Meeting Date: **3/31/2015**

Report Type: Consent

Report ID: 2015-00282

05

City of SACRAMENTO

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

Title: City Auditor's Recommendation Follow-up Report For The Six Month Period Ending December 31, 2014

Location: Citywide

Recommendation: Pass a Motion accepting the City Auditor's Recommendation Follow-up Report For The Period Ending December 31, 2014.

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

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

Department: Mayor/Council
Division: Office of the City Auditor
Dept ID: 01001201
Attachments:
1-Description/Analysis
2-City Auditor Recommendation Followup Report Ending Dec 2014

City Attorney Review

Approved as to Form
Sandra Talbott
3/19/2015 5:29:00 PM

Approvals/Acknowledgements

Department Director or Designee: Jorge Oseguera - 3/17/2015 5:31:43 PM

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Description/Analysis

Issue Detail: According to the City Council Rules of Procedures, the Budget and Audit Committee shall receive, review, and forward to the council as appropriate, reports, recommendations, and updates from the city auditor. This report details the implementation status of open audit recommendations during the first half of fiscal year 2014/15.

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 Budget and Audit Committee unanimously accepted this report on March 3, 2015 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 2014/15 Office of the City Auditor Budget.

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

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Attachment 2

CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

March 3, 2015

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

Honorable Members of the Budget and 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 2014/15 Audit Plan, we prepared a report of the status of open recommendations for the six months ending December 31, 2014. 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.
- Dropped – 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 the first half of Fiscal Year 2014/15 was approximately $327,500. Dividing the potential City benefit for 2014/15 by the Office's budget for the first half of Fiscal Year 2014/15 (assumes audit resources split at 60 percent for performance audits and 40 percent for whistleblower investigations) results in $3 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
cn=Jorge Oseguera, o=City Of Sacramento, ou=Office of the City Auditor, email=joseguera@cityofsacramento.org, c=US
2015.03.12 17:23:54 -07'00'

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
2014-15 Audits									
Sidewalk Repair Process	Nov 2014	$300,000		12	NA	NA	NA	NA	NA
Wireless Communications	Aug 2014	$291,600	$20,000	18	3	5	9	1	0
Fire Inventory and Narcotics	Aug 2014	Reduce Liability		19	4	7	8	0	0
2013-14 Audits									
City Inventory Systems	Apr 2014	$288,000		12	0	0	12	0	0
Employee Supplemental Pay	Dec 2013	$336,000		17	0	2	4	11	0
2012-13 Audits									
Citywide Purchase Card Use	Oct 2012	Reduce Liability		14	0	0	9	5	0
Sacramento Regional Sports Education Foundation	Sep 2012	$400,000	$120,000	8	0	0	0	0	8
Audit of the Fire Prevention Program	Aug 2012		$28,000	22	0	2	17	3	0
2011-12 Audits									
Utility Billing Review	Jun 2012	$1,300,000	$613,000	11	0	0	3	8	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	0	0	12	0
Citywide Policy and Procedures Assessment	Jul 2011	NA		22	0	5	16	1	0
2010-11 Audits									
Sacramento Utilities Efficiency and Cost Savings Audit	Jun 2011	$8,641,000	$2,640,000	27	0	0	2	17	8
Audit of Employee Health and Pension Benefits	Apr 2011	$16,000,000	$7,470,000	28	0	1	9	17	1
Audit of the Community Development Department	Oct 2010	$2,300,000		40	0	0	3	36	1
Total		**$40,056,600**	**$14,231,000**	**291**	**7**	**29**	**94**	**131**	**18**

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Post Audit Summary of the Audit of City's Sidewalk Repair Process

The Audit of the City's Sidewalk Repair Process contained four findings and identified as much as $300,000 in revenue the City could recover if fees were increased. The audit, which was released in November 2014, included 12 recommendations and evaluated internal controls, tested the accuracy of utility service charge bills, and assessed the City's ability to recover amounts billed.

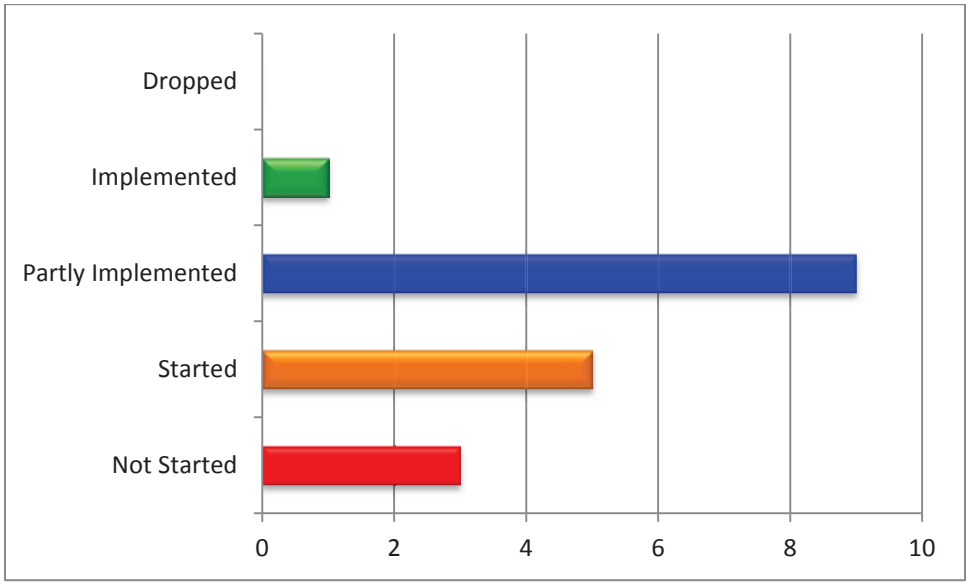
Since the publication of the audit was a month before the recommendation follow-up period ended, we will not report on the status of the recommendations until June 2015. We have listed the audit findings and recommendations below.

Post Audit Summary of the Audit of Citywide Wireless Communications

The *Audit of Citywide Wireless Communications* contained three findings and made 18 recommendations for improving the City's administration of its citywide wireless communication devices. By performing this assessment, we sought to identify ways to reduce the City's cost of providing wireless communication devices to employees. By improving how the City's wireless device program is administered, the City may save nearly $300,000.

Since the audit's release in August 2014, the City's Information Technology Department has worked towards implementing the audit's recommendations. During the reporting period of June 2014 to December 2014, the following progress has been made. As shown in Exhibit 2, we designated one recommendation implemented (5%), nine recommendations partly implemented (50%), five recommendations as started (28%), and three recommendations as not started (17%).

Exhibit 2 Status of Audit Recommendations



Finding 1: Improving How the City's Wireless Device Program is Administered Could Potentially Save the City $291,600 and Decrease the Risk of Abuse

#1 Establish controls to monitor overage charges.
Partly Implemented The Information Technology (IT) Department has assigned departmental mobile liaisons with the responsibility of reviewing monthly charges and making appropriate plan changes. In addition, IT began implementation of a mobility management application to monitor wireless overage charges. Departmental mobile liaisons will have access to the mobility application to actively manage departmental wireless charges.

#2 Develop testing mechanisms and protocols for detecting and eliminating excessive personal use.
Partly Implemented IT began implementation of a mobility management application to monitor monthly wireless charges. In addition, monthly wireless usage details will be available for management review.

#3 Activate parental controls for devices to prevent employees from purchasing and downloading inappropriate apps and subscriptions.
Partly Implemented The IT Department activated parental controls on all non-smartphones. Parental controls are not available for smart phones.

#4 Develop a monitoring mechanism to ensure employees provided City cell phones are not receiving a technology allowance as well, vice versa.
Not Started IT will coordinate with the Human Resources Department to receive a monthly Technology Allowance report for review to ensure program compliance.

#5 Continue to work with the vendors to determine the appropriate taxes the City is obligated to pay.
Started The IT Department worked with both AT&T and Verizon Wireless to review all plans and ensure the City is paying appropriate taxes. After AT&T's review of the City's lines, AT&T refunded a total of $1,189.78 to the City for tax overpayments. After Verizon Wireless' review of the City's lines, Verizon Wireless refunded a total of $17,800.83 to the City for tax overpayments. The IT Department will review the accounts to ensure tax payments are correct. In addition, the department will develop a review process to periodically review charges.

#6 Review quarterly optimization reports issued by vendors and consider changing lines to suggested plans.
Partly Implemented Some departments have already taken steps to review optimization reports and make changes to suggested plans. IT will continue to work with other departments to ensure reports are utilized.

#7 Consider cancelling or suspending services for devices not being used.
Started IT is currently working with departments to review, update, and review wireless device inventory as required.

#8 Follow the City's Employee Separation Policy and develop processes to track retrieval of devices from separating employees.
Implemented IT implemented a new Employee Separation Process to retrieve equipment from separating employees. The Human Resources Department sends a monthly report of recent employee separations and IT checks to ensure separation tickets are submitted and hardware has been collected from the separating employees. IT works with the department managers to disconnect accounts that are no longer necessary.

#9 Assign responsibility for monthly review of device use.
Started Departmental mobile liaisons will be responsible for reviewing monthly charges and make appropriate plan changes as required.

#10 Perform analysis on the City's lines to ensure devices are in the most cost effective plans.
Partly Implemented Some departments have already taken steps to review optimization reports and make changes to suggested plans. IT will continue to work with other departments to ensure reports are utilized.

