REPORT TO AUDIT COMMITTEE

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Staff Report
July 26, 2011

Honorable Members of the Audit Committee

Title: ***Audit of Citywide Policies and Procedures***

Location/Council District: Citywide

Recommendation: Accept the Auditor's *Audit of Citywide Policies and Procedures* and forward to City Council for final approval.

Contact: Jorge Oseguera, City Auditor 808-7270

Presenters: Jorge Oseguera

Department: Office of the City Auditor

Division:

Organization No: 01001201

Description/Analysis

Issue: This audit was approved as part of the 2010-2011 Audit Plan. According to City Code Chapter 2.18, the City Council should be kept apprised of the City Auditor's work. The Audit Committee shall receive, review, and forward to the full Council the City Auditor's updates and reports.

Policy Considerations: The City Auditor's presentation of the *Audit of Citywide Policies and Procedures* is consistent with the Mayor and City Council's intent to have an independent audit function for the City of Sacramento.

Environmental Considerations: None.

Sustainability Considerations: None.

Rationale for Recommendation: The *Audit of Citywide Policies and Procedures* was approved as part of the Auditor's 2010-11 Audit Plan. The report includes 3 findings and makes 22 recommendations to help remedy the issues identified.

Financial Considerations: The costs of performing this audit were funded out of the 2010-11 Office of the City Auditor Budget.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this report.

Respectfully Submitted by: _____
Jorge Oseguera, City Auditor

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Attachments

1 Attachment 1 – *Audit of Citywide Policies and Procedures*

Attachment 1

Report # 2011-04

Audit of Citywide Policies and Procedures:

While The City Has A System For Establishing Policies & Procedures, It Is Generally Circumvented

The Inventory Of Citywide Policies Could Be More Complete And Organized

A Long-Established Tradition of Undocumented Processes Hinders Some Directors Efforts To Establish Department-Specific Policies And Procedures

Jorge Oseguera
City Auditor

Felicity T. Wood
Auditor

Office Of The City Auditor
July 2011

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CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

July 21, 2011

Honorable Mayor and
Members of the City Council
915 I Street - Fifth Floor, New City Hall
Sacramento, CA 95814-2604

Enclosed is the *Audit of Citywide Policies and Procedures*. We conducted this performance audit in accordance with generally accepted government auditing standards and City Code Chapter 2.18.

The report contains 3 findings and makes 22 recommendations for improving the City's administrations of its citywide policies and procedures. The written responses to this report are found on pages 35 and 40. I will present this audit at the July 26, 2011 *Audit Committee* meeting.

We would like to thank the City Manager's Office, the City Attorney's Office, the City Clerk's Office, and the City Treasurer's Office for their assistance and cooperation during this audit.

Should you have any questions, please feel free to contact me.

Respectfully submitted,

Jorge Oseguera
City Auditor

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Executive Summary

In accordance with the City Auditor's 2010-11 Audit Plan, we have completed an *Audit of Citywide Policies and Procedures.* We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

A comprehensive set of formal and appropriately communicated policies coupled with current, complete and well documented procedures are essential to an effective system of internal controls for any organization. As described in the Background, the City has a system for establishing policies and procedures. However, the City in practice is not consistently following the established system. We found that as a result, key processes which affect all departments are undocumented or sometimes have conflicting direction. Specifically we found:

- The City does not follow its own official process for establishing administrative policy;
- Process owners, like department directors and division managers, are not required to or held accountable for establishing written policies and procedures over their areas of responsibility;
- The mechanism for updating policies and procedures is not clear;
- The City's mechanism for reviewing Council action for impact on City policy needs improvement; and
- The City overly relies on a system of area experts over citywide processes.

By following the established system, management could improve employee accountability, operations, and provide more consistent direction.

RECOMMENDATIONS

We recommend that the City Manager:

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.
2. Develop a control to ensure that documents referred to in Administrative Policies exist and are accessible for policy users before approving the policy
3. Update *Developing Administrative Policies or Guidelines PR-1001.01* to clarify responsibility for linking documents within policies and procedures
4. Establish a time frame for periodic review of established Administrative Policies and procedures and incorporate it into *AP-1001*.
5. Update *AP-1001* to clearly describe the mechanism for updating Administrative Policies
6. Improve the controls to ensure City ordinances and resolutions are reflected in City policies and procedures.
7. Formally document the roles, responsibilities and processes of area experts.

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.

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

Employees are responsible for knowing, understanding, complying with and adhering to policies that relate to their position or employment at the City. For these reasons policies and procedures should be easily accessible. However we found that key policies that affect all departments are scattered in dozens of locations and some processes are not covered.

Our research to catalogue citywide policies and procedures revealed:

- Policies are lacking over key areas or have not formally been incorporated into the City's administrative policy body;
- The City Manager and City Clerk could better coordinate how to catalogue Citywide policies and procedures;
- Written direction on Citywide processes is scattered and difficult to locate; and
- CCM is not being used to its fullest potential as the City's policy repository.

As a result, employees are spending a great deal of time looking for, explaining, or re-performing procedures, potentially negatively impacting the efficiency of operations and levels of service to the public.

Recognizing the independence of each Charter Officer, it is important that City officials work together to establish a cohesive set of policies and procedures that fosters a clear understanding of expectations. A well designed policy manual is absolutely essential in today's complex, competitive and regulation-ridden work environment. With an adequate policy manual, City employees will be better able to act effectively, decisively, fairly, legally and consistently.

RECOMMENDATIONS

We recommend that the City Manager:

9. Evaluate the divisions of Support Services and determine if the policies currently in place are adequate and where additional policies are needed
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.
11. Assess the inventory of outside policies and procedures and determine whether they should be incorporated or retired.
12. Assess whether the City should develop policies to address some of the policy areas owned by other cities and noted in Exhibit 13

We recommend that the City Manager and City Clerk:

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

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

We recommend that the City Manager:

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.
16. Evaluate the 250 documents and determine which warrant integration into the formal process described in *AP-1001* and related formats
17. Design a control to ensure outdated policies and procedures are removed from CityNet and the City' public website.

To optimize the Saved Searches for City Policies in CCM, we recommend the City Manager and City Clerk:

18. Change the department owners of policies to reflect correct owners.
19. Update the department drop-down list to align with the current organization chart.

We recommend the City Manager:

20. Consider making a change to CCM to allow for the distinction between active/current policies and inactive/replaced policies.
21. Ensure department directors and division managers regularly review the policy repository to ensure only, and all, their current policies are posted.

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

During the last three years, the City of Sacramento has experienced declining revenues and workforce reductions. Inevitably, as the City has cut back on its workforce, it has in turn suffered significant losses in institutional knowledge. One of the ways the City can help to mitigate the impact of such significant losses is to ensure it documents processes, roles and responsibilities. However, our interviews with City leadership indicate that the City has had a long standing practice of relying on informal communication instead of formally documenting processes. Without documenting the City's practices and policies, the City risks permanently losing knowledge regarding key practices and processes. By not documenting key practices and processes, the City may be missing an opportunity to collect the institutional knowledge that remains. Failure to collect and document the City's institutional knowledge as it pertains to policies, procedures, roles and responsibilities could hinder management's ability to provide efficient operations.

RECOMMENDATIONS

We recommend that the City Manager:

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

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Introduction

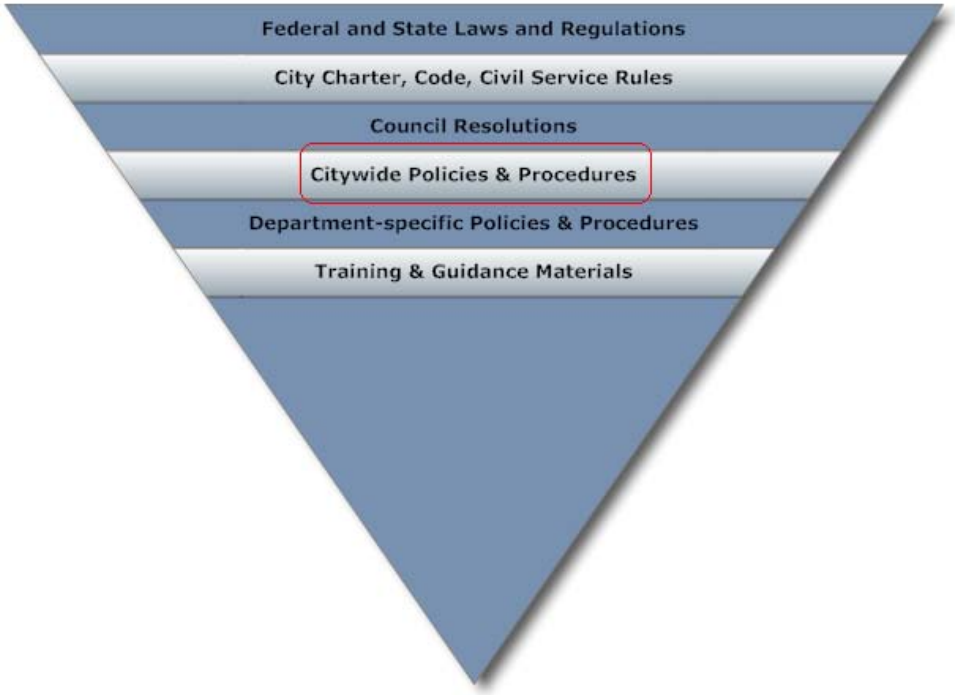
In accordance with the City Auditor's 2010-11 Audit Plan, we have completed an *Audit of Citywide Policies and Procedures.* We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City Auditor's Office thanks all City department directors and staff, especially in Support Services, and also Charter Offices, for their time, information and cooperation during the audit process.

Background

The City operates within a hierarchy of laws, regulations, policies and procedures. As shown in the following exhibit, at the top of this hierarchy are federal and state laws and regulations and at the bottom are City training and guidance materials.

Exhibit 1: Hierarchy Of Laws, Regulations, Policies And Procedures



Source: Auditor-generated graphic

City policies[1], although not at the top of this hierarchy, play a critical role in City governance. Through City Policies, the City aligns operations, sets behavioral expectations and communicates policy roles and responsibilities. Policies and procedures are part of control activities designed to ensure an organization complies with relevant laws and regulations. Management should establish policies and procedures to ensure contracts comply with the laws and regulations agreed upon by elected representatives.

[1] Some City policies are established through Council resolution and are considered higher in the hierarchy than policies established by the City administration.

Definitions

The City has several documents that represent or are related to policies and procedures. These include but are not limited to:

- AC – Administrative Category i.e. *Web Filtering Categories & Actions AC-5401-01*
- AG – Administrative Guideline, i.e. *Guidelines for Internet Access AG-5401*
- AP – Administrative Policy, i.e. *Public Projects AP-4002*
- API – Administrative Policy Instruction, i.e. *Reasonable Accommodation Policy API-11*. This format has been replaced by the AP.
- FM– Form, i.e. *FM Social Media Form FM-5901*
- PR – Procedure, i.e. *Volunteer Coordination PR-3101-01*
- RCP – Regulatory Compliance Program, i.e. *Office Safety Program-RCP-12*
- Policy Instructions (Human Resources, Personnel, or City), i.e. *Catastrophic Leave II-91-2*

According to *AP-1001*, policies are basic principles or rules by which the City is guided. They declare objectives that the City seeks to achieve and preserve in the interest of serving the community. Policies must be strictly adhered to and no alternative courses of action are acceptable. The City's main policies are those noted as Administrative Policy Instructions (API) and Administrative Policies (AP), referred to collectively throughout this report as Administrative Policies.

