CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of the City Auditor

Report to the City Council
City of San José

SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT ON ALL OUTSTANDING AUDIT RECOMMENDATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2012

September 2012

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Office of the City Auditor
Sharon W. Erickson, City Auditor

September 12, 2012

Honorable Mayor and City Council
City of San Jose
200 E. Santa Clara Street
San Jose, CA 95113

SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT ON ALL OUTSTANDING AUDIT RECOMMENDATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2012

Recommendation

We recommend the Public Safety, Finance, and Strategic Support Committee review and accept the attached report.

Background

The City Auditor's Office conducts audits and makes recommendations to strengthen accountability and improve the efficiency and effectiveness of City program. The office monitors the progress of the recommendations we make in our audit reports, and reports on the status of all open audit recommendations every six months. This follow-up report lists recommendations that have been implemented since our last report, and shows an agreed upon course of action for implementing other recommendations. The report shows potential budget impacts where applicable and target dates where available. To prepare this report, we met with department staff, reviewed department assessments of audit status, and reviewed documentation provided by departments.

Summary of Results

This report summarizes the status of 205 open audit recommendations as of June 2012. This includes 152 recommendations that were outstanding after our last status report as of December 31, 2011, and 53 new recommendations from audits issued in the last 6 months.

Since our last report, City staff implemented 30 recommendations. A total of 114 recommendations are partly implemented, and 61 recommendations are not implemented. A total of 39 recommendations are noted in the report as having potential budget impacts totaling $46 to $64 million or more. These recommendations will be considered as part of the upcoming budget process.

The City Auditor's Office would like to thank the City Manager's Office and all of the affected departments for their assistance in compiling this report.

Respectfully submitted,

Sharon W. Erickson
City Auditor

Attachment: Report on the Status of Audit Recommendations as of 6/30/12

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STATUS OF AUDIT RECOMMENDATIONS AS OF 6/30/12

This report summarizes the status of all open audit recommendations for the six months ended June 30, 2012. It shows those recommendations that are implemented, not implemented, or closed, and provides an agreed course of action to implement remaining recommendations.

Page Number	Report Title	Date Issued	Implemented/ Closed	Partly Implemented	Not Implemented
4	An Audit of the City of San José Fire Department's Strategic Plan Regarding Proposed Fire Stations	10/18/01		2	
6	An Audit of the San José Fire Department's Bureau of Fire Prevention	11/26/03			4
8	An Audit of the San Jose Municipal Water System Fire Hydrant Maintenance and Repair Program	5/10/06		1	
9	The 2004-05 Annual Performance Audit of Team San Jose, Inc.	10/11/06		1	
10	An Audit of Department of Transportation's Efforts to Secure Federal Highway Bridge Replacement and Rehabilitation (HBRR) Funds	5/4/07		1	
11	An Audit Of The Management Of The City's Tax-Exempt Bond Program and Use of Interfund Loans to Provide Financing for Capital Bond Projects	12/13/07		3	
12	An Audit of Commercial Solid Waste Franchise and AB 939 Fee Collection Program	9/8/08	1		
13	An Audit of the City's Oversight of Financial Assistance to Community-Based Organizations	11/12/08	1	7	
18	Audit of the City of San José's Workers' Compensation Program	4/8/09		1	
19	Audit of the San José Police Department's Auto Theft Unit	5/13/09		4	
23	Audit of the San José Conservation Corps	5/13/09		3	
25	Audit of Employee Medical Benefits	6/10/09		4	2

Page Number	Report Title	Date Issued	Implemented/ Closed	Partly Implemented	Not Implemented
32	Audit of the Park Trust Fund	9/10/09	10		
37	Performance Management and Reporting in San Jose: A Proposal for Improvement	9/24/09		1	
39	Audit of Animal Care & Services	10/7/09	1		2
41	Audit of Pensionable Earnings and Time Reporting	12/09/09		3	10
48	Audit of Civilianization Opportunities in the San José Police Department	1/14/10		6	3
54	Audit of Decentralized Cash Handling	2/10/10		4	1
56	Audit of Community Center Staffing	3/11/10	2	3	
60	Audit of the City's Licensing and Permitting of Cardroom Owners and Employees	4/7/10		2	4
64	Audit of the Airport's Parking Management Agreement	4/7/10	9	2	2
72	City Procurement Cards: Policies Can Be Improved	9/8/10	1		3
74	Pension Sustainability: Rising Pension Costs Threaten the City's Ability to Maintain Service Levels - Alternatives for a Sustainable Future	9/29/10		4	2
77	Audit of the City's Take-Home Vehicles	10/14/10		6	1
80	Police Department Staffing: Opportunities to Maximize the Number of Police Officers on Patrol	12/9/10		4	3
85	Disability Retirement: A Program in Need of Reform	4/14/11		6	
89	Annual Financial Scan of City-Funded Community-Based Organizations: Fiscal Years 2006-07 through 2009-10	4/14/11	2		

Page Number	Report Title	Date Issued	Implemented/ Closed	Partly Implemented	Not Implemented
90	Key Drivers of Employee Compensation: Base Pay, Overtime, Paid Leaves and Premium Pays	5/11/11		2	5
92	Supplemental Military Pay and Benefits: Reexamination and Simplification Are Needed	6/08/11		2	
94	Traffic Citation Revenue: Revenue Has Declined Over the Last Five Years and the City Continues to Receive a Small Share of the Revenue	8/11/11		1	
94	Airport Public Safety Level of Service	10/12/11	1	2	2
96	Audit of Annual Form 700 Filers	11/10/11		5	
	AUDITS ISSUED SINCE LAST RECOMMENDATION STATUS REPORT:				
97	Office Supply Purchases: The City Did Not Receive All Anticipated Discounts Nor Did It Fully Take Advantage of OfficeMax's Environmentally Friendly Offerings	1/18/12	1		4
98	Audit of Information Technology General Controls	1/18/12		11	
102	2010-11 Annual Performance Audit of Team San Jose's Management of the City's Convention and Cultural Facilities	1/18/12		1	3
103	Police Department Secondary Employment: Urgent Reform and a Cultural Change Needed to Gain Control of Off-Duty Police Work	3/07/12	1	22	7
109	Review of Fire Department Performance Measures: Improving the Usefulness of Data	5/10/12			3
	TOTAL		**30**	**114**	**61**

Audit Report and Recommendation	Department	Current Status	Comments

AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S STRATEGIC PLAN REGARDING PROPOSED FIRE STATIONS (Issued 10/18/01)

The purpose of this audit was to review the SJFD's Strategic Plan, data integrity, and proposed fire stations and configuration options. Of the 5 recommendations, 3 were previously implemented or closed, and 2 are partly implemented.