Finding 2: Wireless Device Policies are Insufficient

#11 Continue to develop and implement formal policies and procedures to reflect operational changes and advances in wireless device technology and security.
Partly Implemented The IT Department has developed formal policies and procedures and is currently waiting for approval to implement.

#12 Develop a process to review policies on an ongoing basis so they remain up-to-date.
Partly Implemented The IT Department will review and update the formal policy on an annual basis once it has been finalized and implemented.

#13 Establish how best to exercise authority over the City's wireless communication devices.
Partly Implemented Roles and responsibilities of all players in the management of the City's wireless communication devices will be delineated in the formal policy currently under management review.

#14 Update and utilize the wireless communication device request form for all employees issued City devices. The request form should include a written justification for the device, anticipated use, and plan type with supervisory approval and stored for as long as the employee is assigned the device.
Not Started IT has not yet started on this recommendation.

#15 Submit a new wireless communication device request form for all existing employees with City-issued devices.
Not Started IT has not yet started on this recommendation.

#16 Define responsibilities and develop policies to govern telecom liaisons.
Partly Implemented Roles and responsibilities of all players in the management of the City's wireless communication devices will be delineated in the formal policy currently under management review.

#17 Department management should review changes made by telecom liaisons to ensure they are appropriate.
Started Departmental mobile liaisons will be responsible for reviewing monthly charges and make appropriate plan changes as required. The new mobile management application will include an approval process within the application to ensure management approves all changes.

Finding 3: Inventory Records are Incomplete and Inconsistent

#18 Update inventory records and ensure complete and up-to-date inventory is maintained.
Started The new mobile management application maintains an active inventory of deployed devices. A new IT Hardware Inventory Policy/Procedure will address all IT hardware including mobile devices.

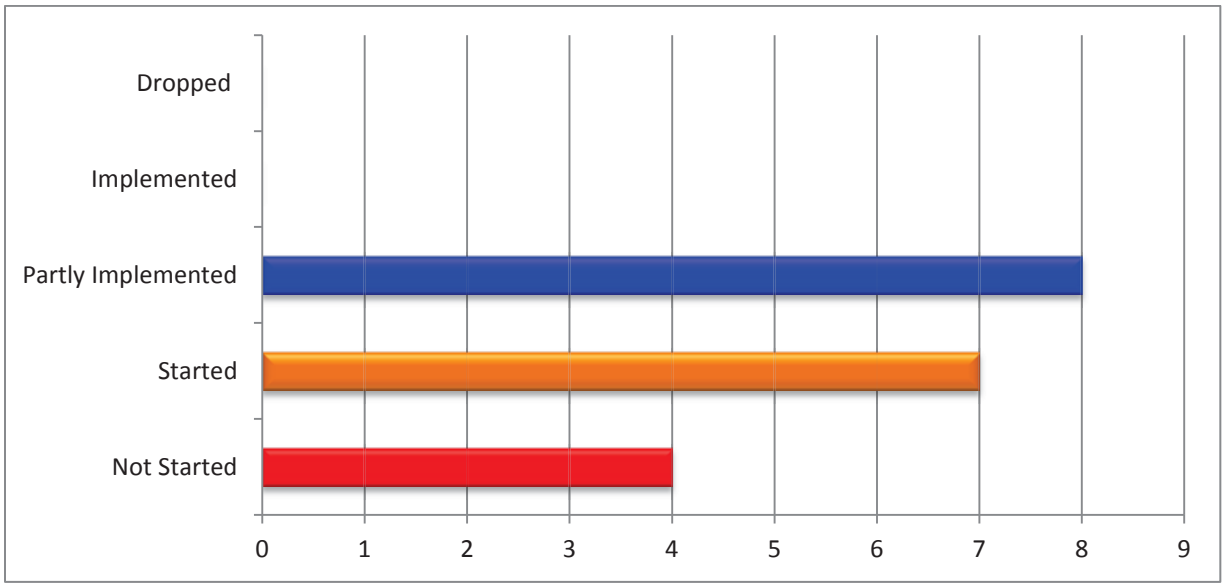
Post Audit Summary of the Audit of the Fire Department Inventory System and Narcotics

The *Audit of Fire Department Inventory System and Narcotics* contained three findings and made 19 recommendations aimed at improving the accuracy and accountability of the Fire Department's Emergency Medical Services (EMS) inventory systems. The audit, which was released in August 2014, provided both a high-level assessment of the newly acquired Operative IQ inventory system and a comprehensive analysis of the existing narcotics inventory system.

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 Fire Department staff and obtained additional evidence.

Since the audit's release, the Fire Department has made progress towards implementing many of the recommendations. Most notably, the Fire Department has updated their Manual of Operations and conducted random inventory counts to measure data reliability of the inventory system on a regular basis. Of the 19 recommendations, 8 have been partly implemented (42%) and work had begun on 7 (37%). Work has not begun on 4 (21%) recommendations.

Exhibit 3: Status of Audit Recommendations



Finding 1: The Fire Department should implement inventory management best practices to improve accountability and accuracy

#1 Assign responsibility for managing inventory and develop policies to provide clear and consistent direction.
Started The Fire Department has drafted EMS Warehouse Supply Inventory Policy Section XI - Subject 12.4 that outlines the procedures and responsibilities for managing EMS Warehouse inventory.

#2 Establish performance goals to determine if the system is functioning properly.
Not Started The Fire Department is working towards developing controls over counting and maintaining inventory but has not yet established specific performance goals for the inventory system.

#3 Determine a schedule for regular and random inventory counts to ensure accuracy and identify outages.
Partly Implemented The Fire Department has drafted EMS Warehouse Supply Inventory Policy Section XI - Subject 12.4 which requires inventory warehouse be counted on the 20th of the month. Two random audits of Operative IQ orders were conducted in October 2014.

#4 Require supervisory approval of inventory count adjustments and document the cause of the variance.
Partly Implemented The Fire Department has drafted EMS Warehouse Supply Inventory Policy Section XI - Subject 12.4 that outlines the procedures and responsibilities for making adjustments to the warehouse inventory count.

#5 Develop a mechanism to track discarded or expired medication.
Started According to the Fire Department, a mechanism for implementing this recommendation has been identified in Operative IQ and the best process is being evaluated before a policy can be put in place.

#6 Develop a process to track actual usage of supplies.
Started According to the Fire Department, a mechanism for implementing this recommendation has been identified in the EMS Patient Care Report (PCR) system. A process and policy on how this will be carried out is still being developed.

#7 Work with the IT Department to implement system access best practices, including the concept of "least privileges."
Started The Fire Department has worked to reorganize some system access levels; however, additional work still needs to be completed.

#8 Develop a formal process for approving new user access and changes to access levels.
Not Started A formal access policy has not yet been established.

#9 Perform ongoing reviews of system access.
Not Started An ongoing process has not yet been developed for ensuring regular system access reviews.

#10 Determine which standard reports will be run by management on a regular basis to monitor and assess the overall system health, accuracy, and cost effectiveness.
Started According to the Fire Department, reports are being ran to assess inventory levels and the accuracy of the system, but a comprehensive list of formal reports has not yet been developed.

#11 Set up automatic delivery of key reports.
Started According to the Fire Department, some system-generated reports are in use. However, a comprehensive list of formal reports has not yet been developed.

Finding 2: Recordkeeping and monitoring of narcotics should be strengthened to safeguard against fraud, waste, and abuse

#12 Train staff on the proper use of a tracking sheet and the significance of dual signatures.
Partly Implemented The Manual of Operation Section XI – Subject 12.2 and Subject 51 have been updated to include instructions on receipt of narcotics and is awaiting approval for full implementation. According to the Fire Department, this process is already being followed by the EMS supervisors in the field.

#13 Perform regular reconciliations of on hand narcotics inventories.
Partly Implemented Fire Department staff conducted reconciliations of narcotics on hand in September, October, and November 2014.

#14 Perform reconciliations of the narcotics tracking sheet to ensure they are all accounted for from delivery to disposal.
Partly Implemented Fire Department staff conducted reconciliations of narcotics on hand in September, October, and November 2014.

#15 Develop a process to review Medic log sheets before they are filed to ensure use of narcotics is witnessed by two individuals.
Started This process will be implemented pending final approval of Manual of Operations Section XI – Subject 51 regarding controlled medications security and procurement.

#16 Increase segregation of duties over narcotics processes or implement compensating controls to mitigate the risk of having one employee perform multiple key tasks.
Partly Implemented According to the Fire Department, they have segregated the duties of receiving and recording inventory. In addition, the draft Manual of Operations Section XI - Subject 12.2 requires receipt of inventory to be verified by more than one person.

#17 Perform random surprise counts of narcotics on hand.
Partly Implemented According to the Fire Department, management has been conducting random surprise counts. However, this process has not yet been fully documented. Manual of Operations Section XI - Subject 12.2 requires quarterly random audits by the EMS Chief.

#18 Update the Manual of Operations to reflect operational changes to the administration of narcotics.

Partly Implemented The Fire Department has updated Manual of Operations Section Xi – Subject 12.2 and 15. However, these are both in draft form pending final approval.

Finding 3: A random drug and alcohol testing program could be implemented to further enhance controls over narcotics

#19 Consider implementing a random drug and alcohol testing program.
Not Started According to Chief White's response to the audit, the department is not aware of any drug abuse issues and he feels their current "reasonable suspicion" policy is effective. On December 7, 2014 a Sacramento City Firefighter was arrested for allegedly raiding the medicine cabinets of elderly people in an effort to steal narcotics. The Firefighter was ultimately charged with burglary and elder abuse. No progress has been made on this recommendation.

