities Operational Efficiency and Cost Savings Audit

The Performance Audit of the *Department of Utilities Operational Efficiency and Cost Savings Audit* contained seven findings and identified $8.6 million of potential savings in FY 2011-12. The audit, which was released in June 2011, was an objective examination of the Utilities to evaluate whether the department was managing and/or utilizing resources in a responsive, economical and efficient manner. In addition to recommendations directly related to the seven key findings, the audit included further opportunities for operational efficiencies and cost savings that the Utilities may want to explore.

Since the publication of the audit, the Utilities Department has made progress towards implementing all of the remaining recommendations. The department's progress is shown in the exhibit below.

Exhibit 9: Status of Audit Recommendations



Finding 3: An Operations Energy Management Program should be implemented

#3 Implement a "best practice" operations energy program to achieve significant energy and cost savings

☑ Implemented The department has established a Sustainability section in the Office of the Director and has committed staffing and funding for this effort. This section will oversee various sustainability programs, inclusive of the department's operations energy program. Based on recommendations from the Black and Veatch report of June

2013, a “best practices” operations energy program plan was recently developed and is currently being implemented. The department’s sustainability efforts will integrate with the citywide sustainability program to ensure that the department is continually seeking ways to become more efficient with energy use and mitigate negative environmental impacts in its operations. Utilities will report back regarding implementation of specific projects as part of the next audit update in June 2014.

Additionally, the department included Key Performance Indicators (KPIs) for Levels of Service (LOS) related to energy efficiency as part of its business plan.

Finding 5: Solid Waste is not fully utilizing its route optimizing software

#5 Solid Waste should utilize the routing software and follow the recommended routes,

☐ Partly Implemented In December 2012, the Recycling and Solid Waste Division (Division) hired a new Geographic Information Systems (GIS) Specialist III to assist with the implementation of the 2012 Solid Waste Business Plan. The Plan included a number of programmatic changes for the Division, implemented July 1, 2013.

Division staff utilized RouteSmart and other software programs to help design new routes associated with the programmatic changes. Additionally, the expertise of our new GIS III has greatly enhanced our ability to create routes that are more efficient for drivers. The new routes focus on variables such as route size, distance to the transfer stations, and projected customer participation rates based on historical information from certain areas within the City.

Even with all the changes, including new routes for drivers in new areas, the Division has already seen a significant reduction in daily overtime. Prior to the program changes on July 1, total overtime averaged 28 hours per day. Since July 1, total overtime has averaged 15 hours per day. The Division expects daily overtime to decrease further as the drivers become more familiar with their new routes.

Future efforts will improve existing efficiencies by focusing on regional efforts to maintain a routable street network for use in RouteSmart (and other) software, incorporate the use of more current weight data and automate routing processes, where applicable.

Finding 6: There is excessive non-recyclable material in residential recycle bins

#6 Implement a more effective public information program that can reduce non-recyclables from 32% to 10%

☑ Implemented In November 2012 the Division contracted with UpTown Studios, a public relations and branding firm, to assist with the development of numerous public outreach campaigns regarding waste collection and recycling programs. The campaign focused on the changes that were forthcoming for the Division, including bi-weekly recycling, the end of year

round loose-in-the-street yard waste service, containerized yard waste collection, and the return of the Appointment-based Neighborhood Clean-up program.

The positive impact of the outreach campaigns reflects in the Division's annual recycling characterization study. In 2012, the residual rate dropped ten percentage points, from 32 to 22 percent. In 2013, the residual rate dropped further to 21 percent. A review of like-sized cities with similar recycling guidelines, such as Fresno (24.6% residual), Merced (24.5%) and Sacramento County (20%) indicate that we are in line with and often below average with regards to contamination.

The Division's outreach efforts will continue through 2014 with educational videos, advertising, a new website, annual service guide, 311 app, recycle calendar magnets and appearances at neighborhood events.

A 10% goal for the City of Sacramento, although an "industry goal," may not be obtainable for a city our size; however, the Division's objective is to continue to aggressively educate residents about the curbside recycling program and continue to reduce the residual rate in the curbside recycling program

Additional Operational Efficiencies and Cost Savings

#8 Create and implement a Large Meter Replacement Program.

☑ Implemented Utilities is in year three of a five year replacement program. Over half of the 1,250 meters identified for replacement have been replaced and the program is ahead of schedule for the current fiscal year. The department is in the process of analyzing data that quantifies volumetric usage for 3" and larger meters that have been replaced since 2010. Preliminary results indicate more accurate volumetric readings in excess of 10% per year compared to the old meter. This percentage will be realized each year for the life of the new meter.