Guidelines are defined as recommended practices that allow some discretion or leeway in their interpretation, implementation, or use. Distinguishing characteristics of policies and guidelines are:

- Widespread application
- Change infrequently
- Usually expressed in broad terms
- Including statements of "what" and/or "why"
- Answer major operational issue(s)

Procedures explain methods to perform specific tasks coupled with a policy or set of policies. Procedures usually involve a sequence of step-by-step instructions or course of action that must be followed in the same order to correctly perform a task. Distinguishing characteristics of procedures are:

- Narrow application – specific to a policy/guideline
- Prone to change
- Often stated in detail
- Statements of "how," "when," and/or and sometimes "who"
- Describes process

Citywide Policy Development

The City Manager is responsible for establishing most policies and guidelines. An audit issued in May 2008 titled, *Contracting Processes Review: the Department of Utilities*, identified a need for a comprehensive overhaul and update of the City's APIs. In June 2009, the City Manager responded by having representatives from each department and the City Clerk's Office work together to develop a revised policy, titled *Establishing Administrative Policies or Guidelines AP-1001*. This policy shortened the name of the City's policies to "Administrative Policies", created a new policy numbering convention and established the role of the Administrative Policy Coordinator. *AP-1001* states that policy owners are responsible for updating their policies regularly and monitoring for compliance and effectiveness.

Also in June 2009, the City Manager issued the administrative procedure *Developing Administrative Policies or Guidelines PR-1001-01*, which details the following 8-step process:

1) Get Department Head approval.
2) Discuss/vet with City Manager's Office (CMO) Team.
3) Notify other departments of policy development and identify appropriate stakeholders.
4) Develop a draft policy (and separate procedure document) and discuss/vet with stakeholders.
5) Review draft policy with CMO Team.
6) Presentation/discussion with Executive Team.
7) Policy/guideline and applicable procedures are finalized and submitted to CMO for final document number assignments.
8) Implementation and dissemination.

According to the City Manager's Administrative Policy Coordinator, in collaboration with the City Clerk, new or updated policies are then uploaded by the Administrative Policy Coordinator into the City's Content Management System (CCM) to provide staff with centralized access to the City's policies.

Citywide Content Management System

In order to make the City's various documents available in one place, management made the decision to consolidate policies and procedures in the Citywide Content Management system (CCM) which is managed by the City Clerk, with support from the Department of Information Technology's Applications Division. CCM may be accessed by City employees through the City's internal online portal (Intranet) known as CityNet. CCM has a searchable database that helps staff locate existing policy, guideline and procedure documents.

In order to prioritize content to be moved into CCM, the City established a CCM Steering Committee that included the City Clerk, an assistant City Manager and the director of Human Resources.

Inventory of Policies

The City has 41 Administrative Policies, 2 Administrative Guidelines[2] and 4 Procedures[3]. Exhibit 2 lists the City's current Administrative Policies.

[2] The City's two Administrative Guidelines are *Guidelines for Internet Access AG-5401* and *Social Media Guidelines AG-5901.*

[3] The City's four Administrative Procedures are *Developing Administrative Policies or Guidelines PR-1001-01, Illness and Injury Prevention Program Procedures PR-3601-01, Social Media Guidelines PR 5901-01*, and *Volunteer Coordination PR 3101-01.*

Exhibit 2: The City's 41 Administrative Policies

City of Sacramento Administrative Policies				
Item	**Description**	**Number**	**Owner[4]**	**Dated**
1	Application of Work Experience	*API-9*	HR - Employment & Classification	1999
2	Authorized Signatures	*API-3*	Finance - Accounting	1997
3	City Council Agenda Items	*API-23*	City Clerk, Finance - Budget, Policy & Strategic Planning	2000
4	Discipline Procedures and Review Standards	*API-34*	HR - Labor Relations	2002
5	Electronic Communications Policy	*AP-5902*	IT - Information Security	2010
6	Employee Development Policy	*API-50*	HR - Org Development & Training	2004
7	Employee Separation Policy	*API-43*	HR - Risk Management	2005
8	Establishing Administrative Policies or Guidelines	*AP-1001*	City Manager	2009
9	Family and Medical Leave Policy	*API-40*	HR - Administration	2004
10	Fleet Purchasing/Budgeting Policies	*API-52*	General Services - Fleet, Finance	2005
11	Flexible Staffing Reallocation from Assistant to Associate Level	*API-4*	HR - Employment & Classification	1997
12	Illness and Injury Prevention Program	*AP-3601*	HR - Risk Management	2010
13	Information Technology Resource Policy	*API-30*	IT - Technology Administration	2004
14	Mileage Reimbursement Rate	*API-18*	Finance - Accounting	2002
15	Non-Discrimination in Employee Benefits By City Contractors	*API-53*	Finance - Accounting	2005
16	Non-Professional Services	*AP-4101*	General Services - Procurement	2010
17	Payment Vouchers and Material Receiving Reports	*API-5*	Finance - Accounting	1997
18	Petty Cash Funds	*API-2*	Finance - Accounting	1997
19	Pilot Public School Mentoring Program	*API-54*	HR - Administration	2007
20	Procurement of Supplies	*AP-4001*	General Services - Procurement	2010
21	Professional Services	*AP-4102*	General Services - Procurement	2010
22	Public Projects	*AP-4002*	General Services - Procurement	2010
23	Public Record Act Requests	*API-56*	City Clerk	2008
24	Purchasing Card Program	*API-6*	General Services - Procurement	1998
25	Reasonable Accommodation Policy	*API-11*	HR - Office of Civil Rights	1999
26	Respiratory Protection Program[5]	*API-10*	HR - Risk Management	1999
27	Salary Administration Policy	*API-35*	HR - Employment & Classification	2002

[4] Due to changes in City structure over the years, some policies were issued by departments or divisions that no longer exist. However we verified owners of each policy with representatives of current departments.

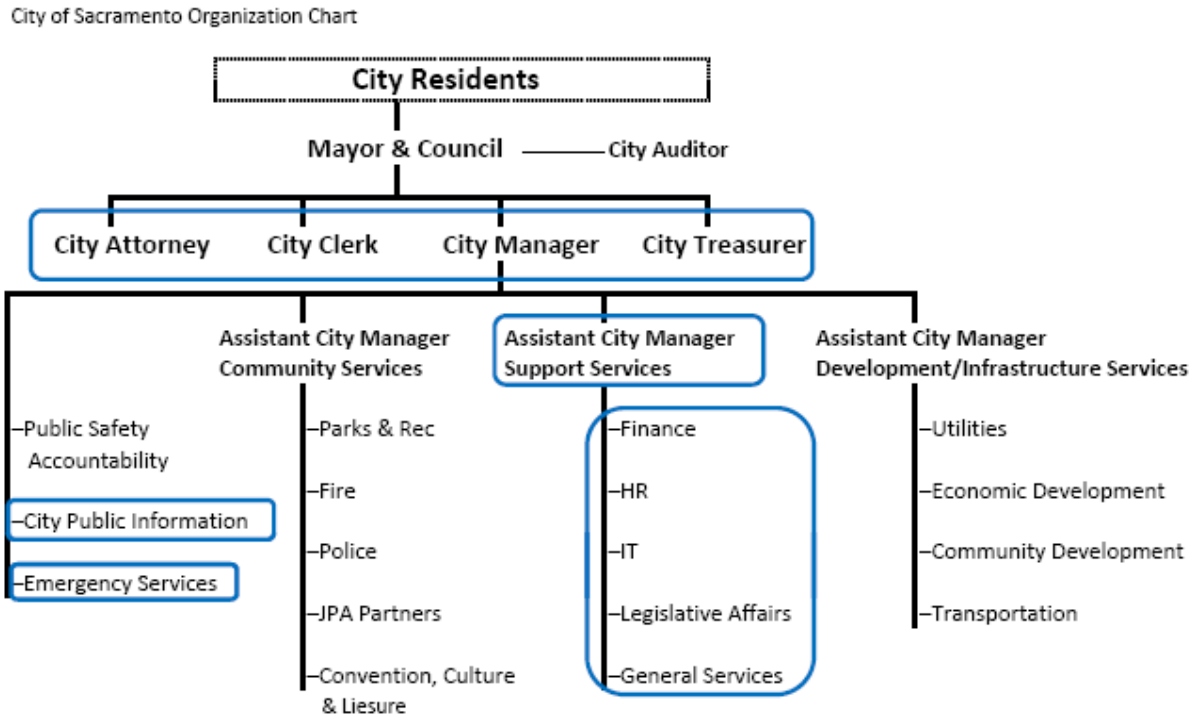
[5] The Human Resources Department issued *Respiratory Protection Program RCP-10* in March 2011 that states it supersedes *Respiratory Protection Program API-10*. However as the RCP is neither signed by the City Manager nor searchable in CCM's Citywide Policies, we listed *API-10* as current.

28	Signing Authority	*AP-2001*	Charter Officers, City Auditor, Independent Budget Analyst	2009
29	Special Requirements For Reporting Independent Contractors Who Are Individuals (Sole Proprietors)	*API-25*	Finance - Accounting	2001
30	Sustainable Operations for City Departments	*API-57*	General Services - Sustainability	2009
31	Sustainable Purchasing Policy	*AP-4003*	General Services - Sustainability	2010
32	Transportation Allowance	*API-24*	HR - Labor Relations	2000
33	Transportation Policy	*API-29*	General Services - Fleet	2001
34	Travel Request and Reimbursement Policy	*API-7*	City Manager	2007
35	Unrepresented Personnel Appointment Checklist	*API-36*	HR - Employment & Classification	2002
36	Vehicle Accident Accountability Review Board Policy	*API-42*	HR - Risk Management	2003
37	Vehicle Accident Review	*API-45*	HR - Risk Management	2005
38	Volunteer Coordination	*AP-3101*	HR - Administration	2009
39	Wireless Telephone Use While Driving	*AP-5901*	HR - Risk Management	2009
40	Workplace Violence Policy	*API-44*	HR - Risk Management	2004
41	Year-End Pay Events and Tax Reporting	*API-13*	Finance - Accounting	2000

Source: City of Sacramento documents

Citywide processes affect most City operations. For example, a citywide process may affect payroll, emergency planning, risk management, procurement of goods and services, information security or the City's compliance with laws. City authorities that manage citywide processes include the four City Charter Officers (Manager, Attorney, Clerk and Treasurer) and several departments marked by boxes in Exhibit 3 below.

Exhibit 3: City of Sacramento Organization Chart Illustrating Managers of Citywide Processes



*Offices outlined in blue oversee key citywide processes
Source: Auditor-generated from 2010/11 City Budget

Roles of the Charter Officers

As illustrated in Exhibit 3, four Charter Officers report to the Mayor and City Council: the City Manager, City Attorney, City Clerk and City Treasurer. Charter Officers have responsibility over key areas of City operations:

- The City Attorney (Attorney) serves as legal counsel to the City government and all of its officers, departments, boards, commission and agencies. The Attorney defends and prosecutes cases on behalf of the City. The Transactional/Advisory Section works closely with City departments on ordinance drafting, contract negotiations, development, land use, finance, utilities, public works projects, public safety matters and other topics.

- The City Treasurer coordinates City financial matters with City officials. Duties include planning, directing, reviewing and ensuring City compliance with related laws, ordinances, codes and policies. The Treasurer provides banking services for all City departments. According to the City Budget, the Treasurer also manages investments and cash flow between bank and investment pools, debt financing and manages outstanding bond issues. The Treasurer's website describes its Banking & Operations Business Unit as responsible for over $11.7 billion of banking transactions, reporting and banking service needs of the City. The City Council adopted the Treasurer's Investment and Debt Management policies in August 2010.