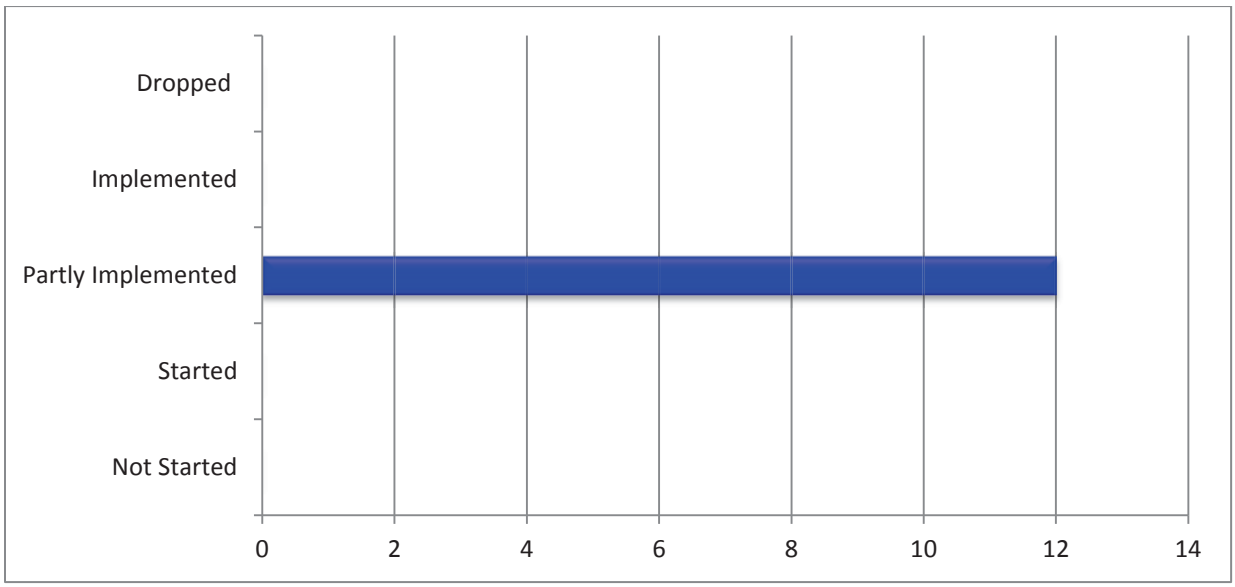
Post Audit Summary of the Audit of City Inventory Systems Part 1 of 2 Information Technology Department

The *Audit of City Inventory Systems – Part 1 of 2 Information Technology Department* contained two findings and identified as much as $288,000 in unaccounted for computers. The audit, which was released in April 2014, assessed the inventory systems used by the IT Department to track computer equipment. The audit included 12 recommendations designed to improve the accuracy and accountability of the inventory systems.

Since the audit's release, the IT Department has made significant progress towards implementing the recommendations. Most notably, the IT Department has drafted a Citywide *Information Technology Hardware Inventory Policy* that identifies those responsible for managing inventory and outlines minimum requirements for maintaining inventory records. The IT Department has also started conducting tests to measure data reliability of the inventory system on a regular basis.

We found work had begun on all 12 recommendations made in the audit. Of the 12 recommendations, all 12 have been partly implemented (100%).

Exhibit 4: Status of Audit Recommendations



Finding 1: The Information Technology Department's inventory system contains significant errors and omissions

#1 Assign responsibility for managing the IT inventory system to the Chief Information Officer.
Partly Implemented The Chief Information Officer has assumed responsibility for the IT inventory system. However, City Department Directors are still responsible for maintaining accountability and control of IT assets located within their respective departments. A Citywide *Information Technology Hardware Inventory Policy* is in the final stages of formal adoption.

#2 Establish goals and performance measures to increase data accuracy to at least 95 percent.
Partly Implemented A goal of 95% accuracy has been established by the Citywide *Information Technology Hardware Inventory Policy* and performance toward that goal is being measured quarterly. The policy is in the final stages of formal adoption.

#3 Develop standardized policies and procedures for inventory management and provide training to staff.
Partly Implemented *IT Hardware Inventory Procedures* have been developed for internal use by the IT Department to complement the Citywide *Information Technology Hardware Inventory Policy* mentioned in recommendation #1. A training plan was developed and completed for all IT staff responsible for the acquisition and management of the City's IT hardware inventory. Training includes standardized procedures, performance measures, and clearly defined staff roles and responsibility.

#4 Develop minimum data requirements for inventory records including model number, physical location, status, assignment, cost, and purchase date.
Partly Implemented The following required fields for inventory have been identified in the Citywide *Information Technology Hardware Inventory Policy*: Asset Tag Number, Asset Type, Assigned to, Department Org Unit, Location, Manufacture, MAC Address (VOIP phones), Model Name/Number, Name, Purchase Date, Cost, Serial Number/Unique Identifier, Status, and Warranty Dates (if applicable.) This policy is in the final stages of being adopted.

#5 Perform reviews of inventory system data on a regular basis to ensure data accuracy.
Partly Implemented The IT Department has begun performing quarterly self-audits of IT hardware inventory whereby a random sample of assets are tested for accuracy. The IT Department continues to work on developing a system to adequately document this process to ensure oversight and accountability.

#6 Determine why inventory records are not always updated when employees separate from the City and implement a solution.
Partly Implemented According to the IT Department, procedures and workflows have been put in place to remove system access and collect/reassign city owned IT equipment to a prospective employee or departmental representative. IT performed a review of employee separations from September through November 2014.

#7 Develop a process to ensure all new IT hardware purchases are recorded in the inventory system.

Partly Implemented The *Information Technology Hardware Inventory Policy* addresses the updated procedures for recording new purchases including the data fields listed in Recommendation #4. In addition, quarterly self-audit will be performed to measure accuracy.

#8 Develop controls over the surplus process to provide accountability.
Partly Implemented IT has established procedures for the surplus equipment that includes: Ticket creating in KACE, documenting of status changes in KACE, coordinating with Procurement for disposition. Surplus and E-Waste reports will be signed off by appropriate IT Supervisor. The *Information Technology Hardware Inventory Procedures* are in the final stages of adoption.

Finding 2: The Information Technology Department's inventory system has an excessive number of users with the ability to modify and delete inventory records

#9 Reduce the number of users with administrator access to be consistent with the concept of "least privileges."
Partly Implemented IT reviewed user roles and limited access to the History Tab group in an effort to restrict access to the asset deletion and status modification logs.

#10 Establish a formal process for review and approval of new user access to the inventory system.
Partly Implemented IT has established a formal approval process to add new users to the KACE system. All requests must be entered into KACE, and approved by either IT Regional Support Manager or IT Regional Support Supervisor. However, the department has not yet codified this process by including it in their written policy.

#11 Develop a process to review user accounts on a regular basis to ensure the number of users and their level of permission is commensurate with their responsibilities.
Partly Implemented The IT Department performs quarterly review of KACE accounts to ensure the roles assigned to users are appropriate for their job duties. However, the IT Department is still working on a process for documenting this review.

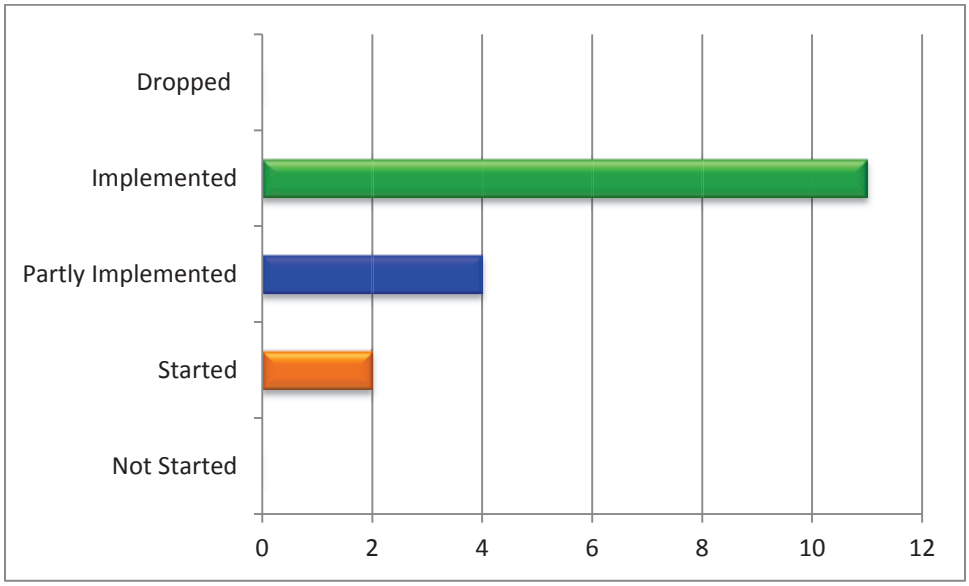
#12 Formalize logical access to the inventory system in a written policy.
Partly Implemented IT has developed logical access in KACE system to specify the roles and the access level for each user group and perform audits and controls on an annual basis to ensure conformity. This is covered in the *Information Technology Hardware Inventory Policy*, currently in the final phases of formal adoption.

Post Audit Summary of the Audit of City Employee Supplemental Pay

The Audit of City Employee Supplemental Pay contained four findings and identified just over $400,000 in potential savings. The audit, which was released in December 2013, included 17 recommendations and evaluated the various types of supplemental pay, including incentives, allowances and overtime, specified in labor contracts, employment agreements, and in the City Charter.