#11 Increase size of construction contracts (specifically directed at the meter retrofit program).

☑ Implemented Utilities agrees with this recommendation, and is packaging Meter Retrofit Program projects in as an efficient manner as possible. During the review period, Utilities analyzed several projects. According to the Department, the major benefit of bundling projects is that design and construction 'soft costs' are reduced: therefore, less staff is required to complete bundled projects. However, 'hard costs' do not show a consistent savings related to project size. As a result, the Department concluded that while some minimal project management staff resources can be saved by bundling meter retrofit projects, large scale savings have not be realized.

#12 Accelerate completion of the Computerized Maintenance Management Systems (CMMS).

☐ Partly Implemented Utilities is currently working on completion of the CMMS. Phase 1 of this project is complete as reported in the July 2013 audit update. Phase 2 of this project is for those sections of Operations and Maintenance formerly known as Field Services to upgrade the existing client server CMMS application, Azteca Cityworks ANYWHERE, to a web-based platform, and is currently in the test phase. The December 2013 pilot project was rescheduled to January 2014 to accommodate a parallel processing strategy. The new web platform is installed and currently in testing. Utilities anticipates to have the baseline upgrade completed by April 2014.

#14 Accelerate completion of the SCADA HMI software system replacement.

☑ Partly Implemented Upgrades to VT SCADA were scheduled to be completed by Westin consultants by January 2014 at the following four locations: the Sacramento Water Treatment Plant (SWTP), Combined Wastewater Treatment Plant (CWTP), Sump 2, and Pioneer Reservoir. Sump 2 and Pioneer Reservoir are upgraded and training is complete. CWTP is upgraded and training is currently in process. SWTP is approximately 90% upgraded; however, the plant is shut down until approximately March 1, 2014 for maintenance and repairs. Once back on-line, complete installation of the new VT SCADA system and staff training is expected to be complete within 2-3 weeks.

Additionally, Utilities conducted in-house VT SCADA upgrades at numerous other facilities, including: EA Fairbairn Water Treatment Plan; the Florin, Alhambra, City College, Medical Center, and Freeport reservoirs; and numerous sumps and wells city-wide. Training at these facilities progresses as permitted by very limited staffing resources.

Once fully implemented, the Utilities anticipates realizing many quantifiable benefits from the upgrades, including improved security, data collection, version control, and HMI Stability. Additionally, new computer servers can be configured within hours, rather than the days it takes using the old Fix32 SCADA system.

#20 Develop additional Geographic Information System (GIS) functionality.

☐ Partly Implemented Utilities has been working with the engineering firm, Brown & Caldwell and the central City GIS staff to address additional GIS Functionality through the Enterprise Application Integration project. Phase I, Needs Assessment, was completed in March 2013. Phase II, Development and Implementation, is currently in progress. The original deadline for Phase II was November 2013; however, the project scope was expanded to include reporting solutions for additional business processes, extending the project completion date to April 2014.

Reporting solutions for three of the business processes have been developed, but not yet deployed to staff. Once deployed, multiple benefits will be realized. Staff will have access to data previously not readily available. There will be less dependency on IT staff to provide data such as reports and maps, speeding up staff response time to project needs. Consolidation of data from various systems into one repository will create project management efficiency, saving time and staff resources.

#24 The Solid Waste Division has a higher than normal spare factor.

☑ Implemented As reported previously, in 2011, the Division implemented a fleet replacement program to replace costly, out-of-date refuse trucks and establish a seven-year vehicle replacement cycle that will maintain our spare factor at the industry standard of 25 percent.

Since implementation, the Division has purchased 53 new side-loader refuse trucks: 33 delivered in FY2011/12; 16 delivered in FY2012/13; and four to be delivered in FY2013/14. In addition to the side-loading refuse trucks, the Division purchased seven claw loaders in FY2012/13 and will take delivery of eleven new rear-loading refuse trucks and three new street sweepers this fiscal year. With all the new vehicles, the average age of our fleet is just 3.5 years.