#3: Develop for City Council consideration plans for expanding its use of the Omega priority response level. These plans should include: obtaining the software necessary to fully implement the Omega priority response level; options and costs for dispensing non-emergency medical advice; and any other issues that need to be addressed.	Fire	Partly Implemented	**Auditor's update as of June 2010:** Under the Medical Priority Dispatch System, a 911 call determined to be a medical call with the lowest priority has an Omega priority response level and would receive an alternate response. For example, instead of both the San Jose Fire Department (SJFD) and an ambulance responding to an Omega protocol call, only an ambulance would respond. The SJFD has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in April 2008 and uses ProQA software which is necessary for the Priority Dispatch Omega protocol. Currently, the Emergency Medical Services (EMS) Agreement with the County, which expires June 30, 2011, requires that the SJFD respond on all 911 calls received. However, the current EMS agreement gives the Fire Department authorization to respond to lower-priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. The SJFD is in the process of completing the implementation of its new RMS and has been collecting patient care data since March 2009 to support of its efforts to identify Omega responses. Furthermore, the SJFD is participating as a stakeholder in the redesign of the EMS agreement to expand the use of the Omega protocol. Target date: 6-11. **Auditor's update as of December 2010:** The Fire Department is continuing its efforts to ensure it has sufficient data and analytical capacity to review its data and develop written justification to the Santa Clara Local EMS Agency for not responding to lower-priority medical aid service requests. While opportunities for referring these lower-priority requests to telephone advice lines were prevalent during the development of the Consultants report in 2001, this option has become significantly less feasible with declining number and membership of managed healthcare organizations. The Fire Department is currently working with the Local EMS Agency to craft a first responder agreement between the City and Local EMS Agency that addresses when it is appropriate for the City to not respond to lower priority medical aid requests. Target date: 6-11. **Auditor's update as of June 2011:** The Fire Department recently completed work on a first responder agreement between the City and Santa Clara County. Discussions regarding the level of resource response to lower priority service requests have been ongoing. The Department will be revisiting policy options following a 90-day assessment period of the new EMS system. Target date: 12-11.

Audit Report and Recommendation	Department	Current Status	Comments
			Auditor's update as of December 2011: Discussions with County EMS continue. There is an internal process that the County is developing to reduce 9-1-1 calls to County medical facilities and jails. Discussions will be ongoing to address reducing resource demands based on emergency dispatch prioritizing. An update will be provided in June 2012. **Auditor's update as of June 2012:** Discussion with County EMS continues. The County will be developing a strategic plan that includes the concept of triaging lower acuity 9-1-1 calls to advise medical staff and/or transportation by routine medical transport resources to clinical care facilities. An update will be provided in December 2012. **POTENTIAL BUDGET IMPACT:** The ability to respond by phone would potentially reduce the number of EMS responses, saving wear and tear on vehicles.
#5: Implement a pilot project to evaluate the use of SUVs or Light Units to respond to lower priority emergency medical calls.	Fire	Partly Implemented	**Auditor's update as of June 2010:** The SJFD completed its operational planning related to temporary redeployment of resources and the use of an alternatively staffed unit to respond to lower priority calls. The pilot program has begun with the relocation of Engine 2 to a temporary facility during Station 2's reconstruction. The SJFD implemented an alternatively–staffed brush patrol equipment unit to respond to lower priority calls in the event a simultaneous request for service was received in Station 2's first-due district. The alternatively-staffed brush patrol unit responds with Engine 2, creating a six-person, two-piece engine company. In the event a second service request occurs during a response, the two-person brush patrol unit, with an Advanced Life Support complement of equipment, can continue responding on the original request or respond separately to the new request; depending on the priority of the response and with supervisory approval. The two-person unit is staffed with an engineer and a paramedic 12 hours per day. This approach was agreed to by the firefighters union and management to address safety concerns until more data on the effectiveness and safety of an alternatively staffed unit could be determined. During this period, the SJFD will collect patient care, and unit availability and location data regarding this deployment model with the incident-reporting module of the Records Management System and Mobile Data Computer. Target date: 11-10. **Auditor's update as of December 2010:** The Fire Department is continuing its efforts to use existing data obtained from RMS and other sources of data contained within the City's computer-aid dispatch system. Interviews with personnel who staffed the two-person brush patrol were inconclusive regarding the effectiveness of this resource staffing configuration. Quantitative data, which exists within the RMS, is in the process of being reviewed, extracted, and analyzed. Other Fire Department priorities that require IT resources have slowed this process. Target date: 6 -11.