- The City Clerk has custody and responsibility for City records and may have additional duties as prescribed by Council. Some of the Clerk's responsibilities include assisting with public records requests, claims, passport acceptance, processing board and commission applications for appointment, elections administration, updating and maintaining city ordinances and codes; provide access to legislative meeting information and to economic interest, election and financial disclosure related filings. According to the City Budget, the Clerk is responsible for coordination and administration of all City documents. As such, the Clerk manages records retention, with the digital information management systems Citywide Content Management (CCM) and Automatic Document Review System (ADRS). According to the City Budget, departments turn to the Clerk for general information regarding the City and the Clerk advertises and receives bids and is the Filing Officer for state-required conflict of interest forms.

- As chief executive officer of the City, the City Manager is responsible for the effective administration of City government. According to the City Charter, the City Manager is responsible for ensuring all laws and ordinances are enforced while supervising and controlling departments under his or her jurisdiction, keeping council advised as to operations and financial conditions and preparing the annual budget (Article V, §61). The ability to develop new policies impacting operations or procedures is one of the qualifications for the position of City Manager. In addition, the City Manager establishes and maintains a system of financial controls for the City and its departments to provide complete and informative data readily susceptible to audit and review. The City Manager created the position of Assistant City Manager to oversee, among other things, policy development activities. Qualifications for Assistant City Managers include the ability to provide clear and appropriate policy direction to City departments. Like the City Manager, Department Directors' and Division Managers' duties include the development and implementation of policies and procedures. According to the Budget, the City Manager's Office also directly oversees the Public Information Office, E-Government, Office of Emergency Services and Office of Public Safety Accountability.

Roles of Departments

As shown above in Exhibit 3, the five departments reporting to the Assistant City Manager of Support Services have responsibility over major areas Citywide. Support departments provide services that are critical to City operations. These departments are: Finance, Human Resources, General Services, Information Technology and Legislative Affairs. The FY 2010/11 Approved Budget and other sources describe these departments' functions as follows:

- The Finance Department manages City finances and provides accounting, budgeting, public facilities financing, billing, collection, parking citation and revenue collection services. Finance Administration supports department policies. The Budget Policy and Strategic Planning division reviews Council agenda items for impacts on policy.

- The Human Resources Department is responsible for recruiting, testing, classification and compensation, benefits and retirement, safety, loss control and workers' compensation, equal employment opportunity implementation and Americans with Disabilities Act coordination, volunteer coordination, organizational development, wellness, labor relations and training.

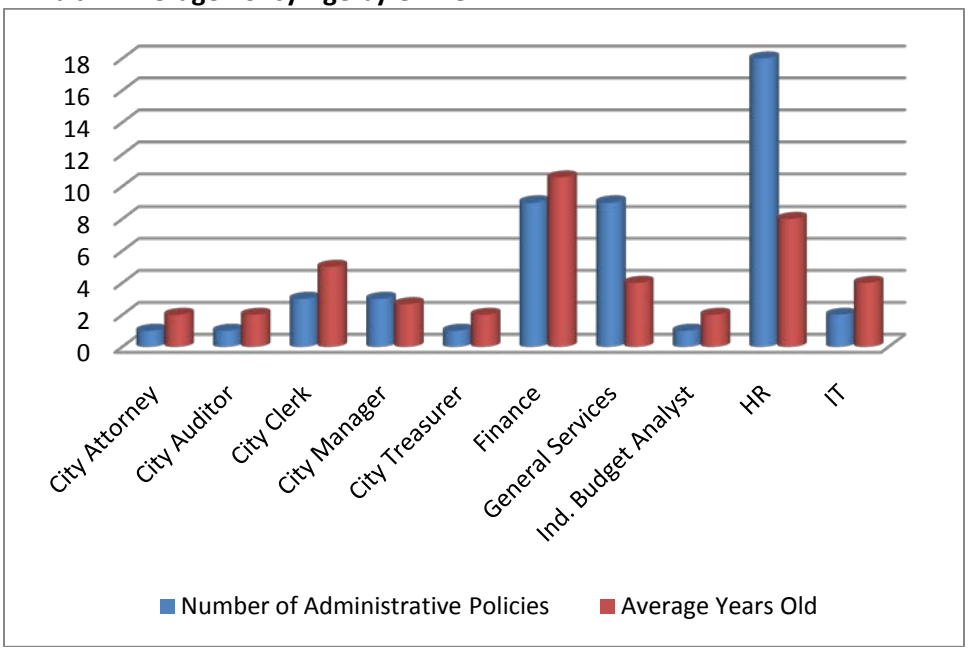
- The General Services Department manages important city-wide processes including procurement, sustainability, call center, fleet, facilities and real property.

- The Information Technology (IT) Department provides IT business systems, data center, network design and support including monitoring and security, desktop and telecommunications support.

- The purpose of Legislative Affairs is to provide assistance to departments on local, state and federal legislation, coordinate the City's State and Federal Legislative Platform and to provide staff support to the City's Law and Legislation Committee.

As shown below in Exhibit 4, the Human Resources Department owns nearly half of all City Administrative Policies. The rest of the City's Administrative Policies are owned by, in descending order, the Department of Finance, the Department of General Services, Charter Officers and the IT Department. The Legislative Affairs Department, the Office of Emergency Services and the Office of City Public Information do not own any policies.

Exhibit 4: Average Policy Age by Owner[6]



Source: Analysis of City's Administrative Policies

Control Environment/Guidance:

The Single Audit Act of 1984 established internal control requirements for local governments that administer Federal programs. In 1997 the United States Office of Management and Budget (OMB) provided updated terminology to local governments with *Audits of States, Local Governments and Non-Profit Organizations OMB Circular A-133*, to facilitate consistency and uniformity of audits of non-federal entities expending federal awards. The updated guidance is based on the *Internal Control-Integrated Framework* published by the Committee of Sponsoring Organizations (COSO[7]).

The five components of internal control, according to the *OMB Circular A-133 Compliance Supplement* are:

1) Control Environment - including an Audit Committee, code of conduct, and clear definition of key managers' responsibilities.
2) Risk Assessment – the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.
3) Control Activities - are the <u>policies and procedures</u> that help ensure management's directives are carried out. Operating policies and procedures are clearly written and communicated. Examples include segregation of duties and computer access controls.
4) Information and Communication - are the identification, capture and exchange of information in a form and time frame that enable people to carry out their responsibilities. For example, reports should be provided to managers in a timely manner so that they may be reviewed and acted upon if necessary.

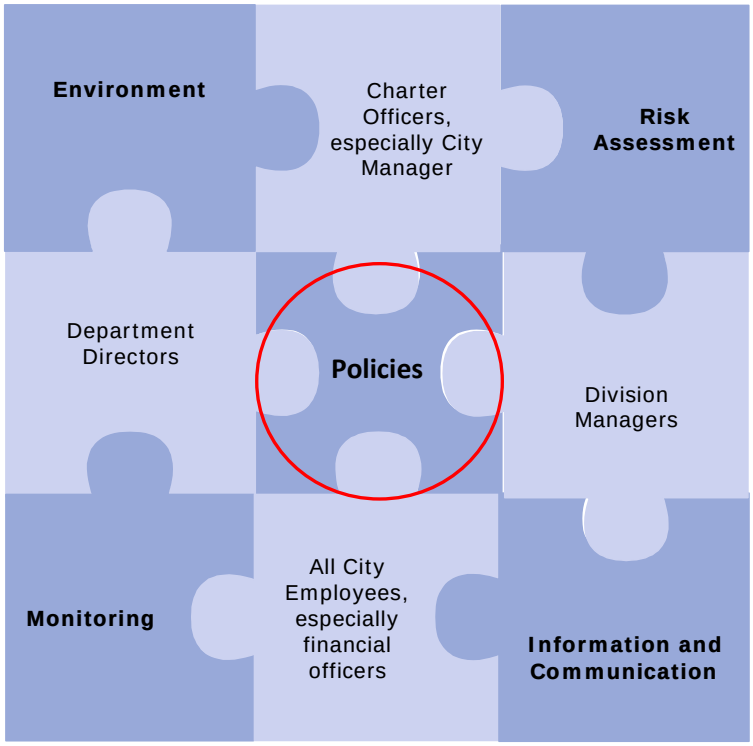
[6] Some Administrative Policies have more than one owner and therefore, appear under multiple owners in this graphic.

[7] COSO is dedicated to guiding executive management and governance entities toward the establishment of more effective, efficient, and ethical business operations on a global basis. It is comprised of: Institute of Internal Auditors, American Accounting Association, American Institute of Certified Public Accountants, Financial Executives International, and Association for Accountants and Financial Professionals in Business.

5) Monitoring - is a process that assesses the quality of internal control performance over time. This process may include ongoing monitoring programs, following up on identified irregularities and periodic assessments of adequate corrective action.

Exhibit 5 illustrates the central role that Citywide Administrative Policies play between City personnel and control activities.

Exhibit 5: The Five Components of Internal Control, and Responsible Parties



Source: Auditor-generated graphic

Internal control is an integral part of the organization, driven by top management but enacted by every individual involved. While the exact design of each organization's internal control structure may be different, policies and procedures are always a central element.

Objective, Scope and Methodology

The objective of this audit was to assess the condition of 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.

Our audit scope drew on the policies and procedures governing Citywide processes as of April 2011. During our audit, we interviewed representatives from each of the City's Charter Offices including the Assistant City Manager in charge of Support Services, the Administrative Policy Coordinator and most City Department Directors, to gain an understanding of how the City's policies and procedures are developed and updated. We also searched the City's Content Management System, as well as the City's

internal and external websites for policies and procedures governing citywide processes. We developed a database of what we found and analyzed policies by age, format and owner

On a limited basis, we reviewed Council Resolutions and Ordinances, Civil Service Rules, California State Law, labor contracts and the City Charter. We did not perform a comprehensive review of the policies and procedures pertaining to department-specific operations.[8]

[8] However, we should note that through our review we noticed that several departments and divisions had strong processes for ensuring that their internal policies and procedures were in place.

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

A comprehensive set of formal and appropriately communicated policies coupled with current, complete and well documented procedures are essential to an effective system of internal controls for any organization. As described in the Background, the City has a system for establishing policies and procedures. However, the City in practice is not consistently following the established system. We found that as a result, key processes that affect all departments are undocumented or sometimes have conflicting direction. Specifically we found:

- The City does not follow its own official process for establishing administrative policy;
- Process owners, like department directors and division managers, are not required to or held accountable for establishing written policies and procedures over their areas of responsibility;
- The mechanism for updating policies and procedures is not clear;
- The City's mechanism for reviewing Council action for impact on City policy needs improvement; and
- The City overly relies on a system of area experts over citywide processes.

By following the established system, management could improve employee accountability, operations, and provide more consistent direction.

The City Does Not Follow Its Own Official Process for Establishing Administrative Policy

The official City process for the creation of Administrative Policies is stated in *AP-1001* and *PR-1001-01*. The purpose of *AP-1001* is to set forth criteria for establishing Administrative Policies and/or guidelines and the policy/guideline development and implementation process.

The City currently has 41 Administrative Policies (APs and APIs) in place. In addition, the City has also provided policy direction outside the official process established by *AP-1001*. We found that one of the more popular mechanisms for doing so was to provide direction via e-mailed communications. Oftentimes e-mailed memos and directions are sent out to a select group, like department directors, and not to all City employees that are impacted by the direction.