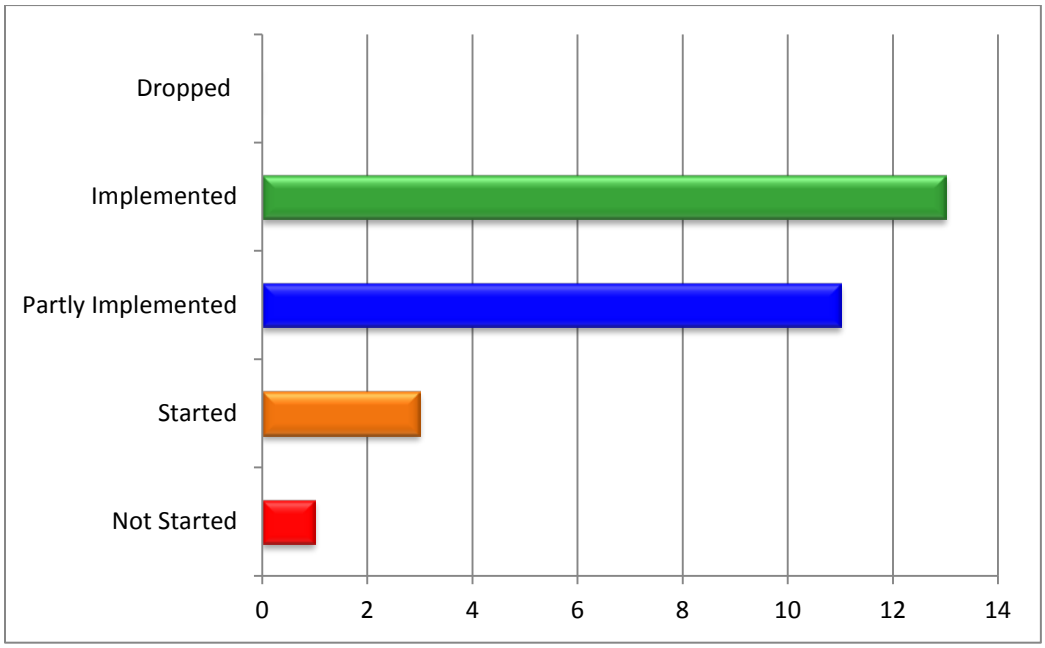
Post Audit Summary of Employee Health and Pension Benefits

The *Audit of Employee Health and Pension Benefits* contained five findings and identified as much as $16 million in possible overpayments and potential City savings. To date, the City has recovered approximately $476,000 in overpayments. The audit, which was released in April 2011, included 28 recommendations and covered the administration of health benefits; health premium amounts and cost sharing; pension payments and cost sharing; retiree-health obligations; and general benefit cost containment options.

Since the publication of the audit, Human Resources has made progress towards implementing 27 of 28 recommendations. Of those, we determined that the Department has implemented or partially implemented 24 recommendations (86%) and has started work on 3 other recommendations (10%). Work has not started on one recommendation (4%).

Exhibit 10 summarized the implementation progress to date. While Human Resources is making progress in implementing recommendations, we anticipate that some recommendations could take several more months to fully implement.

Exhibit 10: Status of Audit Recommendations



Finding 1: The Administration of Health Benefits Has Strengthened, But Areas of Concern Remain

#2 Develop a system to reconcile self-billed amounts to actual amounts deducted in payroll.

☐ Started The Human Resources Department is collaborating with IT and Payroll to develop a process for addressing this recommendation.

#3 Inventory all previous LOUs and present them to Council for incorporation into labor agreements as necessary.

☐ Partly Implemented Human Resources has incorporated some LOU's into labor agreements and continues to work towards incorporating the remaining LOU's.

#10 Change the practices for crediting employees who leave the City to ensure that they are refunded the correct amounts for health premium payments

☐ Partly Implemented This is being implemented as bargaining groups agree to remove the cash back payments for employees who waive benefits. The change eliminates the flex credit contribution, which played a role in the reimbursement issue.

#11 Formalize the out-of-area plan and the subsidy methodology in the labor agreements.

☑ Partly Implemented According to Human Resources, the plan is being phased out and has already been eliminated from the WCE, Local 39, SCXEA, and SPOA labor agreements.

Finding 2: The City's Current Methods For Determining Premium Amounts And Shares Need Improvement

#12 Establish a formal process to periodically compare the costs of the City's health premiums to what other area governments pay.

☐ Started According to Human Resources, the department has requested that the City's benefits broker provide this information every other year.

#13 Report to City Council how the City's premium amounts compare with those paid by area governments.

☐ Not started According to Human Resources, the department plans to report this information to Council when it becomes available. Reporting is contingent on the completion of Recommendation #12.

#15 Establish a process to obtain and review trends in area governments' contributions towards employees' health premiums.