Since the publication of the audit, the Fire, Finance, Human Resources, and Police Departments made progress towards implementing all 17 of the recommendations. The progress is shown in the exhibit below.

Exhibit 5: Status of Audit Recommendations



Finding 1: The City's Transportation-Related Incentives and Allowances are Ill Defined and Inconsistent

We recommend that the Human Resources Department:

#1 Ensure labor contracts clearly define the intent of each incentive and allowance.
☑ Implemented The Human Resources Departments' Labor Relations Division worked to diligently meet this goal. The items that caused confusion were primarily under the Transportation Article in SCXEA labor contract. The SCXEA labor contract was updated to clearly define the Downtown Parking Subsidy in 2014.

#2 Use consistent terminology across all labor contracts when referring to the same benefit.
☑ Implemented The Human Resources Departments' Labor Relations Division worked to diligently meet this goal. The items that caused confusion were primarily under the Transportation Article in SCXEA labor contract. The SCXEA labor contract was updated to reflect the consistent terminology of Downtown Parking Subsidy in 2014.

We recommend that the Human Resources Department:

#6 Negotiate changes to the labor contracts to limit employees from receiving multiple transportation-related benefits.
☑ Implemented The Human Resources Department has made progress by inserting language limiting multiple transportation-related benefits in some labor contracts. For example, both the SCXEA labor contract and Unrepresented Employees Resolution include language that employees who receive a vehicle allowance or City-paid parking are not entitled to the downtown parking subsidy.

The Human Resources Department plans to keep this recommendation on the list of priorities for other labor contracts over the next 3+ years. Human Resources can only make these types of changes when a contract is open and when the union agrees to it. Some contracts do not expire again until 2017.

Finding 2: The City Could Reduce its Costs by an Estimated $336 Thousand Annually if it Discontinued Compounding the Paramedic Incentive

We recommend that the Human Resources Department:

#8 Negotiate a change in the Paramedic Incentive to discontinue compounding with other incentives.
☑ Started During the 2014 labor contract negotiations with the Sacramento Fire Fighters Union (Firefighter's Union), the compounding of the Paramedic Incentive remained unchanged. This labor contract is term is four years and therefore will not be up for discussion again until 2018.

However, the Article 15.9 of the labor contract with Firefighter's Union approved on January 13, 2015 states that the parties agree to meet no later than January 1, 2016 to discuss all specialty pays (Article 15 – Incentive Pays). This presents an opportunity to address the compounding of the Paramedic Incentive. Currently, the Paramedic Incentive is the only incentive that is compounded, resulting in an estimated $336,000 per year in costs to the City.

Finding 3: Controls Over Employee Time Reporting Must be Improved

We recommend that the Fire Department:

#9 Create a policy and procedure for recording supervisor approval of individual employee time.
☐ Partly Implemented Several attempts to upgrade Telestaff failed due to hardware configuration issues and not having required appropriate technical support necessary to complete the project. Once those issues were resolved, the project was postponed until January 2015 due to other priorities including the annual medic and vacation bids, which are contractual obligations.

This policy cannot be created until the upgrade is complete due to the complexity of the changes needed to satisfy the recommendations of the City Auditor.

#10 Discontinue allowing any employee to have administrative access to both Telestaff software and server, and create a policy to prevent it in the future.

☐ Partly Implemented The practice of employees having administrative access to both the Telestaff software and server has been discontinued. A formal policy is in the development phase. The Fire Chief has created a Policy Working Group that has been tasked with, organizing existing, creating new and removal of outdated policies.

#11 Develop controls to monitor the activity of those provided with administrative rights to Telestaff.
☐ Started The process of developing controls to monitor the activities of those who have administrative rights to Telestaff is at the discretion of the Fire Chief until a Chief of Technical Services is assigned, then they will have the sole authority to grant or revoke full administrative rights. Until then, the responsibility will remain with the Fire Chief. A formal policy is in the development phase. The Fire Chief has created a Policy Working Group that has been tasked with, organizing existing, creating new and removal of outdated policies. In addition, the Telestaff program provides an administrator the ability to track all transactions or entries. With the ability to audit entries, the monitoring of all levels of access will be possible in the near future.

We recommend that the Police Department:

#13 Evaluate whether the hardcopy form currently required is still the best method for approving overtime or if another method would be more efficient.
☐ Partly Implemented The Police Department's hardcopy overtime approval form is no longer used or required. Further, the policies and procedures were updated as recommended. The draft form of these policies with the changes are currently in the approval process.

#14 Update its policies and procedures for any changes in the overtime approval method.
☐ Partly Implemented The Police Department's hardcopy overtime approval form is no longer used or required. Further, the policies and procedures were updated as recommended. The draft form of these policies with the changes are currently in the approval process.

Finding 4: Changes to How Incentives are Negotiated are Warranted

We recommend that the Human Resources Department:

#16 Continue working towards adopting FLSA overtime rules in all labor contracts.
☑ Implemented The Human Resources Department's Labor Relations Division has successfully implemented this change into several labor contracts. For example, the FLSA overtime calculation has been implemented for SCXEA overtime qualified employees. Further, sick leave is now excluded from the overtime calculation for four other labor contracts.

As contracts open for negotiations in the future, the Human Resources Department will maintain this on the list of priorities to discuss with the City Manager and/or City Council.

#17 Continue working towards adopting workers' compensation pay rules in all labor contracts.
☑ Implemented The Human Resources Department's Labor Relations Division has successfully implemented this change into several labor contracts. For example, the Local 39 labor contract states "Where a career employee sustains an injury covered by workers' compensation and has utilized all of

the one year "injury-on-duty time" as provided under City Charter Section 253, or former City Charter Section 167, as the case may be, and consequently is receiving straight workers' compensation temporary disability payments, the employee will be allowed to utilize (while off work) accrued vacation time in partial day increments in addition to receiving workers' compensation temporary disability payments with the total aggregate payment of temporary disability and vacation pay not to exceed one hundred percent (100%) of the employee's regular rate of pay".

As contracts open for negotiations in the future, the Human Resources Department will maintain this on the list of priorities to discuss with the City Manager and/or City Council.

Post Audit Summary of Citywide Purchase-Card Use

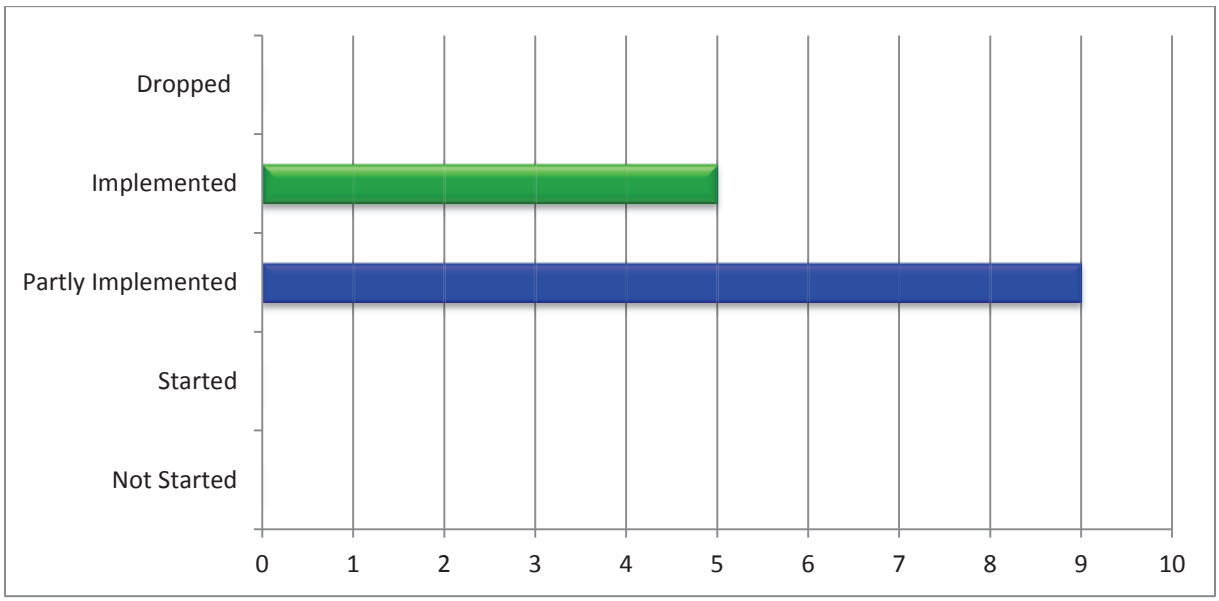
The *Audit of Citywide Purchase-Card Use* contained three findings and identified purchase card transactions that violated City policies. The audit, which was released in October 2012, included 14 recommendations to improve purchase program controls and administration.

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 City purchase cards and drafted a comprehensive Purchasing Card document. Of the 14 recommendations, we determined Procurement Services has implemented or partly implemented all 14 recommendations (100%). Many of the recommendations are pending adoption of the Purchasing Card document, which will be deployed with the City's new Automated Policies and Procedures System (APPS.)

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

Exhibit 6: 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.
☑ Implemented A list of Citywide contacts is distributed quarterly to the department directors by the Procurement Services Manager. In addition, this information is provided during CityYou training sessions on purchase card use.

#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 mid-2015.

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 mid-2015.

#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 mid-2015, will serve as the authoritative document.

#7 Ensure that the document is updated annually to reflect policy changes.
☑ Partly Implemented 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. The draft Purchasing Card document is in draft form and is expected to be distributed in mid-2015.