Audit Report and Recommendation	Department	Current Status	Comments
			Auditor's update as of June 2011: The Department continues to review alternative staffing models. Recommendations regarding alternative staffing units will be presented during the 2012-2013 budget process. Target date: TBD. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** The Squad Pilot Program was implemented in May 2012 to respond to lower priority emergency calls. The Pilot Program will be completed in May/June 2013 and an evaluation of the Program could be completed by fall 2013. Updates to staffing models could be presented during the 2013-2014 budget process. Target date: 12-13. **POTENTIAL BUDGET IMPACT:** The ability to respond with SUVs or Light Units would potentially reduce the number of EMS responses for lower-priority EMS calls, saving wear and tear on Fire Engines and Trucks and leaving such units available for higher-priority responses.
AN AUDIT OF THE SAN JOSÉ FIRE DEPARTMENT'S BUREAU OF FIRE PREVENTION (Issued 11/26/03) **The purpose of this audit of the fire safety, school, and multiple housing inspection programs was to determine whether inspections met regulatory targets and ensured adequate enforcement of San Jose Fire Code requirements. Of the 16 recommendations, 12 were previously implemented or closed, and 4 are not implemented.**			
#2: If Recommendation #1 results in a significant number of facilities being added to the Fire Inspection Billing System (FIBS) database, follow up on the remaining manufacturing facilities in the Business License database that did not have a FIBS number.	Fire	Not Implemented	**Auditor's update as of June 2010:** According to San Jose Fire Department (SJFD) Administration, the Bureau of Fire Prevention no longer has the ability to access the Business License database to follow up on manufacturing facilities that should be added to the Fire Inspection Billing System (FIBS) database because City Information Technology (IT) Services implemented system changes that broke the link between the databases. Specifically, in the past, both the FIBS and Business License applications ran on the City's VAX system, sharing common data which linked the databases. With the migration of both applications from the VAX system, the link was broken. Until City IT Services initiates system changes that again allow migration of the two systems, the FIBS system will not be able to retrieve Business License information. Currently, there is no funding available to restore the link. Target date: TBD. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** According to Fire Department Administration, in Fall 2011, the Finance Department will be issuing a Request for Proposal to replace the Business Tax system. As part of the requirements, the selected system is to have custom interfaces to integrate Business Tax information with other applications, including the FIBS. Implementation of a new Business Tax system is anticipated to begin in Spring 2012. Target date: 5-12.

Audit Report and Recommendation	Department	Current Status	Comments
			Auditor's update as of December 2011: In Fall 2011, the Finance Department issued a Request for Proposal to replace the Business Tax System (BTS). As part of the requirements, the selected system is required to have custom interfaces to integrate Business Tax information with other applications, including FireHouse. Implementation of a new Business Tax System is anticipated to begin in Spring 2012. The Fire Department billing system migrated from the FIBS to FireHouse in September 2009. New businesses from the Finance BTS and from the County (CUPA database) are manually reconciled with FireHouse, with updates made to new businesses in FireHouse. Fire staff continues its work on updating FireHouse to reflect new and closed businesses; however, staffing changes in the Department are likely to result in some delays in reconciliation. Target date: TBD. **Auditor's update as of June 2012:** Implementation of a new Business Tax System is anticipated to begin in Spring 2013, meanwhile Finance Department manual reconciliation continues. Target date: 6-13. **POTENTIAL BUDGET IMPACT:** In addition to potential safety issues, the Department may be forgoing revenue from unpermitted facilities (in 2011-2012, annual Fire Safety Permits will cost from $389 to $1,564 per permit plus applicable inspection fees at an hourly rate of $83.00 per half-hour or portion thereof).
#3: Periodically compare the FIBS database with the Business License database using the SIC Codes that are most likely to require a fire safety inspection.	Fire and Finance	Not Implemented	**POTENTIAL BUDGET IMPACT:** See Recommendation #2.
#10: Develop a risk assessment methodology to assign facility inspection frequencies.	Fire	Not Implemented	**Auditor's update as of June 2010:** According to San Jose Fire Department (SJFD) Administration, a contract with Emergency Services Consulting, Inc. (ESCI) to develop a risk assessment methodology expired prior to their ability to correct incomplete work. Currently, there is no funding mechanism to complete this task with consultants. As a result, developing a risk assessment methodology to assign facility inspection frequencies is temporarily suspended until other options available to the City are identified. Target date: TBD. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** No change. Audit of fire prevention efforts currently in progress.

Audit Report and Recommendation	Department	Current Status	Comments
#12: Develop a workload analysis to determine its inspection staff needs to achieve its inspection goals and objectives.	Fire	Not Implemented	**Auditor's update as of June 2010:** According to San Jose Fire Department (SJFD) Administration, a contract with Emergency Services Consulting, Inc. (ESCI) to develop an inspection staff workload analysis expired prior to their ability to correct incomplete work. SJFD does not have the expertise to develop a workload analysis in-house and there is currently no funding mechanism to complete this task with consultants. As a result, this task is temporarily suspended until other options available to the City are identified. Target date: TBD. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** No change. Audit of fire prevention efforts currently in progress.

AN AUDIT OF THE SAN JOSE MUNICIPAL WATER SYSTEM FIRE HYDRANT MAINTENANCE AND REPAIR PROGRAM (Issued 5/10/06)

The purpose of this audit was to determine whether the maintenance and repair program was operating efficiently and effectively. Of the 5 recommendations, 4 were previously implemented or closed, and 1 is partly implemented.

#5: Negotiate the ownership, maintenance, and replacement of about 13,500 fire hydrants with the private water companies in San Jose service areas.	ESD	Partly Implemented	**Auditor's update as of June 2010:** According to the Environmental Services Department (ESD), both private water companies, San Jose Water Company (SJWC) and Great Oaks Water Company (GOWC), have taken maintenance and replacement responsibilities for the fire hydrants in their respective areas. Regarding ownership of the fire hydrants, SJWC informed ESD it is willing to pay the City $1 for each remaining City-owned hydrant in the SJWC service area. GOWC stated it has no interest in taking ownership of the City's fire hydrants in its service area. ESD plans to meet with the Department of Transportation to determine the number of City-owned hydrants remaining in the SJWC service area and then request the City Attorney's Office to draft an ownership agreement with SJWC. Target date: 12-10. **Auditor's update as of December 2010:** The process of selling the hydrants in the SJWC service area to SJWC will be coordinated between ESD and the City Attorney's Office (CAO). ESD will obtain an inventory of hydrants from SJWC to determine the exact count of hydrants to be negotiated for sale to SJWC. Subsequently, the CAO will draft a purchase agreement with SJWC. There is no change anticipated to occur in the current ownership of the City's hydrants in the GOWC service area. Target date: TBD. **Auditor's update as of June 2011:** San Jose Water Company (SJWC) provided an inventory of hydrants in its service area to the Environmental