Although convenient, e-mailing policies and procedures without storing them in a centralized location creates risks. Some of these risks include difficulty enforcing rules, failure to communicate the direction to all impacted parties, multiple versions of documents in circulation and wasted time tracking down e-mailed policy. By e-mailing out policy direction, the City may not be able to ensure employees receive information, retain the direction and can access or recall the information in the future. The City also does not have a process in place to update the body of Administrative Policies when e-mailed direction is sent out.

The following are examples of e-mailed City direction that may warrant updating related Administrative Policies or establishing a policy where one is lacking.

- Citywide Email Messages (Interim City Manager)
- Contact by the Grand Jury (City Attorney)
- Records Management Manual (City Clerk)
- Use of City Resources for Political Purposes (City Manager)

The City Manager's Office has already invested a significant amount of time and energy into revamping the City's process for managing policies and procedures (*AP-1001*). Allowing for the continuous avoidance of this process undermines the progress made towards centralizing and improving City policy, providing consistent and clear direction and aligning operations to achieve goals. Without a clear mechanism for ensuring that direction provided via e-mail gets incorporated into City policies, management's job of enforcing the City's policies will become more difficult.

We recommend the City Manager:

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.

Although New Policies and Procedures are Supposed to be linked, they Sometimes Refer to Unlinked or Non-Existent Documents

The City Manager's *Policy Guideline Template Instructions* states that once policies are posted, they will be linked to related documents like procedures and appendices. Linking is intended to help streamline an employee's access to related documents. While the instructions for inputting policy and procedures states the webmaster will link documents, the linking has not happened. We noticed that 10 of the 11 Administrative Policies that are in the City Manager's latest format established in June 2009 did not link to related procedures and forms. For example, *Procurement of Supplies AP-4001* references *Administrative Policy Regarding Delegation of Signature Authority* but does not link to the actual document. As a result, *AP-4001* fails to streamline employees' access to related items.

We also noticed that one of the documents referenced in *Public Projects AP-4002* and other procurement policies had yet to be developed. *AP-4002* states that "All procurement activities shall be performed in compliance with the provisions of the *Procurement Ethics and Standards of Conduct*." As the document was not linked and we had not found it in our search for citywide policies, we asked General Services in April 2011 where to find it. We learned that *Procurement Ethics and Standards of Conduct* is being developed. Since employees rely on Administrative Policies to conduct their day-to-day operations, it is important that documents noted in said policies be fully developed before management finalizes a policy.

We recommend the City Manager:

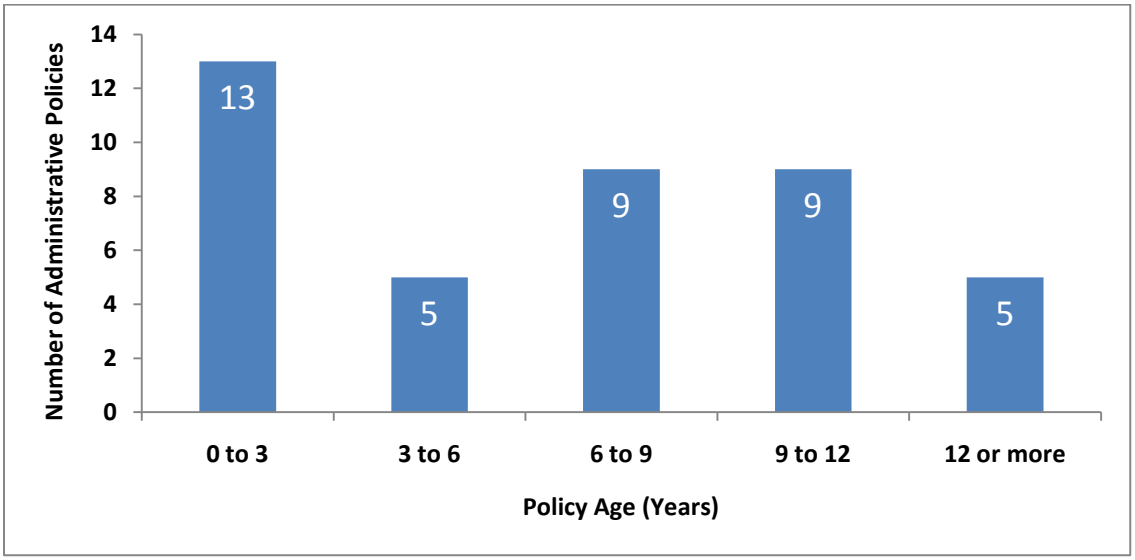
2. Develop a control to ensure that documents referred to in Administrative Policies exist and are accessible for policy users before approving the policy.
3. Update *Developing Administrative Policies or Guidelines PR-1001.01* to clarify responsibility for linking documents within policies and procedures.

The Mechanism for Updating Policies and Procedures Is Not Clear

Although *AP-1001* proved a significant step forward in coordinating and organizing the City's policies and procedures, opportunities remain to further improve the process. For example, *AP-1001* and its related procedure do not outline how, when or if policies and procedures should be updated. Interviews with representatives of the City Clerk, City Manager and Human Resources indicated confusion about who is responsible for updating policies and procedures.

Several entities advocate for frequent review of key policies. The City of San Diego requires an annual review of the Policy Manual Table of Contents to determine which, if any, policies need review. Likewise, the U.S. Government Accountability Office (GAO) advocates for annual policy review in their Standards for government audit organizations. We also found that some of Sacramento's City departments like Convention Culture & Leisure, Fire, and Police have established annual or biannual reviews of their internal policies. Exhibit 6 below graphs the number of Administrative Policies by age group.

Exhibit 6: More than half of the City's Administrative Policies are more than 6 years old



Source: Analysis of City's Administrative Policies

According to *OMB Circular A-123*, circumstances that may warrant policy updates include new information systems, changed programs or operations, new technology and new or amended laws, regulations or accounting standards. The City of Sacramento experiences these types of changes on a regular basis and should have a clear process that ensures that policies affected by such changes are updated in a timely manner. However, the City has not had a history of consistently updating its Administrative Policies. The average age of the City's Administrative Policies is almost 7 years with the oldest policies being 14 years old.[9] As a result, several of the policies we reviewed were not current. For example, we found that *Year End Pay Events and Tax Reporting Policy API-13* contained outdated information regarding leaves, taxes and retirement contributions. The Accounting Division's Payroll unit issued *API-13* in 2000 to inform employees of year end events and choices that may impact paychecks.

[9] Four policies date from 1997: *Authorized Signatures API-3, Flexible Staffing Relocation from Assistant to Associate Level API-4, Payment Vouchers & Material Receiving Reports API-5, and Petty Cash Funds API-2*.

In November 2010, the Accounting Division e-mailed a memo to all City employees with updated year-end pay event information. The changes disclosed in the e-mailed memo were not incorporated into *API-13*. Due to this Administrative Policy not being updated, employees relying on *API-13* may base important personal financial decisions on past information. The table below illustrates some of the key differences between the Administrative Policy and the e-mailed memo.

Exhibit 7: Differences between API and E-mailed Memo on Hours and Compensation

Item	Per Administrative Policy API-13	Per e-mailed memo
Vacation hours	Use or lose by calendar year end	Accrue up to 480 hours. New employees must wait 6 months to use vacation hours.
If Sick Leave >480 Hours, payment for 24 hours	Will receive payment unless request otherwise	Will not receive payment unless requested by employee.
Maximum compensation subject to FICA Rates	$80,400	$106,800
Maximum allowable Deferred Compensation	$8,500	Not yet announced*

*The maximum amount for 2010 was $16,500, though that amount was not mentioned in the memo
Source: Comparison of API-13 and Payroll Division's 2010 Year-End Memo

As shown in the table above, the e-mail disclosed significant changes that impacted employees' choices regarding vacation hours, sick leave, maximum compensation and deferred compensation. Without accurate information an employee is at risk of making decisions based on outdated information.

Another example of an outdated administrative policy is the *Family Leave and Medical Policy API-40*. The Director of Human Resources issued *API-40* in 2004 in response to the 1993 federal Family and Medical Leave Act (FMLA) and California Family Rights Act. According to the policy, the City "will provide family and medical leave for eligible employees as required by state and federal law. This policy sets forth rights and obligations with respect to such leave."

In 2010, the Interim City Manager e-mailed department heads a two page memorandum revising a section of *API-40*. The revision removed the limit on paid sick days an employee may use to care for a family member. However, the administrative policy was not updated subsequent to the e-mail.

As a result, departments that rely on *API-40* as a basis for their internal guidance may provide incorrect information to employees. When critical updates are communicated to employees, those updates need to be incorporated into the official Administrative Policy.

One of the more recent policy changes provided via e-mail that should have been incorporated into formal City policy was the City's "no idling" memorandum. The "no idling" e-mail places a five-minute idling limitation on all City vehicles. The memo asks directors to "ensure appropriate staff is aware of the policy". Although this document provides new direction, the related *Transportation Policy API-29* was not updated. The purpose of *API-29* is "to establish the policy, procedures and guidelines for use of City or privately owned vehicles to perform City business."

If changes in policy direction like that of the idling policy are not incorporated into the related transportation policy, a new City employee might read the official City policy on vehicle use and not realize that an emailed memorandum modified City direction.

We recommend the City Manager:

4. Establish a time frame for periodic review of established Administrative Policies and procedures and incorporate it into *AP-1001*.
5. Update *AP-1001* to clearly describe the mechanism for updating Administrative Policies.

The City's Mechanism For Reviewing Council Action for Impact On City Policy Needs Improvement

Changes in laws, ordinances and resolutions often times affect City policy and operations. As such, the City would benefit from a strong mechanism for ensuring that these changes are reflected accurately and in a timely manner in the City's Administrative Policies. Lack of compliance with current regulations could result in significant inefficiencies, loss of grant funding, failure to carry out the vision of Council, or costly lawsuits.

While the City has processes to ensure department policies comply with legislation, these processes could be strengthened and roles more clearly defined. Multiple City officials play a role in assessing the impact of changes in laws, ordinances and resolutions on City policy. The City Attorney serves as legal counsel to the City government and officers and is a resource for City employees on City-related legal matters. The City Manager and department directors' duties include keeping abreast of changes in law in order to update policies. The Legislative Affairs Coordinator monitors federal and state law as applicable to the City. According to *City Council Agenda Items API-23*, the Budget, Policy and Strategic Planning unit of Finance should review City Council Agenda items for policy considerations.

However, we found Council action does not always result in an update or change to related Administrative Policies. A recent example that illustrates the potential concern with failing to incorporate council action into Administrative Policy is the Council action regarding the Arizona Boycott.

Arizona Boycott

The City Council passed Resolution 2010-346 on June 15, 2010 stating that no City official or employee shall attend a conference in, or travel to, an Arizona destination at City expense or with City resources; and shall not procure goods or services from Arizona-headquartered businesses.[10] This policy also requires the City Manager to direct staff to explore opportunities to lawfully terminate contracts with entities headquartered in Arizona.

In response to the Resolution, the Procurement Division posted *Arizona Boycott Guidelines* dated June 23, 2010 on the City's Intranet. The *Arizona Boycott Guidelines* provide definitions, exceptions and procedures for implementing the Resolution. As the City defines guidelines as "recommended practices", the City should have also taken steps to ensure that related policies were updated to reflect the Resolution. Policies that are impacted by the Arizona boycott include: *Non-Professional Services AP-4101, Payment Vouchers & Material Receiving Reports API-5, Procurement of Supplies AP-4001,*

[10] These prohibitions are qualified, and have exceptions.