#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.
☐ Partly Implemented The draft Purchasing Card document, which is expected to be finalized in mid-2015, sets annual training requirements and includes a form that cardholders sign to acknowledge their responsibilities. Training will be offered in person via the City's CityYou internal training program and then reaffirmed annually using a computer based training system (CBTS.)

#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.
☐ Partly Implemented The draft Purchasing Card document, which is expected to be finalized in mid-2015, sets annual training requirements and includes a form that approving officials sign to acknowledge their responsibilities. Procurement began offering and delivering in-person training via CityYou in September 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 five transaction reviews from January 2013 through October 2014. Questionable items were identified and forwarded to the Finance Operations Manager for review. According to the Finance Department, the Purchase Card document will require all receipts to be submitted to Finance for storage in CCM. Access to all receipts will allow more efficient spot audits of activity.

#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.
☑ Implemented Procurement Services is using Works reports and creating others in an effort to more efficiently manage purchase cards. Monthly reports of employee transactions are sent to department purchase card administrators for review.

#12 Strengthen controls that are already in place and consider adding controls that are in line with best practices.
☐ Partly Implemented 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 mid-2015.

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

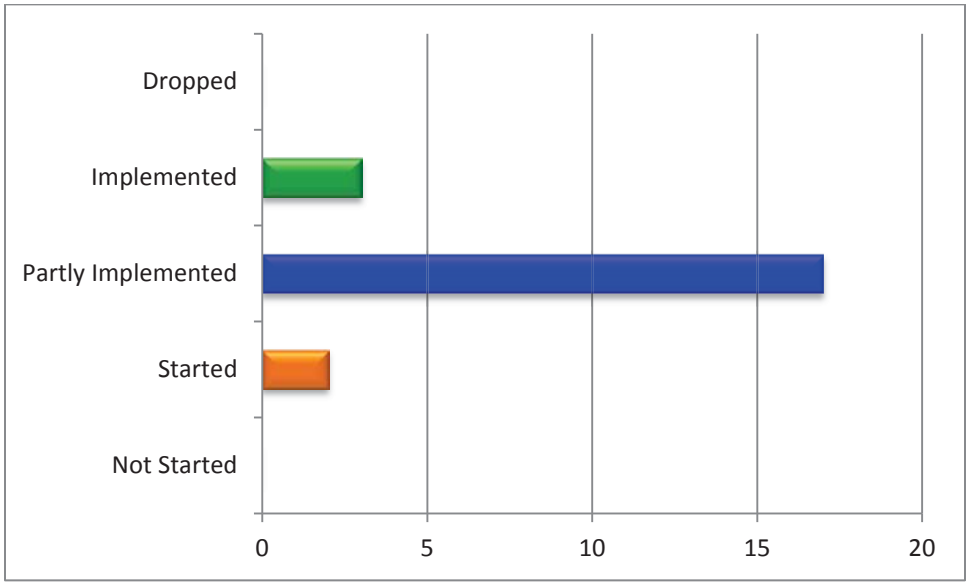
#14 Review merchant categories and block purchases from certain categories for all users as a default, but allow for an exception process based on departments' requirements.
☑ Partly Implemented The department has discussed blocking purchases by merchant categories and will work with cardholders' departments to ensure that cardholders can only make purchases from approved merchant categories. According to Finance, the department has obtained a complete list of merchant categories from the bank to review and consider blocking. Procurement Services plans to set restrictions in early 2015.

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, inspection documentation and related practices, and the adequacy of its cash controls. With strong systems in place, the Fire Department is 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 creating a Memorandum of Agreement (MOA) with other City Departments. During the reporting period of July 2014 to December 2014, major organizational changes in the Fire Prevention Division of the Fire Department slowed down implementation of the recommendations. As shown in Exhibit 7, we designated 3 recommendations as implemented (14%), 17 recommendations as partly implemented (77%) and 2 recommendations as started (9%).

Exhibit 7: 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 the Fire Data Management System (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. Citygate Associates (Citygate) developed documents to support this area of the Fire Prevention Bureau's activities. The Fire Prevention Division started training on new standard guidelines (SOGs) for fire inspections. Fire Prevention work queues are monitored for productivity and inspections are scheduled based on established SOGs. Fire IT Services has created a system to download businesses from a Revenue Division database, on a quarterly basis. The information is captured and can be uploaded to the FDM database. The data is cross referenced with the existing database to prevent duplication of data information. Once this program is fully implemented, data will be automatically retrieved and placed into the FDM database to capture new businesses required to have an operation permit.

#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. A Standard Operating Guideline (SOG) is yet to be developed to guide these procedures.

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 worked with Citygate and the Community Development Department (CDD) to memorialize this process with an MOA and an SOG. An SOG is yet to be developed to guide these procedures. An MOA is yet to be developed with the Convention, Culture, and leisure Department. No further work was performed during the current reporting period.

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

☑ Partly implemented Fire Prevention has 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. On, May 27, 2014, the fire inspection guideline (SOG) was signed by the Fire Chief and implemented 30 days later. The last few of the SOGs are in draft and will be finalized soon. The Fire Prevention Division has begun training of staff on this SOG. A sustainment team will be created to review and update all SOGs on an annual basis.

#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 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 quality assurance (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 1000 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 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.

No significant progress on this recommendation has been made during this reporting period. However, the Fire Prevention Bureau will continue working on its remaining three MOAs this year. These MOAs include the following departments and agencies: The City Clerk's Office; Convention, Culture, and Leisure Department; and the partner departments in the County of Sacramento.

#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 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 Prevention 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. Citygate and Fire Prevention staff also met with the Roseville Fire Marshal to review the City's use of Accela. During this reporting period, the inclusion of Accela as a Management Information System (MIS) within SOGs has begun. The Fire Prevention Bureau and the FPOs are currently using Accela for all plan review and field inspection and permitting with CDD for tenant improvements and all new construction projects. Migration to Accela by the Fire Prevention Bureau for other comprehensive MIS functions will be a longer-term project. No significant progress on this recommendation has been made during this reporting period.

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

☐ Partly implemented The Fire Prevention Audit Team met with Citygate and CDD on August 14, 2013, to review and analyze Fire Prevention and CDD workflow processes. Citygate will develop policies and 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. Citygate worked with the Fire and Community Development Departments to develop a finalized MOA. The formal MOA between Fire and the Community Development Department (CDD) is in the process of ratification. Currently, all plans submitted to CDD for permits are routed to Fire for initial review to determine if a fire plan review and inspection is needed.

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

☐ Partly implemented 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. SOGs have been created and approved for the following: Fire Inspection Scheduling, Fire Inspection Guideline, False Alarm Issuance Policy, and Fire Permit and Fees Guideline. A few other SOGs are currently in draft status and will be finalized soon. FPO field checklists have been developed to cover several inspection procedures. Training has begun on these new SOG's and a sustainment team will be created to review and update our SOGs on an annual basis.

#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. During this reporting period, documents were developed to improve client information and outreach efforts. Additional FAQs for the annual fire inspection program and the new construction tenant improvement inspection program are being developed. In December of 2014 the Fire Department released a new and improved website. Fire Prevention created new inspection guides for customers to access and download. In addition, documents have been updated for the public in the helpful links/resources section of the website.

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.
☑ Implemented A Fire Prevention Cash Handling Procedure was established and implemented to meet requirements set forth in the City's Administrative Policy Instruction 2300 regarding cash handling throughout the City and to provide policy safeguards to protect the City from theft, fraud, loss or unauthorized use of cash. The Fire Prevention Cash Handling Procedure resulted in all payments and cash being processed by the Revenue Division of the Finance Department. Customers are directed to the Revenue Division to pay invoices and fees. Payments mailed to the Fire Prevention Division are routed to the Revenue Division through inter-office mail.

#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.
☑ Implemented Fire Prevention Officers (FPO) receive training in determining which permits entities require and ensure consistency among the officers. In addition, the FPOs no longer determine the permit fees associated with the required permits. The clerical staff select the required permits in FDM and a fee amount is calculated by FDM and invoiced by the Revenue Division. The Fire Prevention Audit Team developed a fire prevention inspection fee and fee waiver policy which was reviewed, approved, and signed by the Interim Fire Chief. This policy identifies how permit fees are applied and how fee waivers must be documented for subsequent accounting audits.

#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. An agreed upon MOU between the City Revenue Department and the Fire Department's Fire Prevention Bureau has been developed and is awaiting principal signatures. Additionally, the Interim Fire Chief authorized the temporary transfer of a Typist Clerk III position from the Emergency Medical Services Division to the Fire Prevention Bureau to assist with various clerical duties. This position was filled in the first quarter of 2014. In Addition, policies and procedures were developed to support invoice and collection processes. Training of personnel on the procedures needs to be accomplished. Desktop checklists will be developed to cover these procedures. No significant progress on this recommendation has been made during this reporting period.

#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. A fee study will be undertaken with the City Finance Department, using an outside consultant, to recommend to the City Manager and Council establishment of a revised fee schedule. No significant progress on this recommendation has been made during this reporting period.

#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 and collections procedures. An agreed upon MOU between the City Revenue Department and the Fire Department's Fire Prevention Bureau has been developed and is awaiting principal signatures. This policy identifies a collections procedure and delineates invoicing and accounting procedures and responsibilities. Training of personnel on the procedures needs to be accomplished. Desktop checklists will be developed to cover these procedures where appropriate. No significant progress on this recommendation has been made during this reporting period.