Audit Report and Recommendation	Department	Current Status	Comments
			Services Department. The City Attorney's Office has advised that the City Council would be required to approve the transfer ownership of its hydrants to SJWC, including the amount of payment to be received by the City as well as any other terms and conditions of the sale. SJWC has proposed a price of $1 per hydrant which would yield a purchase price of only $12,600 for all hydrants in SJWC's service area. Since SJWC is already responsible for the maintenance and replacement of fire hydrants in its service area under the Public Utilities Code, staff will be exploring with SJWC what additional benefits the City might receive from the transfer of the hydrants and whether the transfer can be accomplished in such a way as to ensure no additional charges to residents will arise as a result of the transfer. Target date: 6-12. **Auditor's update as of December 2011:** Staff is reviewing current services provided by SJWC and what additional benefits the City might receive from the transfer of the hydrants and whether the transfer can be accomplished in such a way as to ensure no additional charges to residents will arise as a result of the transfer. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
THE 2004-05 ANNUAL PERFORMANCE AUDIT OF TEAM SAN JOSE, INC. (Issued 10/11/06) **The objective of this audit was to determine whether Team San Jose met the performance measures and other requirements specified in the Agreement for the Management of the San José Convention Center and Cultural Facilities. Of the 17 recommendations, 16 were previously implemented or closed, and 1 is partly implemented.**			
#16: Develop and implement a workplan to correct ADA noncompliant items and notify the City accordingly.	Economic Development and Public Works (Equality Assurance)	Partly Implemented	**Auditor's update as of June 2010:** The previous Management Agreement between the City and TSJ required that TSJ develop a work plan to correct or avoid any violations or non-compliance with the Americans Disabilities Act of 1990 (ADA). TSJ completed the ADA accessibility survey in November 2008. The City has just completed the RFP process for a design-builder for the expansion and development of the Convention Center. The agreement with the design builder has to be negotiated. The ADA issues will be addressed in the new agreement with the design builder. Target date: TBD. **Auditor's update as of December 2010:** The City is awaiting secured funding from bond proceeds before approving the agreement. Target date: TBD. **Auditor's update as of June 2011:** The City is currently in the Design-Build process for the renovation and expansion of the Convention and Cultural facilities. The ADA issues will be addressed in the Design Phase. Target date: TBD. **Auditor's update as of December 2011:** The City is currently in the Design-Build process for the renovation and expansion of the Convention

Audit Report and Recommendation	Department	Current Status	Comments
			and Cultural facilities. The project design is nearly 30% completed and all State Building Codes will be adhered to. Target date: 9-13. **Auditor's update as of June 2012:** The City is currently in the Design-Build process for the renovation and expansion of the Convention Center. According to City staff, all project plans and permits are approved and the project is expected to be complete in September 2013. Upon completion, the entire facility will comply with the American's with Disability Act. Target date: 9-13.
AN AUDIT OF DEPARTMENT OF TRANSPORTATION'S EFFORTS TO SECURE FEDERAL HIGHWAY BRIDGE REPLACEMENT AND REHABILITATION (HBRR) FUNDS (Issued 5/4/07) **The objective of this audit was to evaluate whether the City secured the optimum level Federal Highway Bridge Replacement and Rehabilitation Program funds to reduce the City's cost of these transportation projects. Of the 8 recommendations, 7 were previously implemented or closed, and 1 is partly implemented.**			
#2: Prepare and submit an indirect cost rate proposal to Caltrans for approval.	Finance	Partly Implemented	**Auditor's update as of June 2010:** An indirect cost rate proposal developed by the City's Finance Department was submitted to the State Department of Transportation (Caltrans) for approval in September 2008. The indirect rate proposal was not accepted by Caltrans. According to the Finance Department, they resubmitted the Indirect Cost Allocation Plan (ICAP)/Rate Proposal to Caltrans at the end of May 2010, but have not received a response. Target date: 12-10. **Auditor's update as of December 2010:** The City's Finance Department has responded to follow up questions received from Caltrans. However, Caltrans has not communicated its decision of approval or rejection of the City's ICAP. The City's Finance Department continues to work with the Caltrans on this issue. Target date: 7-11. **Auditor's update as of June 2011:** In April 2011, the City's Finance Department was advised by Caltrans to submit the ICAP to the U.S. Department of Housing and Urban Development (HUD), the City's cognizant agency, for approval. On June 30, 2011, the Finance Department submitted the ICAP for 2010-11 to HUD, and is waiting for their approval. Target date: 12-11. **Auditor's update as of December 2011:** In December 2011, Finance responded to follow up questions on the ICAP raised by HUD. Finance is waiting for their approval. Target date: 7-12. **Auditor's update as of June 2012:** In May 2012, Finance responded to additional follow up questions on the ICAP raised by HUD. Finance is waiting for their approval. Target date: 7-13. **POTENTIAL BUDGET IMPACT:** TBD.