Professional Services AP-4102, Purchasing Card Program API-6 and *Travel Request and Reimbursement Process API-7.*

By failing to update Administrative Policies with direction from Council, the City leaves open the risk of the Resolution not being carried out as Council intended.

We recommend the City Manager:

6. Improve the controls to ensure City ordinances and resolutions are reflected in City policies and procedures.

The City Overly Relies On An Informal System of Area Experts Over Citywide Processes

Policies and procedures are an essential element of an organization's internal control. In place of policies and procedures, some simple organizations rely on informal word of mouth direction. We found that in some cases the City relies on area experts to provide direction on complex Citywide processes without the support of Administrative Policies. While providing direction in this manner may work for simple organizations, relying on such communication for a large complex organization, like the City of Sacramento, could significantly compromise a manager's ability to hold employees accountable and potentially lead to misunderstandings.

The City Clerk, Human Resources, Finance and General Services direct other departments to designate individuals as area experts for specified roles. The process owners, to some degree, have formalized the word-of-mouth method of providing direction by requiring operations departments to designate contacts for some Citywide processes and in turn by assigning Support Services staff to operations departments for other Citywide processes. Although a network of area experts can have its benefits, management is relying on them to interpret and explain Citywide processes in lieu of creating or updating Administrative Policies and procedures. Furthermore their roles are not defined. Exhibit 8 lists some of the area expert designations currently in use.

Exhibit 8: Listing of Area Expert Roles

Role in Each Department	Authority
ADA Coordinator	HR Department - Office of Civil Rights
CIP/MY Contact	Finance Department - Accounting Division
Conflict of Interest Coordinator	City Clerk
Contracts Manager	Department of General Services - Procurement Division
Fiscal Contact	Finance Department - Accounting Division
Fleet Equipment Coordinator	Department of General Services - Fleet Management Division
Grant Contact	Finance Department - Accounting Division
PAR Contact (Personnel Action Request)	Civil Service Rule 14.2, HR Department
Records Coordinator	City Clerk
Safety Representative	HR Department - Risk Management Division
Site Administrator	Department of General Services - Procurement Division
Training & Development Coordinator	HR Department - Organizational Development & Training Division
Travel Coordinator	City Manager

Source: Various City documents including Administrative Policies, City Clerk documents and Finance Department Documents.

Without the authority of formal policies and procedures, the use of area experts alone is not sufficient. Relying on area experts to explain processes without the backing of formal policy could result in employees receiving inconsistent direction. It is in the City's best interest to define the roles of any area experts and clarify the process by which these specialized positions are created. By developing and documenting the roles and responsibilities of the specialists, they will have a consistent body of information to turn to and rely less on trainings, phone calls and e-mails to understand or explain processes. Furthermore, failing to document the roles and responsibilities of these positions exposes the City to unnecessary losses of institutional knowledge, especially during times of downsizing.

We recommend the City Manager:

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

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

Employees are responsible for knowing, understanding, complying with, and adhering to policies that relate to their position or employment at the City. For these reasons, policies and procedures should be easily accessible. However, we found that key policies that affect all departments are scattered in dozens of locations and some processes are not covered.

Our research to catalogue Citywide policies and procedures revealed:

- Policies are lacking over key areas or have not formally been incorporated into the City's administrative policy body;
- The City Manager and City Clerk could better coordinate how to catalogue Citywide policies and procedures;
- Written direction on Citywide processes is scattered and difficult to locate; and
- CCM is not being used to its fullest potential as the City's policy repository.

As a result, employees are spending a great deal of time looking for, explaining, or re-performing procedures, potentially negatively impacting the efficiency of operations and levels of service to the public.

Recognizing the independence of each Charter Officer, it is important that City officials work together to establish a cohesive set of policies and procedures that fosters a clear understanding of expectations. A well-designed policy manual is absolutely essential in today's complex, competitive and regulation-ridden work environment. With an adequate policy manual, City employees will be better able to act effectively, decisively, fairly, legally and consistently.

Policies are Lacking Over Key Areas Or Have Not Formally Been Incorporated Into The City's Administrative Policy Body

Having an adequate body of policies and procedures that address key areas of operations and employer expectations is essential to the effective management of any organization. However, our review showed that key policy areas are not covered by an Administrative Policy. In addition, owners of citywide processes are not always held accountable for establishing Administrative Policies over their areas of responsibility. The duties of directors and managers include developing and revising policies and procedures for their departments and divisions. However, given the focus of this audit on citywide policies, we assessed the departments that have primary responsibility for providing citywide direction.

Our assessment revealed that the departments within Support Services[11] are primarily responsible for overseeing Citywide processes. As illustrated by Exhibit 9 below, policy direction from the City Manager through Support Services impacts the levels of service that Operations Departments provide to City residents and businesses.

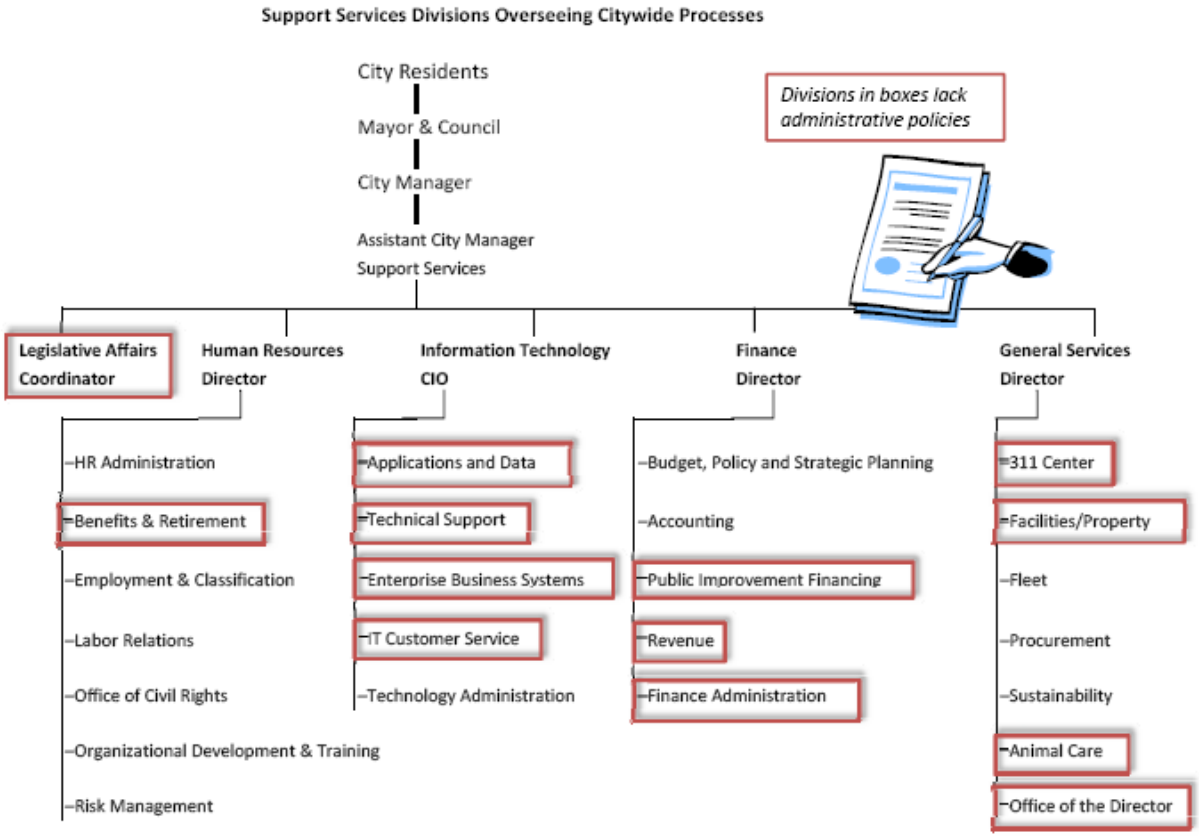
[11] According to the City's organizational chart, Support Services consists of Legislative Affairs Coordination and the departments of Finance, Human Resources, General Services, and Information Technology.

Exhibit 9: Central Role of Support Services to Citywide Operations

Source: Auditor-generated graphic

An effective Support Services function allows other departments to operate efficiently and consistently as they provide City services. Therefore, the City needs Support Services to have in place an adequate body of policies that address key processes for which they are responsible. Exhibit 10, below, depicts the relationship between Support Services and City Management and highlights those divisions that lack Administrative Policies.

Exhibit 10: Organization Chart of the City's Support Divisions



Source: Auditor-generated from 2010/11 City Budget and Information Technology Department organization chart updated May 2011

A more detailed review of divisions within Support Services revealed that divisions rely on a variety of documents to provide guidance and direction. Some of the documents were in the official Administrative Policy format, while others were outside of the City's Administrative Policy body. Furthermore, some of the divisions that we reviewed had no policy-like documents in place at all.

Exhibit 11: Number of Policies Owned by Support Service Divisions[12]

Number of Policies Owned by Support Service Divisions

No. of Divisions	Support Services Divisions	Administrative Policies	Unincorporated Policy Documents	Total
Dept	***Finance***			
1	Accounting	7	2	9
2	Budget, Policy and Strategic Planning	2	0	2
3	Public Improvement Financing	0	0	0
4	Revenue	0	0	0
5	Finance Administration	0	0	0
Dept	***Human Resources***			
6	HR Administration	3	5	8
7	Benefits & Retirement	0	1	1
8	Employment & Classification	4	0	4
9	Labor Relations	2	12	14
10	Office of Civil Rights	1	2	3
11	Organizational Development & Training	1	0	1
12	Risk Management	7	5	12
Dept	***General Services***			
13	Office of the Director	0	4	4
14	311 Center	0	0	0
15	Facilities/Property Mgmt	0	1	1
16	Fleet	2	2	4
17	Procurement	5	0	5
18	Sustainability	2	0	2
19	Animal Care	0	1	1
Dept	***Information Technology***			
20	IT Customer Service	0	0	0
21	Technical Support Services	0	1	1
22	Enterprise Business Systems	0	0	0
23	Applications and Data Management	0	0	0
24	Technology Administration	2	0	2
25	***Legislative Affairs***	0	1	1

Source: Analysis of Support Division documents

Not having policies in place for some of these divisions may be indicative of a need to fill a policy void and for the City Manager to assess policy needs.

[12] Some Administrative Policies have more than one owner and therefore, appear under multiple owners in this graphic.

We recommend the City Manager:

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

In all, we found 38[13] unincorporated documents that appeared in line with the definition of a policy provided by the City.[14] The City defines policies as:

> "basic principles or rules by which the City is guided. They declare objectives that the City seeks to achieve and preserve in the interest of serving the community. Policies must be strictly adhered to and no alternative courses of action are acceptable."

The table below lists the identified unincorporated policy documents.

Exhibit 12: Policy-like Documents Found Outside the Official Body of Administrative Policies

	Unincorporated Policy Documents		
Item	Description	Owner by Dept - Div or Charter Office	Years Old
1	9/80 Schedule	Labor Relations	15
2	Alcohol/Drug Abuse Policy	Labor Relations	3
3	Catastrophic Leave	Labor Relations	18
4	City Compliance with New Laws	Legislative Affairs	1
5	City Hall Event Policy	Facilities/Property	6
6	City of Sacramento Record Retention Schedule	City Clerk	0
7	Citywide Email Messages	City Manager	1
8	Distribution, Use and Reporting of Tickets and Passes	City Clerk/City Manager/City Attorney	2
9	Driver License Policy	Labor Relations	27
10	Drug and Alcohol Testing	Labor Relations	16
11	Drug-Free Workplace Policy	Labor Relations	22
12	Drugs and Alcohol in the Workplace	Labor Relations	13
13	Eligibility Rules for Health and Welfare	Benefits & Retirement	13
14	E-mail Retention Policy	Technical Support Services	1
15	Emergency Operations Plan	Office of Emergency Services	6
16	Employee Handbook	HR Administration	6
17	Employer-Employee Relations Policy	Labor Relations	no date

[13] Exhibit 12 expands on the unincorporated documents of Support Services to include those from Charter Officers and the Office of Emergency Services.