#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 and 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. An agreed upon MOU between the City Revenue Department and the Fire Department's Fire Prevention Bureau has been developed and is awaiting principal signatures. No significant progress on this recommendation has been made during this reporting period.

#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. During this reporting period, the Interim Fire Chief authorized the hiring and temporary assignment of a Clerical Level II position to aid in this and other work, as directed by the Fire Marshall. This hiring was accomplished in March 2014. During this reporting period, policies and procedures and process charts were developed. Oversight and monitoring of final payment and coordination between the FPOs and the Revenue Division before permit issuance needs to be accomplished. No significant progress on this recommendation has been made during this reporting period.

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 Public Safety Information Technology (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. During the fall of 2013 a Principal Systems Engineer was hired to the Fire Department and was directed to spend a portion of his time in assessing the MIS needs of the Fire Department, including those items identified in the *Audit of Fire Prevention*. Regular monitoring and auditing of the FDM database needs to be an ongoing procedure. An analysis of the comprehensive MIS needs of the Fire Prevention Bureau and Fire Department needs to be accomplished. In 2014, an application developer was hired for Fire IT systems. This person is tasked with the duties of working in FDM and has helped create programs to transfer data from other sources, to capture new businesses for the FDM database. This process is still being implemented and tested.

#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 an SOG. In 2014, an application developer was hired for Fire IT systems to assist in this process and work within FDM. No further progress in developing an SOG for this area of concern was accomplished during this reporting period. An analysis of the comprehensive MIS needs of the Fire Prevention Bureau and Fire Department needs to be accomplished.

#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 or

updated in FDM. Fire Prevention is currently working with Citygate to memorialize this process with an SOG. No further progress in developing an SOG for this area of concern was accomplished during this reporting period. An analysis of the comprehensive MIS needs of the Fire Prevention Bureau and Fire Department needs to be accomplished. No significant progress on this recommendation has been made during this reporting period.

#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. During this reporting period, the Fire Department, Information technology Department, and Public Service Information Technology (PSIT) have been attempting to hire qualified GIS personnel. Finding qualified candidates has been challenging and has directly affected the expediency desired. An analysis of the comprehensive MIS needs of the Fire Prevention Bureau and Fire Department needs to be accomplished. In 2014, an application developer was hired for Fire IT systems. This person is tasked with the duties of working in FDM and has helped create programs to automate the data transfer process, from other sources, to capture new businesses for the FDM database. This process is still being implemented and tested.

#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. During this reporting period, the Self-Cert Apartments Step-by-Step procedures were developed and are currently being implemented. A formal program evaluation of this initiative needs to be accomplished to determine self-certification success at periodic intervals. No significant progress on this recommendation has been made during this reporting period.

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

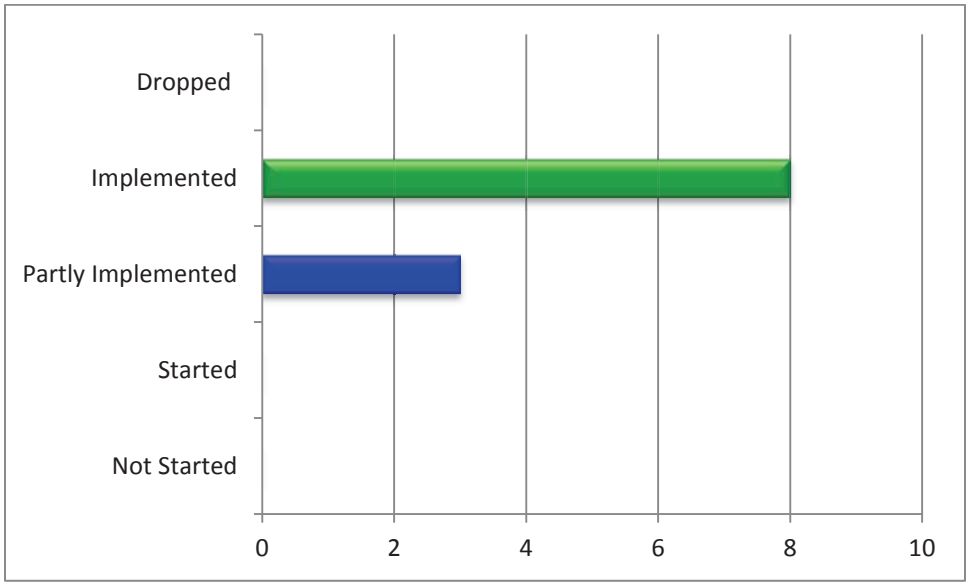
☐ Partly implemented Fire Prevention has implemented a workflow process that tracks all self-certification fire permits in the FDM database. Fire Prevention has discontinued the practice of tracking entities with other software applications. The FDM database tracks all self-certification entities from 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. No further action was taken on this recommendation during this reporting period. A formal program evaluation of this initiative needs to be accomplished to determine self-certification success at periodic intervals. No significant progress on this recommendation has been made during this reporting period.

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 all 11 recommendations. The division's progress is shown in the exhibit below.

Exhibit: 8 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.

☑ Implemented Utilities has corrected the 2,699 commercial accounts that were identified as having a variance in the square footage billed as of August 2012. Utilities has an interface with Sacramento County's parcel database which will continue to identify and initiate a workflow process for correction of any future discrepancies with commercial storm drainage square footage billing.

#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 as being in the County's parcel database, without a unique account reflected in the City's billing system. Of those parcels identified, 5,427 have been physically inspected by the Department, and almost 63% (roughly 3,426) of

those 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.

In addition, approximately 1,509 of the parcels identified in the audit have been updated in the billing system via the completion of other day to day billing activities, resulting in a total of 4,935, or about 34%, of the total parcels being added to the billing system. Based on existing resources, DOU is estimating a two-year timeline for review and update of the remaining parcels (approximately 9,700) identified in the audit, with completion by December 2016. As a result of these efforts, the Utilities Department has identified over $613,000 in unbilled revenue, across all funds, 76 percent of which collected in full as of August 2014.

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, and lien releases. DOU recently completed an organizational assessment which includes a plan to measure key performance indicators. In addition, the DOU has created and identified a number of valuable reports, including account delinquency, receivables and collection referrals. Department staff began running the reports in December 2014 in accordance with the report schedule created in 2013 to monitor performance and trends. Monthly and quarterly analysis will be performed on liens, revenue, fees and account delinquency following the end of each month. The initial reporting schedule has been expanded to include program reporting, including Utility Rate Assistance, Identity Theft Prevention, Water Termination and Audits. Account aging, active service counts and lien assessments are also reviewed on a quarterly basis. Account aging, active service counts and lien assessments are also reviewed on a quarterly basis.

A scorecard has been created to report and monitor performance in the area of revenue, bad debt, delinquency and aging. The scorecard will be balanced against expected results on a quarterly basis and support the Department's strategic goal of financial viability. The scorecard will also monitor liens and water termination noticing, which are activities that provide indications of trends and changes in bad debt and delinquency. This data will be used to monitor performance against strategic goals, improve internal and external processes and communications, and align business activities with the vision and strategy of the organization.

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

☑ Implemented As part of the bad debt analysis, data on foreclosures are reviewed to compare with annual bad debt trends. This data is also used to estimate the expected bad debt during budget planning for new fiscal years. In addition, the delinquency and receivable reports, along with the review of lien assessments and foreclosure trends for current and prior years, are being reviewed to anticipate revenue changes.

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.

☑ Implemented The DOU submitted a Position Description and Qualifications (PDQ) document for the Account Clerk II position to Human Resources in March 2014. A reclassification study was conducted for both the Account Clerk II and Customer Service series positions within the Billing unit of the Business and Integrated Planning Division. The study was completed in December 2014 with a recommendation to reclassification the Account Clerk IIs to Account Technicians. No changes were recommended for the other classifications within the Billing unit.

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 The DOU developed a Privileged Users Access Monitoring Policy to review the security and access of CIS super users. This policy will be fully implemented in January 2015.

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.

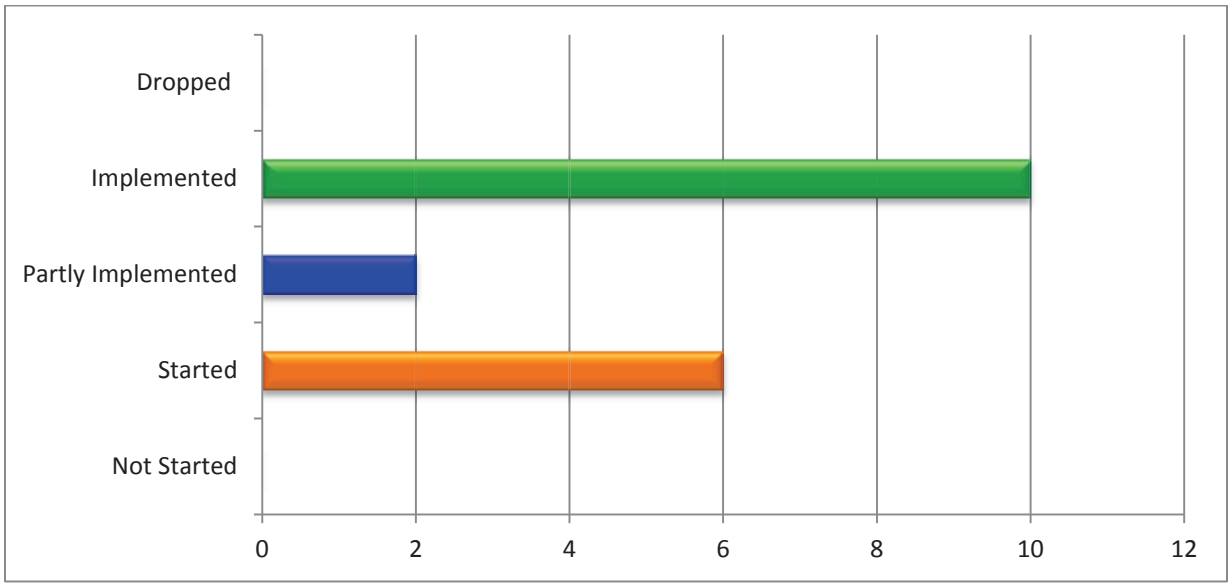
Post Audit Summary of the Audit of City Light-Duty Vehicle Use

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.