Audit Report and Recommendation	Department	Current Status	Comments
AN AUDIT OF THE MANAGEMENT OF THE CITY'S TAX-EXEMPT BOND PROGRAM AND USE OF INTERFUND LOANS TO PROVIDE FINANCING FOR CAPITAL BOND PROJECTS (Issued 12/13/07)			
The objective of this audit was to evaluate the effectiveness of internal controls over the administration of tax-exempt debt financings. Of the 11 recommendations, 8 were previously implemented or closed, and 3 are partly implemented.			
#1: Improve controls over the administration of the tax-exempt bond program and processes to mitigate negative cash balances in the City's Cash Pool caused by bond programs and adequately address other negative balances.	Finance	Partly Implemented	**Auditor's update as of June 2010:** The Department has drafted new interest allocation procedures which, when implemented, should ensure proper allocation of interest. Target date: 10-10. **Auditor's update as of December 2010:** The Finance Department's new interest allocation procedures are awaiting approval from the City Attorney's Office (CAO). The CAO has some questions on the new policy that Finance needs to answer before the policy can be implemented. Finance anticipates that they will provide answers by June 2011. Once the new procedure is in place it should ensure proper allocation of interest. Target date: 7-11. **Auditor's update as of June 2011:** Due to shortage of staffing resources and other work priorities for the Accounting Division in Finance Department, this item will be prioritized for the 2011-12 fiscal year. Target date: 4-12. **Auditor's update as of December 2011:** There has been no additional progress on this item due to continued staffing constraints and competing workload demands, and the Finance Department plans to reevaluate the previously proposed interest allocation procedures. Although the Department has increased oversight and decreased lag time for processing bond fund reimbursements, we estimate that the City lost out on an estimated $90,000 in City Cash Pool interest due to holding GO bond proceeds in trustee accounts. Other large cities including Portland, Phoenix, Los Angeles, Long Beach, Seattle, Sacramento, and San Francisco hold bond proceeds directly in the City Cash Pool without issue. We recommend that the City reconsider holding bond proceeds in the City Cash Pool, with the same accounting controls in place for future bond issuances as a way to mitigate losses to the City Cash Pool. Target date: 6-12. **Auditor's update as of June 2012:** The Finance Department is not proceeding forward with the drafted interest allocation procedures discussed in the update above from December 2010. Since we issued this audit report, the City cash pool has lost out on an estimated $4.4 million in interest earnings. The Finance Department has improved the bond project payment process to limit the interest lost to the Cash Pool but it is still a problem. Approximately $134,000 was forgone in FY 2011-12 due to increased timeliness of the process and decreased investment earnings. Target date: TBD.

Audit Report and Recommendation	Department	Current Status	Comments
#3: Develop and implement procedures to ensure proper allocation of interest to restricted funds held within the City Cash Pool.	Finance	Partly Implemented	See Recommendation #1.
#9: Develop and implement a formal written policy on interfund loans, including the establishment of a prudent investor standard, and written procedures on how to manage and enforce such a policy.	Budget	Partly Implemented	**Auditor's update as of June 2010:** The Administration amended the City's Operating Budget and Capital Improvement Program Policy to incorporate the treatment of Interfund Loans as part of the 2007-08 Annual Report actions that were approved by the City Council on October 21, 2008. Staff from the Finance Department and the Budget Office will work together to draft procedures to manage and enforce the policy. This policy is particularly critical as the City expands the interfund loan program to fund the Redevelopment Agency's $75 million payment to the State Supplemental Educational Revenue Augmentation Fund ("SERAF"). Target date: 12-10. **Auditor's update as of December 2010:** This item has been delayed due to other priorities for the Budget Office. Target date: 8-11. **Auditor's update as of June 2011:** The policy is written and implemented, but the procedures have not yet been developed. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: 5-12. **Auditor's update as of June 2012:** The Budget Office has developed written procedures for the Interfund Loan policy which are currently being reviewed by the Finance Department and City Attorney's Office. Once approved, these will become part of the Budget Office's procedures. Target date: 10-12.

AN AUDIT OF COMMERCIAL SOLID WASTE FRANCHISE AND AB 939 FEE COLLECTION PROGRAM (Issued 9/8/08)

The objective of this audit was to review the fee collection process and determine if fees had been properly paid and collected. Of the 10 recommendations, 9 were previously implemented or closed, and 1 was implemented or closed during this period.

#3: Propose to the City Council that the City's agreement with the County of Santa Clara be amended to clarify whether the County should pay the AB 939 fees, and consider including reporting requirements in return for the City reimbursement of the County's franchise fees.	City Attorney and ESD	Implemented/ Closed	**Auditor's update as of June 2010:** The City Manager's Office has been notified that this is an outstanding issue. The City Manager's Office, in coordination, with the City Attorney's Office, will discuss this issue with the County. Target date: TBD. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** ESD is in the process of redesigning the City's commercial solid waste system and is evaluating changes to its code, fees and charges, including County AB 939 fees. ESD plans to put forward a proposal for the redesign to Council in late FY 2011-12 for the new system to become effective July 1, 2012. Target date: TBD.

Audit Report and Recommendation	Department	Current Status	Comments
			Auditor's update as of December 2011: ESD has drafted a proposal to amend: 1) The Muni Code requiring solid waste haulers to pay the AB 939 fee (removing customers' requirement to pay) and eliminate the exemption for non-profit charitable reusers; 2) The schedule of fees and charges to revise the AB 939 fee; and 3) A resolution to determine the maximum commercial solid waste services rate in the City pursuant to the Agreement between the City and Allied Waste. ESD plans to forward a proposal to Council on or after April 2012 to become effective July 1, 2012. Target date: 6-12. **Auditor's update as of June 2012:** On May 15, 2012, City Council adopted an ordinance amending section 9.10.1435 of Title 9 of the Muni Code and a resolution to amend the schedule of fees and charges, to require the exclusive solid waste franchisee to pay the AB 939 fee. Rather than basing the fee on the type and amount of solid waste generated by commercial premises, the new structure is a flat fee on the solid waste franchisee. As a result, City no longer receives franchise fees from the waste hauler that is attributed to revenue collected from the County.
AN AUDIT OF THE CITY'S OVERSIGHT OF FINANCIAL ASSISTANCE TO COMMUNITY-BASED ORGANIZATIONS (Issued 11/12/08) **This audit summarized previous City Auditor reports related to grant oversight, identified additional forms of financial assistance that the City provides to community-based organizations, and assessed opportunities to improve the administration of the various forms of financial assistance. Of the 21 recommendations, 13 were previously implemented or closed, 1 was implemented during this period, and 7 are partly implemented.**			
#3: Develop an annual summary of funding by recipient (perhaps in the annual operating budget) that shows all forms of financial assistance.	Economic Development	Implemented	**Auditor's update as of June 2010:** An annual summary of funding by recipient in the form of grants, operations and maintenance funding and subsidies associated with below-market leases has been developed. A report using data from the WebGrants database, including funding and other forms of financial assistance, will be generated in FY 2010-11. However, the summary does not yet include all in-kind donations provided to City-Funded CBOs. Target date: 12-10. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** The annual summary of funding by recipient now includes financial assistance in the form of grants, operations and maintenance funding, subsidies associated with below-market leases, and in-kind donations provided to City-Funded CBO's. The Auditor's office will test the accuracy of the list during the next CBO financial scan. Target date: 12-11.