[14] We also found 32 additional procedures besides the four in the City's official PR format. These range on topics from *How to Post an Announcement on CityNet* to *eCAPS Reporting Tools*.

18	Equal Employment Opportunity	Office of Civil Rights	no date
19	Fleet Engine Idling Limit Policy	Fleet	1
20	Fleet Sustainability Policy	Fleet	1
21	Food Purchase Policy	Accounting	no date
22	Furlough	Labor Relations	5
23	Gifts & Ceremonial Items Requests	City Council	1
24	Gifts to the City	City Clerk/City Manager/ City Attorney	2
25	Information for Implementing Management Furlough Program	Labor Relations	3
26	Legal Opinion Policy	City Attorney	1
27	Modified Duty	Risk Management	16
28	Personnel and Med Records	Risk Management	25
29	Policy Statement on Disability Discrimination	Office of Civil Rights	no date
30	Sexual Harassment	HR Administration	6
31	Sick Leave Upon Exhaustion of IOD	Risk Management	24
32	Smoke-Free Workplace	HR Administration	2
33	Summary of Significant Accounting Policies CAFR Note 1	Accounting	1
34	Supplementary Employment	Labor Relations	no date
35	Telecommuting	HR Administration	16
36	Treatment of Injuries	Risk Management	27
37	Vacation Carryover Policy	Labor Relations	8
38	Workers Compensation Special	Risk Management	29

Source: Documents compiled from the City's Intranet, Internet, and directly from City Departments

Although informal guidance outside of Administrative Policies may be desirable, in order to ensure consistent direction, the guidance should be based on current approved policy. Many of the unincorporated documents noted in Exhibit 12 appear to relate to policy areas currently lacking within the City's Administrative Policy body and may warrant consideration for incorporation into the City's policy body.

We recommend the City Manager:

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

In addition to reviewing the City's existing 41 Administrative Policies and the policy related documents of Support Services, we also compared the City's Administrative Policies to those of the cities of San Diego, San Jose, San Francisco, Fresno, Long Beach, Oakland and Bakersfield. The table below lists examples of policies that others have in place that we did not find in the City of Sacramento.

Exhibit 13: Examples of Policies Owned by Other Cities

Item	Description	Owner (City of)
1	Administration of Administrative Leave	Fresno
2	Attendance Policy	Fresno
3	Cash Handling	San Jose
4	City Council/Commission Code of Conduct	San Jose
5	Citywide Dress Standards	Fresno
6	Code of Ethics for Officials and Employees	San Jose
7	Council Policy Flood Control Measures	San Diego
8	Council Policy Manual	San Jose
9	Daily Report of Monies Collected	Bakersfield
10	Department Director Performance Appraisal & Planning Program	Fresno
11	Discrimination and Harassment	San Jose
12	Disposition of Surplus City Property	Fresno
13	Drug-Free Workplace	San Diego
14	Verification of Employment History and Access to Employment Records in PeopleSoft	San Francisco
15	Fixed Assets Inventory	Fresno
16	Gift Policy	San Jose
17	Grant Administration	Fresno
18	Higher Classification Pay	Long Beach
19	Information Security Policy	San Jose
20	Nepotism	San Jose
21	Non-Retaliation Policy	San Jose
22	Performance Appraisal System	Oakland
23	Purchase of Energy Efficient Products	San Diego
24	Telecommunications	San Diego
25	Transfer of Surplus Property Policy	San Jose
26	Whistleblower Policy	Oakland

Source: Staff and websites of cities listed

Although the existence of a specific policy at another City does not necessarily mean that the City of Sacramento should have such a policy, this type of comparison can help identify potential policy areas for consideration. As such, the list of policies detailed in Exhibit 13 is not meant to be an endorsement of the policies listed, but merely a listing of policies other cities have in place that the City of Sacramento may want to consider developing.

We recommend the City Manager:

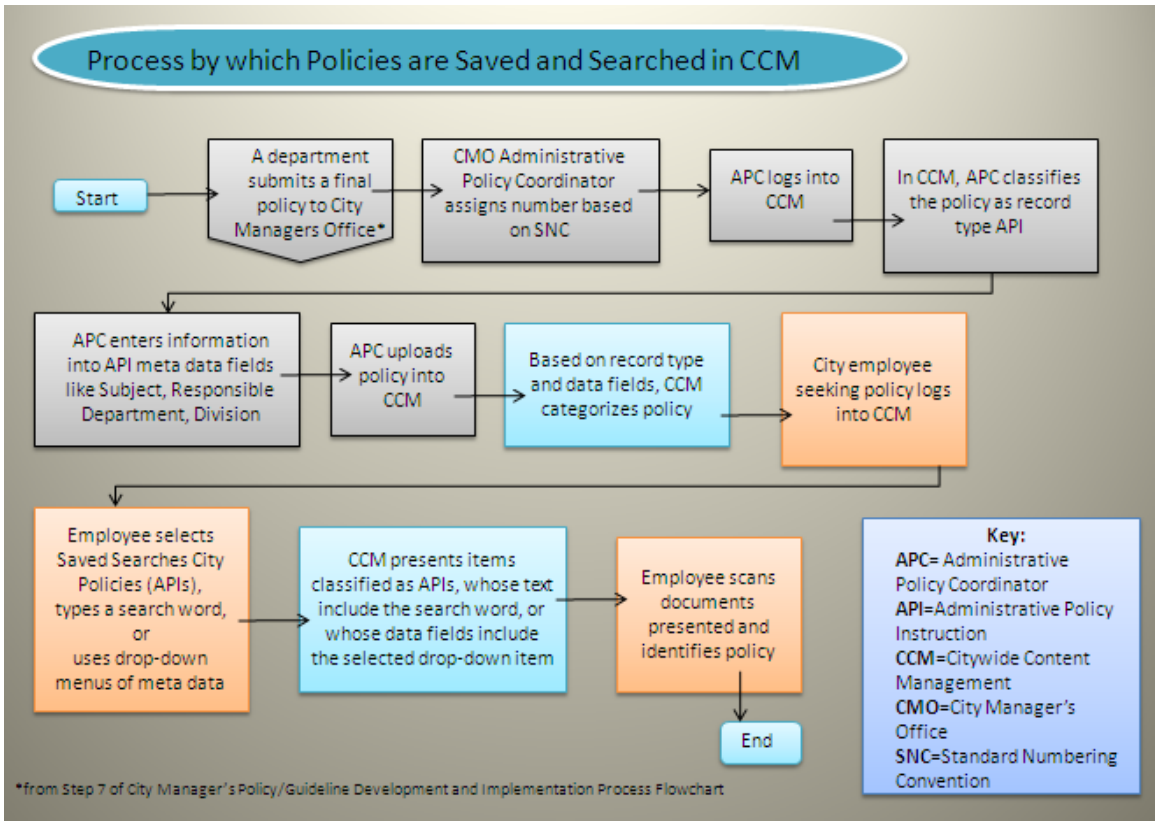
12. Assess whether the City should develop policies to address some of the policy areas owned by other cities and noted in Exhibit 13.

The City Manager and City Clerk Could Better Coordinate How To Catalogue Citywide Policies and Procedures

Charter Officers have responsibility over vital areas of City operations. Given these critical functions, it is essential that Charter Officers work together to ensure that their efforts and policies are well coordinated. Two key Charter Officers that play a major role in cataloguing citywide policies are the City Manager and the City Clerk. The City Manager, responsible for effective administration of the City government, has the ability to develop new policies impacting operations or procedures. The City Clerk is the official records keeper for the City and is responsible for the coordination and administration of all City records, documents and public files. The City Clerk's repository for most official City documents, including Administrative Policies, is in the City's Citywide Content Management (CCM) system.

AP-1001 sets forth criteria for establishing Administrative Policies. It also establishes the policy development and implementation process. Once a policy has gone through the process as detailed in *AP-1001*, the final approved policy is loaded into the CCM system for convenient access by all City employees. Exhibit 14 summarizes the final stage of the process as described by the City Records Manager.

Exhibit 14: Illustrating how approved Administrative Policies are catalogued in the City's Content Management System for retrieval by employees



Source: Auditor-generated graphic based on discussions with Clerk's Office, City Manager's Office and IT Department.

However, neither the current City policy for establishing Administrative Policies or guidelines nor its related procedure detail how this final step is to take place. In fact, there is no mention of CCM in any of the policy development related documents.

If CCM is going to continue to serve as the central repository for all City policies, direction should be added to *PR-1001-01* to clearly delineate the process and relationship between the Administrative Policies and CCM. By so doing, the City will be better able to ensure that those involved in the policy development and retention process are clear on their roles, responsibilities and processes.

We recommend the City Manager and City Clerk:

13. Revisit how Administrative Policies and related documents are housed in CCM.
14. Update PR-1001-01 to include a clear description of how Administrative Policies and Procedures are integrated and accessed in CCM.

Written Direction On Citywide Processes Is Scattered And Difficult To Locate

In our effort to compile a comprehensive list of existing citywide policies, we searched more than 50 locations and found approximately 250[15] documents that could be construed as, or are related to, citywide policies and procedures. Having important documents scattered in various locations is an ineffective way to communicate key policies and procedures to employees and could put the City at risk of inconsistent direction, miscommunications and wasting time looking for current policy.

In our search to obtain all policies, we first looked in CCM, as directed by the offices of the City Clerk and City Manager. In addition, departments also directed us to other locations outside of CCM. In some cases we learned of policies because they were referenced in the City documents we obtained. As a result, we decided to conduct a categorical search throughout the City's Intranet (CityNet) and the City's public website.

Our search for City policies identified numerous locations where policies could be located. The locations included 37 on CityNet, eight on the City's public website, and other places like binders, e-mails and servers.

For example, the procedure that details the responsibilities of City employees related to health and safety was not in CCM, *Illness and Injury Prevention Program Procedures PR-3601-01.* The policy governing the procedure states that non-compliance may lead to termination or monetary fines on employees. As this is clearly a critical procedure with which employees are expected to comply, the City should ensure that this procedure, and documents like it, are centralized and easily accessible.