☐ Partly Implemented According to Human Resources, the department has met with the City's benefits consultant to review trends and created a strategy for benefits to be negotiated in future labor agreements.

#16 Consider regional trends when negotiating benefit shares.

☐ Partly Implemented As mentioned in Recommendation 15, Human Resources has reviewed trends and created a benefits strategy. A compensation study was recently completed.

Finding 3: Moderate Changes Could Help Rein In Rising Pension Costs

#19 Consider the employee contributions required by nearby government employers when negotiating the City's pension share.

☐ Partly Implemented City negotiators stay abreast of trends, proposed state legislation, and agreements reached by nearby government agencies. Human Resources is conducting a compensation study that includes amounts employers pay towards employees' pensions.

Finding 4: City Payments Towards Retiree-Health Costs Are Growing and The Way The City Pays For These Benefits Could Result In Overpayments

#20 Work towards negotiating a change to the City's contribution for Fire retirees' benefits to bring them more in line with contributions made toward other City retirees.

☐ Started According the Human Resources Department, this is being proposed in a current negotiation.

#21 Continue pursuing options to reduce retiree health costs.

☐ Partly Implemented The department has researched Medicare Exchange plans and will present information to employee unions. Target date for completion is January 2014.

#23 Continue work to implement the self-billing method for retiree health benefits.

☐ Partly Implemented Human Resources has designed a self-billing method for retiree health benefits and is testing the process. The expected completion date is July 2014.

Finding 5: Rising Benefit Costs Require The City To Evaluate Cost Containment Options Like Those That Other Governments Employee And Best Practices Recommend

#25 Continue plans to implement a wellness program that includes assessing the program's impact.

☐ Partly Implemented Human Resources has implemented a wellness program that includes goals and measures. According to the Department, results might not be known for a few more years and that participating in health assessments could impact premiums in the future.

#26 Consider changes to the retiree health benefits program.

☐ Partly Implemented Newly hired employees represented by several labor groups are no longer eligible for retiree health benefits. Also, new unrepresented hires will not be eligible for retiree health benefits. The City is pursuing such agreements with other unions and looking to reduce retiree health care costs.

#27 Consider changes to pension formulas and final compensation calculations for new employees.

☑ Implemented The Public Employees' Pension Reform Act (PEPRA) requires new PERS member to pay 50% of normal cost.

#28 Create and manage a strategic health-care plan.

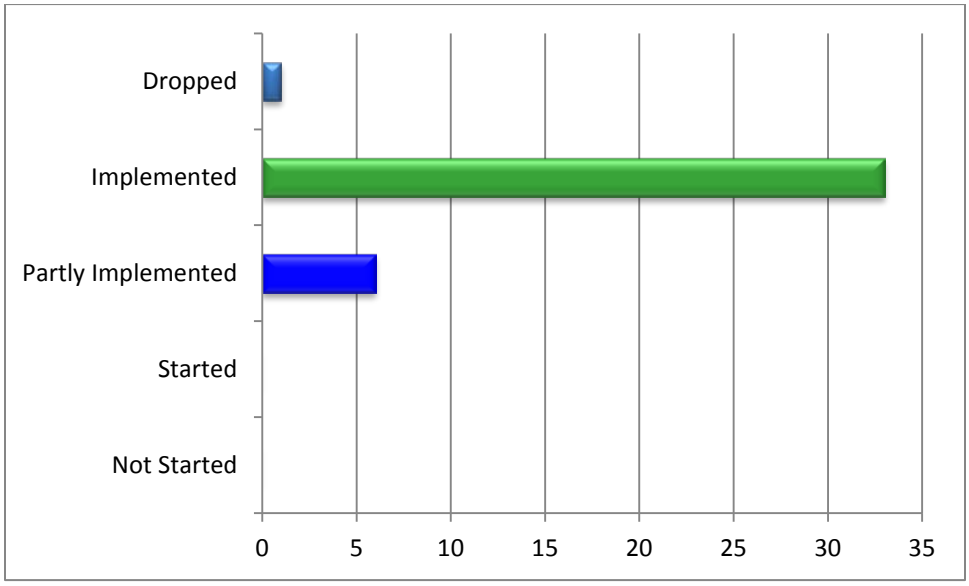
☐ Partly Implemented The City has a strategic healthcare plan and the City's Chief Negotiator has outlined priorities for negotiations.