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			Auditor's update as of December 2011: No change. The annual summary of funding by recipient is not yet complete. Total funding should include all forms of financial assistance including grants, operations and maintenance subsidies associated with below-market leases, and in-kind donations provided to City-Funded CBOs. The current status of funding should also be reflected in the WebGrants database. Target date: 6-12. **Auditor's update as of June 2012:** The FY 2011-2012 annual summary of funding by recipient was completed in March of 2012. The Grants Management Working Group is responsible for ensuring the WebGrants database is up to date.
#9: Clarify when the 7-1 policy should apply to leases with CBOs of City facilities.	Economic Development	Partly Implemented	**Auditor's update as of June 2010:** Amendments to Council Policy 7-1 (below-market leases) have been drafted. The policy now includes the eligibility criteria for non-profit organizations to rent from the City at reduced lease rates. Staff will be presenting the revised policy to Council for approval. Target date: TBD. **Auditor's update as of December 2010:** The Real Estate Services and Asset Management Division has been transferred from General Services to OED. There has been no change in the status of this recommendation. Target date: TBD. **Auditor's update as of June 2011:** Staff is reviewing the draft amendments to Council Policy 7-1 along with other applicable City ordinances. Staff will be moving forward with recommendations to the City Council in March 2012. Target date: 3-12. **Auditor's update as of December 2011:** No change. Staff met with the City Auditor and discussed the Real Estate Division's current streamlining efforts. Staff is evaluating the current policy and preliminary recommendations include increasing the Administration's approval limit on 7-1 leases. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13. **Auditor's update as of June 2012:** In process. Target date: 6-13.
#10: Identify all the CBO leases and other agreements for long-term use of City-owned properties, and assign responsibility for monitoring each of them.	Economic Development	Partly Implemented	**Auditor's update as of June 2010:** Staff is currently completing the list of leases and other long-term use agreements that have terms 12 months or longer. We have requested the list include below-market rate leases at community center reuse sites. This list will identify the current status of the lease/agreements, including key terms, rental payments, and those responsible for monitoring them. The revised Council Policy 7-1 and corresponding guidelines call for all new below-market rate leases to be negotiated and managed by General Services (GS), however, it leaves the day-to-day oversight of program activities with the departments backing the use of City-owned property for nonprofit lessee activities. GS has conducted a lease management training in July 2010 and will

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			coordinate with departments on a bi-annual basis to ensure that leases/agreements are up-to-date. Target date: 12-10. **Auditor's update as of December 2010:** Staff is completing the list of leases and other long term use agreements that have terms of 12 months or longer. A Lease Management training held July 2010 (to be conducted bi-annually) in order to inform departments that staff will be coordinating with them bi-annually to update the information on CBO leases and other long-term agreements. Real Estate staff will be communicating with departments, as needed, if there are leases/agreements that are up for renewal or about to expire, and will maintain a master spreadsheet with all City lease information and provide oversight. Target date: TBD. **Auditor's update as of June 2011**: OED Real Estate staff has developed a spreadsheet of all CBO leases and other agreements for long term use of City-owned properties that are managed by OED. Real Estate staff will continue to work with other City departments in developing a comprehensive inventory of all CBO's that are using City facilities. Target date: 3-12. **Auditor's update as of December 2011:** No change. Staff met with the City Auditor and discussed the Real Estate Division's current streamlining efforts. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13. **Auditor's update as of June 2012:** In process. Target date: 6-13.
#11*:* A. Develop a centralized spreadsheet to track the status of CBO leases and other long-term use agreements for City-owned properties with CBOs including key terms and rental payments. B. Bring current all expired leases, rental payments, insurance certificates, and other required reporting documentation.	Economic Development	Partly Implemented	**Auditor's update as of June 2010:** See Recommendation #10. **Auditor's update as of December 2010:** See Recommendation #10. **Auditor's update as of June 2011:** See Recommendation #10 in response to item #11A. Recommendation #11B: Staff is reviewing expired leases (currently less than 10 with only nominal annual rents), rental payments, and insurance certificates. Staff will monitor insurance certificates related to City-owned properties that are leased to ensure that the certificates are renewed for the duration of the lease. Target date: 3-12. **Auditor's update as of December 2011:** No change. Staff met with the City Auditor and discussed the Real Estate Division's current streamlining efforts. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13. **Auditor's update as of June 2012:** In process. Target date: 6-13.