We recommend the City Manager:

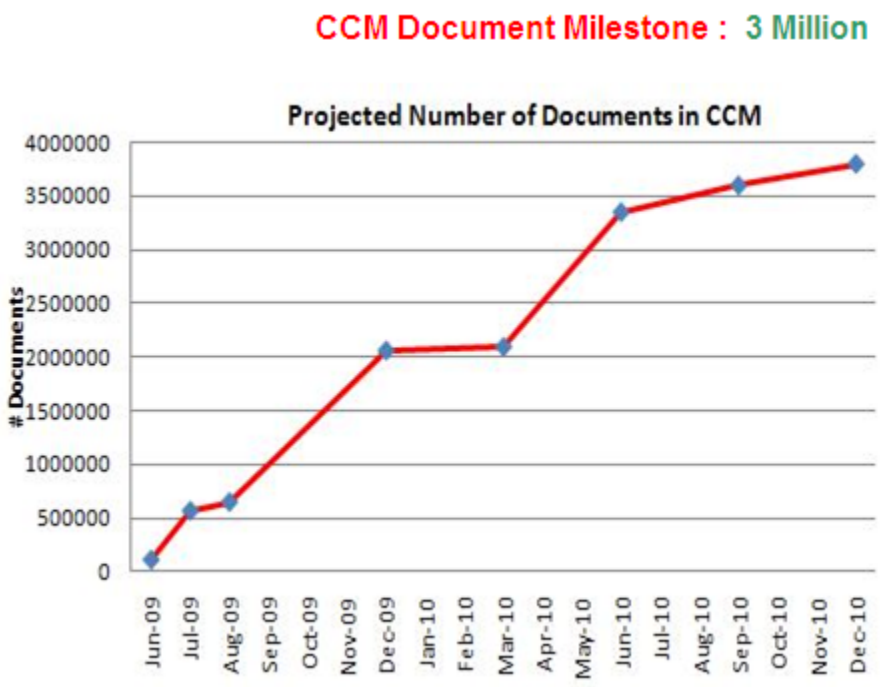
15. Centralize citywide policies and procedures to a location where employees can easily find all current policies that relate to their position or employment at the City.
16. Evaluate the 250 documents and determine which warrant integration into the formal process described in *AP-1001* and related formats.
17. Design a control to ensure outdated policies and procedures are removed from CityNet and the City's public website.

[15] The approximately 250 documents include items called tips, screen prints, manuals, job aids, user guides, trainings, FAQs, rules and memos and the City's 41 Administrative Policies.

CCM Is Not Being Used To Its Fullest Potential for Managing Policies And Procedures

Like other large organizations, the City processes thousands of pages of documents and needs a system to maintain and access those records. In 2005, the City began considering updating its enterprise content management system. In 2007, the City Clerk and the Information Technology (IT) Department's Applications Division launched a software system called Citywide Content Management (CCM). The graphic below illustrates the progress the City has made in digitizing records into CCM.

Exhibit 15: Citywide Content Management Project as depicted on CityNet



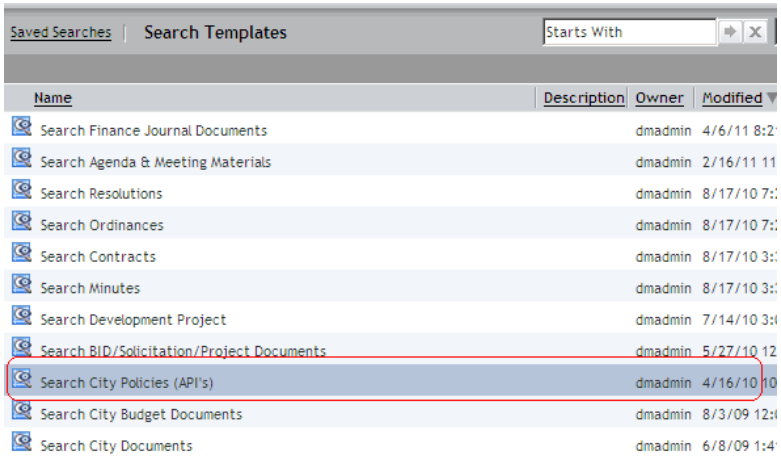
Source: The City's Intranet ("CityNet")

Although CCM is a repository for millions of City records, our review focused on the user interface for finding citywide policies and procedures.

The establishment of CCM was intended to allow users to access the latest version of a document when they needed it, ensure proper disposition once its usefulness was exhausted and save staff time and physical storage space. However, our review of how well CCM is meeting these expectations has shown that the system is not being used to its fullest potential. We found some Administrative Policies, guidelines, procedures, Charter Officer's policies and other policy documents were not in CCM. We also noticed that several of the policies in CCM included inactive links to other documents.

In order for an employee to access policies in CCM, employees log into the system. Once in, an employee can use the system to access most of the City's documents. One of the design features built into CCM is a menu of saved searches that are designed to quickly and efficiently pull information such as resolutions, contracts and City Policies as illustrated in Exhibit 16.

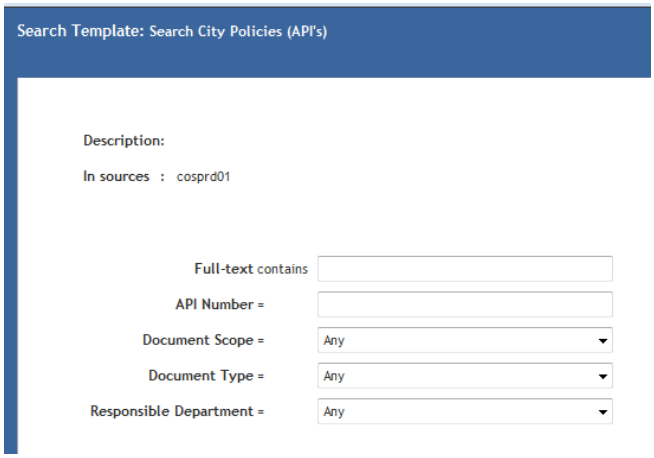
Exhibit 16: Screen Shot taken 5/10/11 to show list of Saved Searches, including City Policies



Source: Screen Shot of CCM

Another design feature built into CCM is the ability to execute searches using a variety of search filters. Using the saved search for City Policies, an employee has options to choose filters that limit the search by text, API number and responsible department as shown below.

Exhibit 17: Screen shot of CCM showing menus of information an employee can select from when searching for a policy or procedure



Source: Screen Shot of CCM

Using the saved search for City Policies, without filters, results in 38[16] Administrative Policies and 28[17] other items. Given the objective of this search, these results are not ideal and should produce a more precise listing.

[16] Three Administrative Policies were missing from CCM: *Sustainable Operations for City Departments API-57, Mileage API-18,* and *Pilot Public School Mentoring Program API-54*.

[17] The 28 other items included forms, lists, RCPs, procedures, and outdated policies.

Furthermore, of the 38 Administrative Policies in CCM, CCM attributes eight to a different "responsible department" than shown on the document itself. Exhibit 18 details some of the inconsistent responsible department designations noted during our review.

Exhibit 18: The City Sometimes Catalogues Policies in CCM by Incomplete or Different Owners than those Named on Documents

Administrative Policy	Owner, per Document	Owner, per CCM
Authorized Signatures API-3	Accounting	Office of City Manager
City Council Agenda Items API-23	City Clerk, Budget Policy and Strategic Planning Division of Finance	Office of City Manager
Fleet Purchasing Budgeting Policies API-52	General Services and Finance	General Services
Non-Discrimination in Employee Benefits By City Contractors API-53	Finance	Procurement
Signing Authority AP-2001	Offices of City Attorney, City Auditor, City Clerk, City Manager, City Treasurer, Independent Budget Analyst	City Clerk

Source: Auditor-generated from information in CCM

When we selected the drop-down list of Responsible Departments, we found the list did not accurately correspond with the City's current organization chart. If CCM is designed so that policies can be found by a drop-down menu, that menu should reflect current City departments, and policies should be listed by the departments that signed them. By inputting this information correctly, when someone types a department name as a key word, all of its policies would come up.

To optimize the Saved Searches for City Policies in CCM, we recommend the City Manager and City Clerk:

18. Change the department owners of policies to reflect correct owners.
19. Update the department drop-down list to align with the current organization chart.

Need to Archive Outdated Policies

Another area where improvements can be made to the CCM system is in tracking of outdated information. While the City Manager's Office may put updated policies in CCM, old items are not necessarily updated to reflect that they are obsolete. For example, the Procurement Division created new policies in 2010. While a search for the City's current procurement policies will result in the retrieval of the most up-to-date policies, the search will also pull up the policies they replaced as shown in Exhibit 19.

Exhibit 19: Screen Shot of CCM illustrating partial results of a search for "procurement", including multiple policies on the same process, like Procurement of Supplies

Search Results

18 Results for "procurement" in cosprd01 - 2/8/11 2:19 PM

Name	Ranking	API Number	Document Type	Document Scope	Responsible Department
AP 4001-Procurement of Supplies	85%	4001	Policy	Citywide	Procurement
...060023298027d770 pdf 1 Procurement of Supplies FULL POLICY...Department of General Services / Procurement Division Policy S...					
Procurement of Supplies and Nonprofessional Se	85%	1	Policy	Citywide	Procurement
...Instructions API NO.1 Procurement of Supplies and Nonprofessional...From: To: Procurement of Supplies and Nonprofessional.....					
AP 4101-Non-Professional Services	84%	4101	Policy	Citywide	Procurement
...Department of General Services / Procurement Division Policy Statement...and consistent application of the procurement proc...					
AP 4102-Professional Services	84%	4102	Policy	Citywide	Procurement
...Department of General Services / Procurement Division Policy Statement...Department of General Services, Procurement Divisi...					
AP 4002-Public Project	83%	4002	Policy	Citywide	Procurement
...Department of General Services / Procurement division Policy Statement...Department of General Services, Procurement Divisi...					
AP 4003-Sustainable Purchasing Policy	83%	4003	Policy	Citywide	Procurement
...Department/Division: General Services/ Procurement Services Policy Statement...and environmentally preferable procurement an...					
Contracts for Public Projects	83%	48	Policy	Citywide	Procurement
...Opportunities are required for procurement of public projects with total costs...Departments should consult with procurement...					
Contracting for Professional Services	82%	47	Policy	Citywide	Procurement
...forth City requirements for the procurement of professional and consultant...in City Code: Chapter 3.64. All procurement an...					

*Arrow identifies policies that cover the same subject, one of which is obsolete.

Source: Screen shot from CCM. Arrows added by auditor.

Another example of a policy that was updated, but not reflected in CCM is the City policy for signing authority. The purpose of this signing authority policy is to delegate contract signing authority in specific situations and to provide a record of authorized signators. Through our review, we identified the following three City policies relating to signing authority:

- *City Manager's Delegation of Contract Authority API-22* located in CCM (2003),
- *Charter Office Delegation of Contract/Agreement Authority API-22* on the City Clerk's CityNet page (2009), and
- *Signing Authority AP-2001* located in CCM (2010).

The 2009 document notes that it supersedes all previous versions of *API-22. AP-2001* also notes that it replaces *API-22*. However, all three documents are still in existence. An employee reviewing one of the earlier versions of the document would not be aware of the fact that they were utilizing an outdated document.

In addition to still having outdated policies available, *AP-2001* refers to a procedure and two forms as the means to delegate signing authority. However these forms are not linked, did not come up in CCM when searched and were not available when we asked the City Clerk's Office for the referenced documents. The City Clerk's Office did send drafts of these forms in response to our request, but they had yet to be approved by Council. Without the forms in place, City management could not completely

follow the most recent policy. The policy also states that the "policy is updated annually and whenever major organizational changes occur." However, we found that the name of a former staff member remained on the current authorized signature list.

By allowing outdated policies to remain in circulation the City is at risk of an unauthorized signator approving contracts.

We recommend the City Manager:

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

Another concern we identified is that sometimes policy owners post updated guidance on CityNet, but no one takes responsibility for updating the information in CCM. For example the Risk Management Division of Human Resources developed *Hazard Communication Program RCP-3* to ensure employees are provided with information about hazardous substances to which they may be exposed at work and to comply with California law. CCM contains the RCP, labeled "New" and dated 2004. However a version dated 2010 is located on the Human Resource's Risk Management intranet page under "Policies and Programs." The 2010 version has some significant changes for department directors, like ensuring employees receive information on whether exposures are likely to occur.