We determined that DGS made significant progress towards implementing recommendations since the audit's release. Most notably, the Department worked with the City Manager's Office to request that all City departments turn in vehicles that had historically received little use. This effort led to the turning in of 136 vehicles. Of those, Fleet sold 89 vehicles and shifted 47 within the City to better optimize efficient use. Fleet estimated that removing the 89 vehicles and not replacing them with new vehicles will save the City about $2.8 million.

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. Of the 18 recommendations, 12 have been implemented or partially implemented (67%.)

Exhibit 9: 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 by the Summer of 2015.

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.

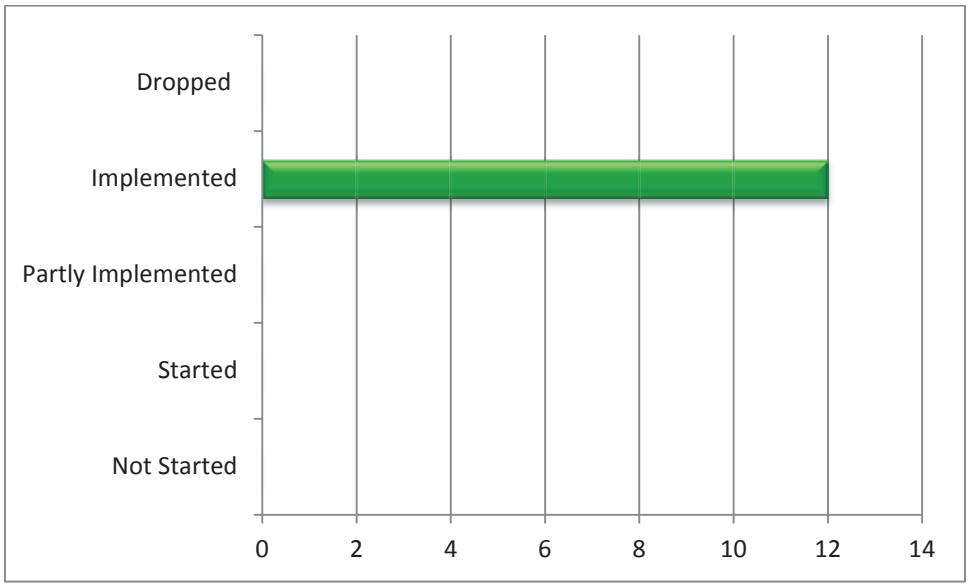
☐ Partly Implemented The City Attorney's Office performed its legal review and recommended the Finance Department update the City Employees Transportation policy. The Finance Department is working with Fleet and the Chair of the Vehicle Review Committee to update the policy language.

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 implemented all of the 12 recommendations. In previous follow-up reports, ten of the recommendations were implemented and therefore not included in this report. The division's progress is shown in the exhibit below.

Exhibit: 10 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.

☑ Implemented In addition to creating the citywide cash handling policy, AP-2300, the Finance Director requested procedures from each of the City's Departments. Since then, the Revenue Division reviewed and approved policies provided for all areas.

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

#6 Publicly reports the results of its performance measures.

☑ Implemented The Revenue Division is utilizing the Q-Flow system to manage resources at the public counter and is now publishing live wait times on the public web site.

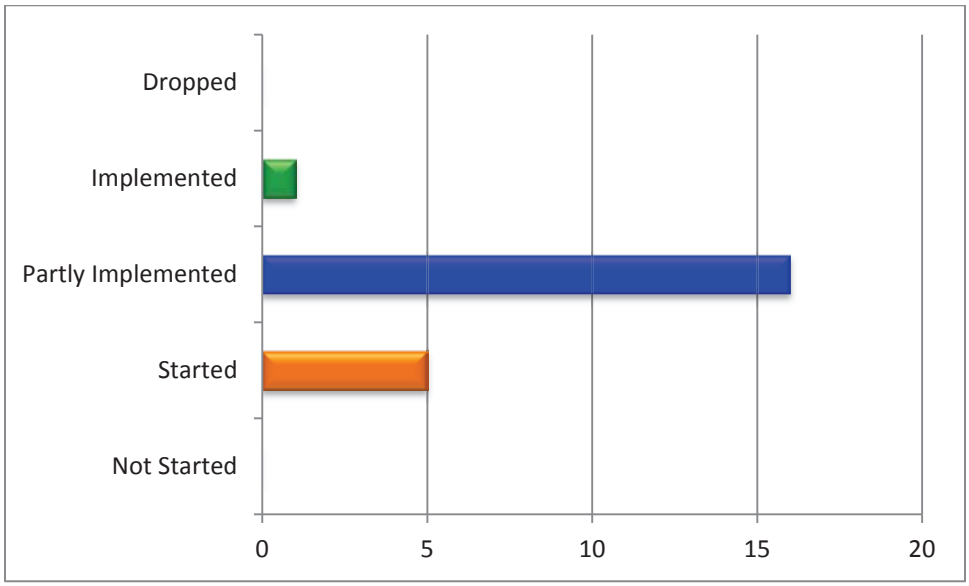
Post Audit Summary of the Audit of Citywide Policies and Procedures

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. During the reporting period of June 2014 to December 2014, meet and confer meetings with the various City labor unions have occurred. However, additional meetings will be required to finalize proposed policies.

Due to meetings with City labor unions, progress has stalled since June 2013. As shown in Exhibit 11, we designated one recommendation implemented (5%), 16 recommendations partly implemented (73%), and five recommendations as started (22%).

Exhibit 11: 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. 18 policies have been uploaded to CCM that will be pushed through the APPS phase one workflow during August 2014. Some policies may need to be removed from the phase one implementation and reworked due to feedback received from the City labor unions.

#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
☐ Partly Implemented Consistent with the Automated Document Review System (ADRS), the City Manager's Office developed a video tutorial, which includes 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. A City webpage is currently under development for delivery of identified active citywide policies/procedures and should be live by the first week of January. The City currently has ongoing discussions with Department of Utilities regarding internal digital distribution of department specific policies.

#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. All currently approved Policies (APIs) are available in CCM. The system is in place to update newly approved policy and procedure documents in CCM. A City webpage is currently under development for delivery of identified active citywide policies/procedures and should be live by the first week of January. The City currently has ongoing discussions with Department of Utilities regarding internal digital distribution of department specific policies.

#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. The policy has been released for review to approvers. 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). A City webpage is currently under development for delivery of identified active citywide policies/procedures and should be live by the first week of January. The City currently has ongoing discussions with Department of Utilities regarding internal digital distribution of department specific policies.

#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. In August 2014, the APPS is expected to go-live with phase one of the workflow.

#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. The APPS phase one workflow is expected to begin in August 2014. The active policy and procedure documents have been updated in CCM to reflect their current status.

#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

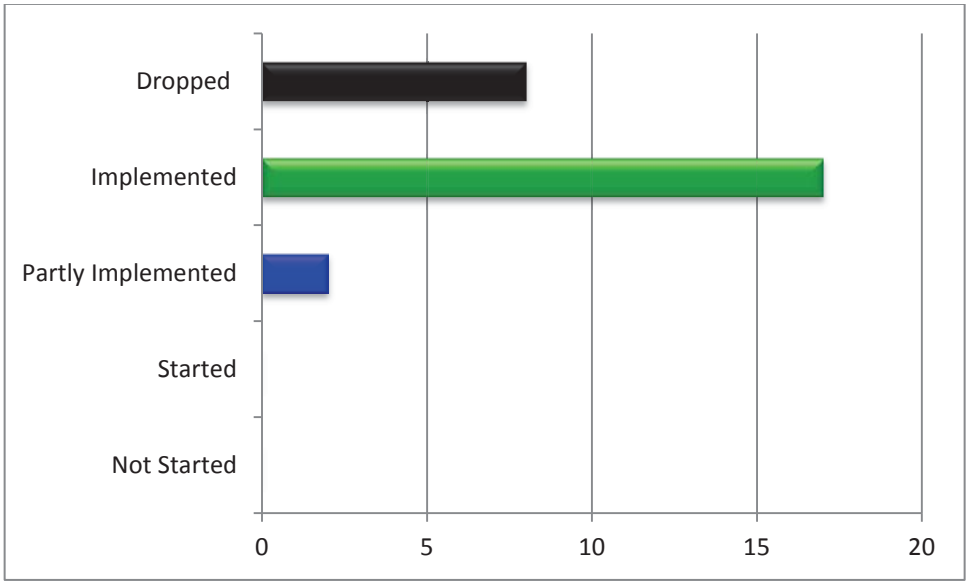
#22 Reinforce management's expectation that all department operations policies and procedures be put in place and kept up to date.
☑ Partly Implemented APPS is intended to manage the creation, review, editing and publication of citywide, departmental, and division level policies and procedures. A briefing was provided to department directors on April 26 as well as July 10, 2013 to update them on the developing APPS system, including the fact that APPS was built to house department and division policies. CCM is the official repository for "active" policies and procedures. The Department of Utilities is 'piloting' APPS for departmental and division level policies and they are making good progress.