Post Audit Summary of the Audit of the Community Development Department

The Performance Audit of the Community Development Department (CDD) contained 5 chapters, identified $2.3 million[2] in required permitting fees that the City did not receive, and made 40 recommendations for improving CDD's operations, controls, and management. The audit specifically reviewed the City's processes for issuing building permits and collecting requisite fees. Since the audit's release in October 2010, my office has been working closely with CDD staff to assess and insure adequate implementation of the adopted recommendations.

During the reporting period of July 2013 to December 2013, CDD made progress towards implementing recommendations. As shown in Exhibit 11, we designated 33 recommendations as implemented (82.5%), 6 recommendations as partly implemented (15%), and one dropped (2.5%).

Exhibit 11: Status of Audit Recommendations



[2] According to the Attorney's Office, the City is still evaluating whether the City may successfully recoup some or all of the previously noted $2.3 million uncollected fees.

Section 1: Organization and Policies

#2 Develop processes to create and regularly utilize system exception reports to monitor system usage, detect process errors, or identify unusual or abnormal activities to ensure all employees and system users follow proper permitting processes and policies and procedures.

☑ Partly Implemented CDD is in the process of developing exception reports to monitor system activity. Reports will be reviewed over a 6 month period to identify abnormal activities and enhance report activity where needed.

#9 Ensure that the City's Chief Building Official, who is held responsible by state law and City Code for enforcing the City's building laws, codes and regulations, has the ability to control all of the activities and processes for which he or she is responsible.

☐ Partly Implemented The City Attorney's Office is drafting language to amend Sacramento City Code Title 15 and Title 8 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce City's building laws, codes and regulations. Ordinance language will be forwarded to City Council by March 2014.

#10 Ensure that the City's Chief Building Official has reporting authority over the positions that carry out those activities and processes for which he or she is responsible, including but not limited to Permit Counter staff, Process Assessment Unit staff, inspectors, plan reviewers, etc.

☐ Partly Implemented The City Attorney's Office is drafting language to amend Sacramento City Code Title 8 and Title 15 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce City's building laws, codes and regulations. Ordinance language will be forwarded to City Council in spring 2014.

#11 Consider the City's Chief Building Official's responsibilities related to housing and code enforcement activities, and ensure that proper control and reporting authority is provided, particularly since Building Services already provides plan review related to housing permits.

☐ Partly Implemented The City Attorney's Office is drafting language to amend Sacramento City Code Title 15 and Title 8 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce City's building laws, codes and regulations. Ordinance language will be forwarded to City Council by March 2014.

#12 Analyze the duties of CDD staff to ensure all conflicting responsibilities are sufficiently segregated and controlled.

☑ Implemented The CDD provided the auditor with a comprehensive *Community Development Department Functional Organization Chart* that provides an overview of proper control, oversight, and authority. CDD reviews the functional organization chart regularly to ensure proper control, oversight and authority in the department.

Section 2: Proper Permitting

#18 Restrict system access and ability to provide approval of project plans in the system to only those employees employed by the City in such a capacity; ensure the employees given access to input approvals in the system have the necessary qualifications, training and education to review and approve project plans. Also, only allow those employees with proper qualifications to sign and approve the hard copy of project plans.

☐ Partly Implemented On July 9, 2013, CDD provided us with an updated list of all employees who have the ability to approve permits in the Accela system. We sampled 15 permits and identified four permits that were approved by an individual that was not on the approved list. We also found that those with access to approve and change the status of permits can change the status of all permit types, not only the ones they are authorized to approve. Access in the Accela system for minor permits will be limited to various building staff by the end of the 2013-14 fiscal year. This change will minimize risk in the department.

#19 Ensure all professional approval stamps, such as engineering, plan review, etc. are secured and cannot be misused.

☑ Implemented The Chief Building Official issued a memo authorizing only qualified staff and their positions to use approval stamps. The memorandum is uploaded and logged on the department's city net web based system.

#29 Develop regular spot check processes where a sample of permits are selected and reviewed to ensure all required processes were appropriately completed. Determine any training needs or increase in frequency of spot checks based on the outcome of the review process.

☐ Partly Implemented CDD provided us with a sample quarterly "audit" of the Permit Counter dated February 12, 2013 in which the Deputy Chief Building Official is required to perform. While a quarterly "audit" of permits issued at the Permit Counter would implement this recommendation, the "audit" did not provide details on what the testing and sampling consisted of and the results of the testing. The CDD has responded that an update of the Permit Counter's quarterly audit will be completed by the end of December 2013. We will review and test the update when it's ready.