We recommend the City Manager:

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

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

During the last three years, the City of Sacramento has experienced declining revenues and workforce reductions. Inevitably, as the City has cut back on its workforce, it has in turn suffered significant losses in institutional knowledge. One of the ways the City can help to mitigate the impact of such significant losses is to ensure it documents processes, roles and responsibilities. However, our interviews with City leadership indicate that the City has had a long standing practice of relying on informal communication instead of formally documenting processes. Without documenting the City's practices and policies, the City risks permanently losing knowledge regarding key practices and processes. By not documenting key practices and processes, the City may be missing an opportunity to collect the institutional knowledge that remains. Failure to collect and document the City's institutional knowledge as it pertains to policies, procedures, roles and responsibilities could hinder management's ability to provide efficient operations.

Departments Need To Embrace Their Responsibility To Establish Adequate Operational Policies and Procedures

Most City management positions include as part of their job description language that establishes the responsibility to create policies and procedures over the area they oversee. During our audit, we interviewed all 12 department directors and found that some appeared to have adequate policies and procedures in place while others did not. For example, we noticed that most public-facing departments noted in the City's Organizational chart as "Community Services" (Fire, Police, Parks & Recreation, and Convention Culture & Leisure) had developed operations manuals which detailed the framework through which they operate. However, those in "Support Services" and "Development Infrastructure Services" were less likely to have operations policies and were less conversant with the policy-like documents they had in place.

According to the directors interviewed, some of the obstacles that have prevented the development of adequate policies and procedures include:

- Lack of direction on who has responsibility over specific policy areas;
- Declining staffing resources;
- Emergence of higher priority obligations;
- A City culture that resists written policy documentation; and
- A complex and time-consuming process for developing citywide policies.

Unfortunately, these obstacles will likely appear more daunting as the City continues to grapple with reconciling the divergent realities of meeting higher service demands with reduced resources. Furthermore, as the impacts of attrition become more evident, the City may find that the experts with the capacity to design and document the policies and procedures are no longer available.

It is commonly understood that well-written and communicated policies and procedures can help improve the efficient operation of the organization. Some of the benefits that can be derived from well written and communicated policies and procedures include:

- Reduced time wasted interpreting City intent on how to perform its operations.
- A framework for managers and supervisors for making decisions, provide training and appropriately and consistently handle employment issue.
- The necessary information and support for employees to carry out top management's objectives.

Policy direction should not be viewed as a burden. On the contrary, policy should be approached by management as an opportunity to improve communication and understanding with the employee(s) involved. Having in place adequate policies and procedures will help the City preserve its capacity to serve the public, attract and retain employees and meet its goals and objectives through an understood and consistent policy body.

We recommend the City Manager:

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

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MEMORANDUM

DATE: July 15, 2011

TO: Jorge Oseguera, City Auditor

FROM: Bill Edgar, Interim City Manager

SUBJECT: Response to the City Auditor's Audit of the City's Policies and Procedures

In response to the above audit conducted by your office, the City Manager would like to thank you for your efforts and the thoroughness of your report. We recognize the findings in the audit report and believe they fairly represent the efforts the City has made over the last few years to improve the process to develop and implement new and/or revised policies and procedures in the City as proposed by the previous City Auditor. As such, we would like to take this opportunity to thank the citywide team that worked on revamping the policy and procedure process and applaud them for their hard work and dedication thus far. The City Manager's Office recognizes that an additional effort is needed to bring all existing policies and procedures up to the current standard and remains committed to working with departments to ensure they have a work plan to implement the audit report's recommendations.

The ongoing budget shortfalls the City has faced in the past several years has resulted in significant changes in staffing levels and delivery of certain programs and services citywide. Due to the limited staffing available to revamp citywide and department policies and procedures, other projects have taken priority in these departments. The City Manager's office will make every effort to identify resources or partners to assist in updating and/or creating, and implementing recommended policies and procedures.

RECOMMENDATIONS AND RESPONSE

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.

While the City Manager agrees with this recommendation in general, it is not always feasible or timely enough to get a policy or procedure updated prior to the change becoming effective. Similarly, items such as the contact by the Grand Jury noted in the audit report are not necessarily policies in of

themselves however some elements of the Grand Jury report may impact or trigger changes to other existing policies and procedures which we acknowledge should be updated timely within the specific policy and/or procedure.

2. Develop a control to ensure that documents referred to in Administrative Policies exist and are accessible for policy users before approving the policy.
3. Update Developing Administrative Policies or Guidelines *PR-1001.01* to clarify responsibility for linking documents within policies and procedures.

The City Manager agrees with these recommendations. Since the initial decision to house the policies and procedures within CCM, the ability to link files has just recently been flushed out and the Administrative Policy Coordinator has begun preparing to link relevant files to each specific policy or procedure document.

4. Establish a time frame for periodic review of established Administrative Policies and Procedures and incorporate it into *AP 1001*.
5. Update *AP-1001* to clearly describe the mechanism for updating Administrative Policies.

The City Manager concurs with this recommendation. A suitable review period and mechanism for updating policies and procedures will be established and included in *AP 1001*.

6. Improve the controls to ensure City ordinances and resolutions are reflected in the City policies and procedures.

The City Manager concurs with this recommendation. However with the immediate legal challenges facing the Arizona boycott, making permanent changes to City policies was considered to be premature at the time.

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

The City Manager agrees that if reference is made to area experts within a policy or procedure, the roles and responsibilities of the area expert should be documented within such policy or procedure document. Compatibility of area experts within the context of policy and procedure documents will be further reviewed.

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

The City Manager concurs with this recommendation. The City Manager will review the existing list of policies and procedures for completeness and determine if additional policies are required for all support departments. This was meant to be a future step for the team that revised the policies and procedures process after all existing policies and procedures were updated. Resources became a challenge in updating the existing policies. The City Manager will compare existing City policies and procedures to those of other cities and counties to ensure pertinent policies are included. AP 1001 will be amended to require department directors and division managers who manage citywide processes to establish Administrative Policies over key operational areas.

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

The City Manager concurs with this recommendation. The list of "policy-like" documents will be reviewed to determine if they warrant a specific policy. Appropriate action will taken.

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

The City Manager concurs with this recommendation. As previously stated, the City Manager will compare existing City policies and procedures to those of other cities and counties to ensure pertinent policies and procedures are included in the City's overall inventory.

13. Revisit how Administrative Policies and related documents are housed in CCM.
14. Update PR-1001-01 to include a clear description of how Administrative Policies and Procedures are integrated and accessed in CCM.

The City Manager concurs with this recommendation. The metadata required to properly access the APIs will be defined in such a way that only the current policies are accessed when a search is done; however, the archived/older policies will be retained as part of the history but will be accessed only when specifically required so that confusion is eliminated.

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.
16. Evaluate the 250 documents and determine which warrant integration into the formal process described in *AP 1001* and related formats
17. Design a control to ensure outdated policies and procedures are removed from CityNet and the City' public website.

The City Manager concurs with these recommendations. The numbering convention system that was included in the process to revamp the policies and procedures was to ensure all citywide and departmental policies were uniformly numbered and stored in a universal system accessible by all employees. A concerted effort will be made by the City Manager and the various departments to ensure all policies and procedures are centralized within CCM and available to all employees. Furthermore, all outdated policies will be removed from CityNet and the City's public website to ensure employees only have access to the most recent and up-to-date policies and procedures in CCM. The Lifecycle function in CCM archives documents as soon as a newer version is input into CCM causing only the latest version to be displayed when employees use the document search function in CCM.

18. Change the department owners of policies to reflect correct owners.
19. Update the department drop-down list to align with the current organization chart.

The City Manager concurs with these recommendations. The initial upload of all existing policies and procedures into the CCM was done by the IT department and may have incorrectly labeled these policies. The City Manager acknowledges that it should have been reviewed at the time. Owners of all policy and procedure documents have been reviewed and compared to the owners listed in CCM for consistency. Updates have been made to correct these discrepancies with the exception of *AP 2001* Signing Authority which should reside with the City Clerk. A request to the City Clerk will be made to update the policy document to reflect the correct owner. Similarly, a request will be made to align the CCM drop-down menus with the current organization chart.

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

As noted earlier, once a new version of a document is input into CCM, the older version is archived and no longer available to employees. *AP 1001* will be amended to reflect that requests for archived documents can be made to the Administrative Policy Coordinator in the City Manager's Office.

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

The City Manager concurs with these recommendations. *AP 1001* will be amended to include a provision to ensure department directors and division managers are reviewing CCM to ensure the applicable and current policy documents are included. As stated previously, only current versions of the policies and procedures will be available for employees to access.

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

The City Manager concurs with this recommendation. An effort will be made to reinforce the importance of identifying and implementing relevant departmental policies and procedures and updating them regularly. As stated under response #5, a suitable review period and mechanism for updating policies and procedures will be established and included in *AP 1001* which will assist department directors and management staff to keep policies current and up to date.

CONCLUSION

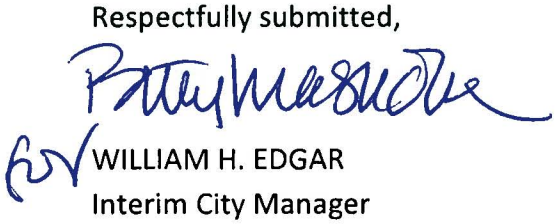
The City Manager appreciates the efforts of the City Auditor's Office in preparing this report. Overall the recommendations are reasonable and will help the City Manager to improve the newly developed policies and procedures process.

COORDINATION

This memorandum has been coordinated with the City Clerk. In addition, the City Attorney has provided the following response statement.

> *The City Attorney's Office (CAO) thanks the City Auditor for his thorough review of citywide policies and procedures. The CAO believes that the City is best served by a written policy library that is complete, organized, and easily accessible to City staff. The City Auditor's report has several recommendations that, if pursued, could further these objects, and the CAO recognizes some of them here. First, a policy library (or "body," as described in the audit report), should meet the needs of its users. Therefore, its full breadth must be accessible to City staff: it should be centralized, logically organized, and easily searchable. The CAO agrees with the recommendation that the policies contain links and cross-references to other relevant policies. Also, the policy library, as accessed by staff, must be reliable. As recommended in the audit report, it is critical that the centralized policy library is comprehensive and complete – that it integrates all citywide policies and clearly segregates superseded policies from those currently in effect. Finally, the CAO concurs with the City Auditor about the importance of timely updates. Policies should be thoroughly reviewed and updated not only on a regular cycle, but also as necessitated by Council's adoption of resolutions and ordinances. A policy library managed as discussed above offers numerous benefits in the form of staff efficiency, manageability, and legal compliance.*

Respectfully submitted,



WILLIAM H. EDGAR
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MEMORANDUM

July 14, 2011

To: Jorge Oseguera, City Auditor

From: Russell T. Fehr, City Treasurer

Subject: Comments on Citywide Policies and Procedures Audit

You have provided an opportunity to comment on this audit. I fully support a consolidation of policies and procedures. We note that some APIs take the character of a procedural guide as well as a policy statement.

The City Treasurer is responsible for the City Investment Policy and is jointly responsible for the debt and disclosure policy with the City Manager. Both are policy statements which do not address the procedures necessary to implement the policies. The Investment Policy is required by state law and must be approved by the City Council on an annual basis. The policy applies only to the Office of the City Treasurer as we are solely responsible for the investment of City funds. The debt and disclosure policy is not legally required but developing such policy is a recommended best practice.

Given the unique nature of these two policies, I do not think it is appropriate to redraft them in a format consistent with the APIs. Standardization of numbering and indexing is important. Having all policies and procedures centrally available to City staff and the public is an appropriate goal.

I feel the audit is very thoughtful and contains important and implementable recommendations.