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#13: Establish a Citywide policy for enforcement of lease provisions and include provisions for non-compliance in future leases.	Economic Development	Partly Implemented	**Auditor's update as of June 2010:** Amendments to Council Policy 7-1, 7-3, and 7-12 have been drafted and will be presented to the City Council for approval. Included in these amendments is enforcement of lease provisions for non-compliance. The policy outlines provisions in which non-compliance may result in decrease in the offset to rent, termination of the leasehold, or other actions available to the City. Target date: TBD. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** Staff is in the process of developing standardized lease agreements which would include provisions for enforcement of and non-compliance with the lease terms. In addition, the lease spreadsheet identifies the lease amount, lease duration, and insurance requirements. These items along with the specific terms of the standardized agreements will ensure compliance with City policy and enforcement of the lease terms. Target date: 6-12. **Auditor's update as of December 2011:** No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in the Real Estate Division. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13. **Auditor's update as of June 2012:** In process. Target date: 6-13.
#15: Develop a process to ensure that the City coordinates its oversight and monitoring of individual CBO leases and other long-term use agreements for City-owned properties with the oversight and monitoring of individual CBO grants or other forms of financial assistance.	Economic Development	Partly Implemented	**Auditor's update as of June 2010:** Staff is completing the list of all individual CBO leases and other long-term use agreements. Among the total list of agreements/leases for the long-term use of City-owned properties will be their fair-market value estimates. Staff has been coordinating with the Office of Economic Development/City Manager's Office and other departments responsible for the oversight and monitoring of individual CBO grants through the Non-profit Strategic Engagement Platform. We will consider this recommendation implemented once we have assurance that all appropriate facilities are being tracked. Target date: 2-11. **Auditor's update as of December 2010:** Staff is completing a list and developing a lease management process to ensure is the centralized oversight and monitoring of CBO leases and other long-term agreements. With the transition of the Real Estate Services and Asset Management Division to OED, staff will be coordinating this effort with OED's already existing oversight of CBO grants and other forms of financial assistance. Target date: TBD. **Auditor's update as of June 2011:** Staff has developed a process for coordinating and monitoring individual CBO leases and long term use agreements through the development of a spreadsheet that captures all of this information. In addition, OED staff coordinates and prepares an

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			annual report which reflects the monitoring of CBO grants and other forms of financial assistance. The Auditor's office will test the completeness of this list during the upcoming CBO financial scan. Target date: 12-11. **Auditor's update as of December 2011:** No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in the Real Estate Division. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13. **Auditor's update as of June 2012:** In process. Target date: 6-13.
#16: Identify all of the City's leases to CBO organizations, estimate the rental subsidy of these leases, and prepare an annual public report listing each CBO organization and the estimated amount of the subsidy.	Economic Development	Partly Implemented	**Auditor's update as of June 2010:** Staff is working on completing a list of all individual CBO leases and other long-term use agreements/leases which will include estimates for their fair-market value. Staff will be coordinating with the City Manager's Office/Office of Economic Development to present an annual report to the PSFSS Committee in January/February 2011. The rental subsidies for the City's leases to CBOs will also be included in the annual public report. Target date: 2-11. **Auditor's update as of December 2010:** Staff is identifying all of the City's leases and other long-term agreements to CBO organizations and their rental subsidy estimates. Real Estate Division and OED staff are working together to ensure that the list of all City funding to CBOs is complete and will be reported annually to City Council. Target date: TBD. **Auditor's update as of June 2011:** See Recommendation #3. **Auditor's update as of December 2011:** No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in Real Estate. Staff will be developing and implementing the streamlined processes during the next 18 months. Rental subsidies of the CBO leases will be included in the annual public report when available. Target date: 6-13. **Auditor's update as of June 2012:** In process. Target date: 6-13.
#17: Establish an approval/renewal process for CBO leases and other agreements for long-term use for City-owned properties as they come due.	Economic Development	Partly Implemented	**Auditor's update as of June 2010:** Amendments to Council Policy 7-1 have been drafted. Amendments to the policy include an approval/renewal criteria and process for CBO leases/agreements as they come due. The Guidelines for Below-Market Rate Lease Agreements per Council 7-1 Policy discusses the lessee selection process in which qualifying nonprofit organizations will be selected for tenancy through an open and competitive bidding process. The policy also contains terms for tenancy which include the process for lease renewal. Staff will present the revised policy to Council for approval. Target date: TBD.

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			Auditor's update as of December 2010: No change. **Auditor's update as of June 2011:** The CBO leases and agreements for long-term use of City-owned facilities have different lease terms and conditions which is monitored by the Real Estate and Asset Management Division. As individual leases and agreements approach the expiration dates, the leases and agreements are re-negotiated in accordance with Council Policy. Revised policy will be presented to Council in March 2012. Target date: 3-12. **Auditor's update as of December 2011:** No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in the Real Estate Division. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13. **Auditor's update as of June 2012:** In process. Target date: 6-13.
AUDIT OF THE CITY OF SAN JOSÉ'S WORKERS' COMPENSATION PROGRAM (Issued 4/8/09) **The purpose of this review was to assess the impact of State reforms and local cost containment efforts. Of the 7 recommendations, 6 were previously implemented or closed and 1 is partly implemented.**			
#1: Propose structural changes to the City's Workers' Compensation Program that would include (1) reducing the City's policy of providing up to nine months of a disability leave supplement pay at 85 percent for non-sworn and one full year at 100 percent for sworn employees and (2) implementing a retirement benefit payment offset for sworn employees receiving disability retirement payments that replicates the offset for retired non-sworn employees.	Employee Relations	Partly Implemented	**Auditor's update as of June 2010:** According to the Office of Employee Relations, the City achieved a change in the disability leave supplement benefit with two of the City's 11 bargaining units which reduced the disability leave supplement from nine months to six months. This change was also implemented for unrepresented employees in Unit 99. Negotiations are scheduled to begin again with all non-sworn bargaining units in January 2011, at which time the City will have another opportunity to achieve a change in this benefit for Fiscal Year 2011-2012. Target date: TBD. **Auditor's update as of December 2010:** Negotiations in Fiscal Year 2011-2012 with bargaining units will afford the City another opportunity to achieve a further change in disability leave supplement pay for non-sworn employees and the Workers' Compensation offset for disability retirement benefits for sworn employees. The City is unable to make reductions in the disability supplemental pay for sworn employees due to a change in State law effective January 2010, that extended 4850 benefits to sworn employees in the City of San José. Target date: TBD. **Auditor's update as of June 2011:** The City achieved additional changes in the disability leave supplement benefit with all nine of the City's non-sworn bargaining units and unrepresented employees in Unit 99 – reducing the disability leave supplement from nine months to three months for Fiscal Year 2011-2012. In addition, the City achieved