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 12: Status of Audit Recommendations



Additional Operational Efficiencies and Cost Savings

#12 Accelerate completion of the Computerized Maintenance Management Systems (CMMS).
☑ Partly Implemented Utilities completed upgrading CMMS (Cityworks) in August 2014. Planning for Cityworks integration with eCAPS timesheets starts January, 2015. In July 2015, DOU will report on actual savings realized by implementing these efficiencies, where applicable.

#14 Accelerate completion of the SCADA HMI software system replacement.
☑ Partly Implemented During the last reporting period, DOU completed the development of the new VT SCADA (VTS) system and is currently doing point-to-point testing at sumps and wells. Testing at the sump, wells reservoirs and turnout locations is anticipated to be completed by the end of June, 2015. Initial benefits indicate a significant reduction in time associated with executing key tasks. These reductions in time will be quantified into estimated dollar savings during the next reporting period.

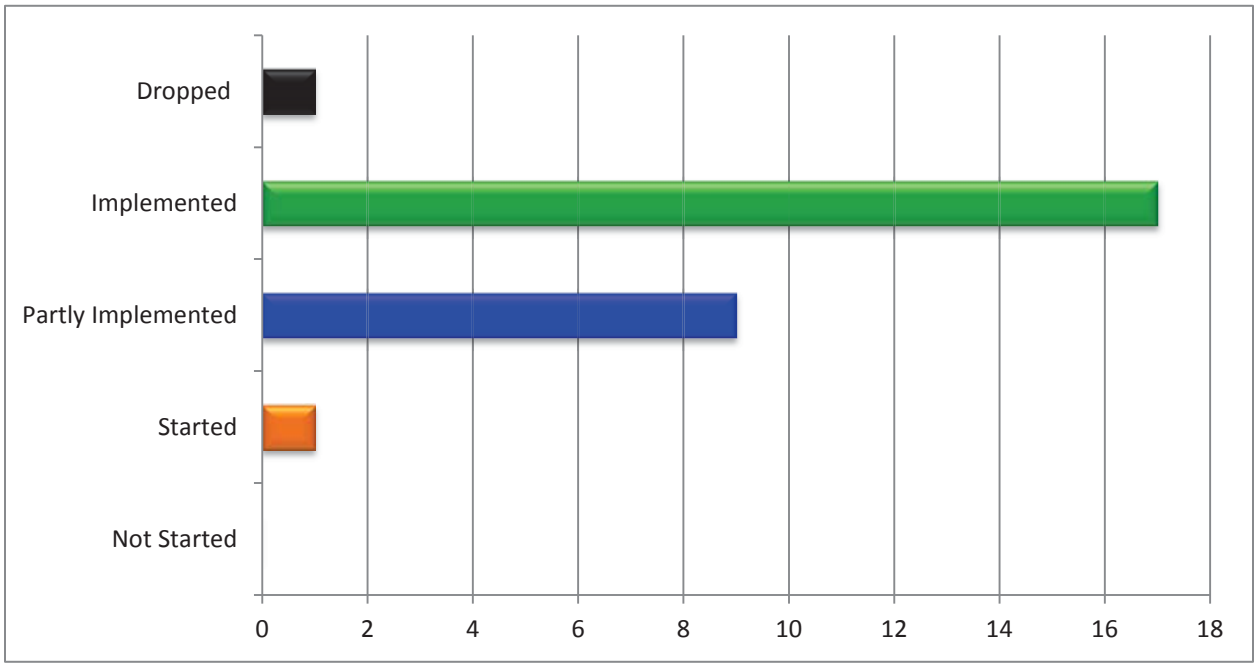
Post Audit Summary of Employee Health and Pension Benefits

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.

To evaluate Human Resources' progress in implementing recommendations, we requested a self-assessment from the Department and asked for evidence to support progress. Since the publication of the audit, Human Resources has made significant progress towards implementing the recommendations. Of the 28 recommendations, we determined that the Department has implemented, or partly implemented, 26 recommendations (93%). One recommendation has been started and one recommendation was dropped as it was not adopted during the most recent round of negotiations with Local 522.

Exhibit 13 summarized the implementation progress to date. While Human Resources is making progress towards implementing recommendations, we anticipate that some recommendations could take several more months to fully implement.

Exhibit 13: 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 nearly all 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
☑ Implemented All bargaining groups have agreed to remove the cash back payments for employees who waive benefits. This 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.
☑ Implemented The out-of-area plan has been eliminated by all bargaining groups as of December 2014.

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.
☑ Partly Implemented According to Human Resources, the department plans to work with its benefit broker during their yearly evaluation to survey other area government's premiums and contributions to their health plans.

#13 Report to City Council how the City's premium amounts compare with those paid by area governments.
☑ Partly Implemented According to Human Resources, the department plans to report this information to Council in April 2015. Reporting is contingent upon 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 plans to work with its benefit broker during their yearly evaluation to survey other area government's premiums and contributions to their health plans.

#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 and the negotiation team will be able to use this information during future negotiations.

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.
☑ Implemented All labor groups have agreed to pay the full employee share of retirement by July 2015.

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.
☑ Dropped Recent contract negotiations with the Fire Department labor union, Local 522, resulted in no change. However, the Human Resources Department will keep this recommendation in mind for future negotiations.

#21 Continue pursuing options to reduce retiree health costs.
☐ Partly Implemented The department continues to pursue changes to Medicare retiree benefits. Some labor unions have already agreed to changes, others will have to discuss during the next round of negotiations. The target date for completion is January 2018.

#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 March 2015.

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 The Training and Wellness Committee 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.
☑ Implemented Newly hired employees represented by all labor groups, except Local 522, are no longer eligible for retiree health benefits. Negotiations with Local 522 did not result in this benefit being eliminated. Also, new unrepresented hires will not be eligible for retiree health benefits.

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

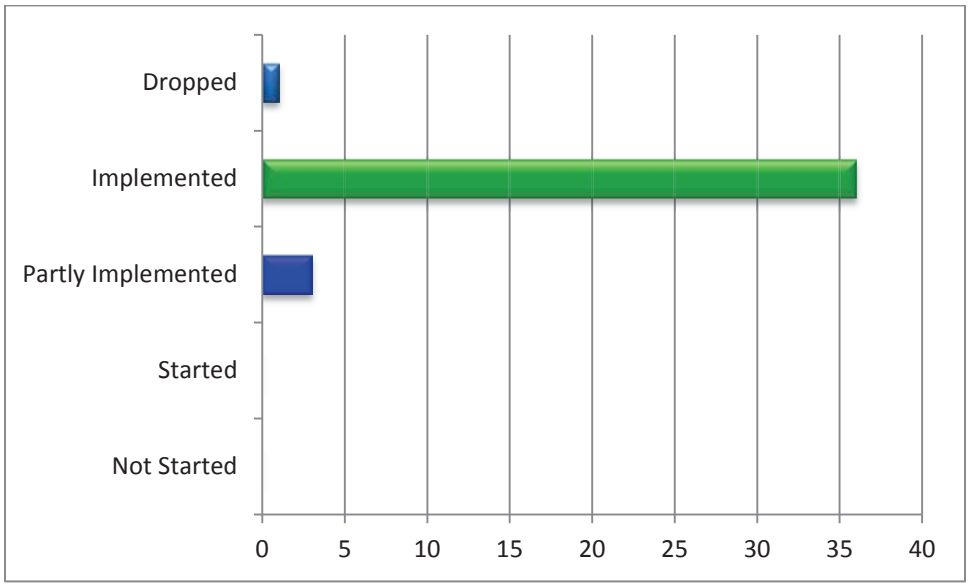
☐ Partly Implemented The City has a strategic healthcare plan and the City's Chief Negotiator has outlined priorities for negotiations. The Human Resources and Finance Departments are meeting with the Benefits Consultant in January 2015 to review the current plan and revise, if necessary.

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 14, we designated 36 recommendations as implemented (90%), 3 recommendations as partly implemented (7.5%), and one dropped (2.5%).

Exhibit 14: Status of Audit Recommendations



Section 1: Organization and Policies

#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 Community Development Department has drafted language to amend Sacramento City Code Title 8 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce the City's building laws, codes and regulations. Title 15 of

[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.

the City Code is also expected to be updated. The draft is currently being reviewed by the City Attorney's Office. A City Council transmittal has been drafted and a scheduled hearing date to City Council is expected in early calendar year 2015.

#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 Community Development Department has drafted language to amend Sacramento City Code Title 8 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce the City's building laws, codes and regulations. Title 15 of the City Code is also expected to be updated. The draft is currently being reviewed by the City Attorney's Office. A City Council transmittal has been drafted and a scheduled hearing date to City Council is expected in early calendar year 2015.

#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 Community Development Department has drafted language to amend Sacramento City Code Title 8 to clarify authority and responsibility for both the Chief Building Official and Code Enforcement Manager to enforce the City's building laws, codes and regulations. Title 15 of the City Code is also expected to be updated. The draft is currently being reviewed by the City Attorney's Office. A City Council transmittal has been drafted and a scheduled hearing date to City Council is expected in early calendar year 2015.