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			elimination of the disability leave supplement in Fiscal Year 2012-2013 with four of the City's nine non-sworn bargaining units (AEA, CAMP, AMSP, and ABMEI). The City is continuing negotiations over changes for Fiscal Year 2012-2013 with the remaining five non-sworn bargaining units. The City is also negotiating changes regarding a retirement benefit payment offset for sworn employees receiving disability retirement payments. Target date: TBD. **Auditor's update as of December 2011:** According to OER, the City intends to include disability supplement elimination as part of the upcoming negotiations with the five remaining non-sworn bargaining units. See recommendation #5 from our 2011 audit of disability retirement for status of proposed disability retirement offset. Target date: 6-12. **Auditor's update as of June 2012:** Measure B was approved by the voters on June 5, 2012, and provides that the City will not pay workers' compensation benefits for disability on top of disability retirement benefits without an offset to the service connected disability retirement allowance to eliminate duplication of benefits for the same cause of disability, consistent with the current provisions in the Federated City Employees' Retirement System. Measure B is in the process of being implemented, and we will review its progress in the next recommendation follow-up cycle. In addition, OER reports that negotiations are on-going on elimination of the disability supplement for five non-sworn bargaining units but no agreement has been reached. Target date: 12-12. **POTENTIAL BUDGET IMPACT:** TBD.
AUDIT OF THE SAN JOSÉ POLICE DEPARTMENT'S AUTO THEFT UNIT (Issued 5/13/09) **The objective of our audit was to evaluate the efficiency and effectiveness of the Auto Theft Investigations Program. Of the 15 recommendations, 11 were previously implemented or closed, 4 are partly implemented.**			
#1: Periodically brief patrol on auto theft trends and utilize real-time mapped information and communicate this information to the Regional Auto Theft Task Force.	Police	Partly Implemented	**Auditor's update as of June 2010:** Auto Theft Unit investigators brief patrol and Regional Auto Theft Task Force personnel on auto theft trends as they are identified. This is accomplished by investigators attending patrol briefings and by providing alert bulletins, which are posted in the patrol briefing room. Procedures for this process have been formally documented and are included in the Auto Theft Unit Procedures Manual. The Automated Field Reporting/Records Management System (AFR/RMS) Request for Proposal (RFP) was finalized and released on 12/18/09. The system will allow for limited near real-time mapping capabilities to Crime Analysts in the Crime Analysis Unit. This information will be disseminated to the Auto Theft Unit. The estimated date for City Council consideration of a contract award for the AFR/RMS

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			project is December 2010 and the estimated implementation date of the AFR/RMS is April 2012. Once a full AFR/RMS system is in place, officers will have immediate mapping access. Target date: 4-14. **Auditor's update as of December 2010:** Auto Theft Unit investigators brief patrol and Regional Auto Theft Task Force personnel on auto theft trends as they are identified. This is accomplished by investigators attending patrol briefings and by providing alert bulletins, which are posted in the patrol briefing room. Procedures for this process have been formally documented and are included in the Auto Theft Unit Procedures Manual. The Automated Field Reporting/Records Management System (AFR/RMS) Request for Proposal (RFP) was finalized and a vendor has been selected. A Notice of Intent to Award was issued on December 6, 2010. The Department is currently negotiating a contract with the intended vendor and will bring the contract to the City Council for consideration on March 1, 2011. The system will allow for limited near real-time mapping capabilities to Crime Analysts in the Crime Analysis Unit. This information will be disseminated to the Auto Theft Unit. The estimated implementation date of the AFR/RMS is April 2012. Once a full AFR/RMS system is in place, officers will have immediate mapping access. Target date: 4-14. **Auditor's update as of June 2011:** The contract with Versaterm was approved by the City Council in March 1, 2011. Training of Sworn Personnel on the new system is set to begin in January of 2012. The project is still scheduled to be implemented by April 2012. **Auditor's update as of December 2011:** Training of Sworn Personnel on the new system is now set to begin in March 2012. All three phases of the project are scheduled to be completed in June 2013. **Auditor's update as of June 2012:** The new RMS will "go-live" on July 1, 2011. After "go-live," the Crime Analysis Unit will begin configuring the system to allow for limited near real-time mapping. This entire project is scheduled to be completed in June 2013. Target date: 6-13.
#5: Explore the feasibility of using specially trained civilian staff for administrative assignments such as in-custody arrest documentation.	Police	Partly Implemented	**Auditor's update as of June 2010:** The Department continues to evaluate positions throughout the Police Department that could benefit from civilianization. Target date: TBD. **Auditor's update as of December 2010:** The Police Department advises that it has developed a short-term plan to civilianize 15 positions in FY 2011-12. Positions in the Auto Theft Unit are not anticipated to be included in the FY 2011-12 proposal; however, the Department will continue to evaluate positions throughout the Police Department that

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			could benefit from civilianization. Once positions are identified, the Department will work with the City's Budget Office and Human Resources in terms of identifying appropriate job classifications and recruitment processes. Target date: TBD. **Auditor's update as of June 2011:** Due to budgetary issues facing the Department in FY 10-11, a reorganization of the Bureau of Investigations took place in July 2011. The reorganization led to cuts in many BOI personnel, primarily in property-related crimes. The reorganization resulted in the Auto Theft Unit being reduced to two (2) officers. Target date: TBD. **Auditor's update as of December 2011:** No change. While the Auto Theft Unit has been reduced to two (2) officers, there are still elements of administrative work that could potentially be completed by civilians, thereby freeing up the sworn officers' time and responsibilities. **Auditor's update as of June 2012:** No change. Target date: TBD **POTENTIAL BUDGET IMPACT:** TBD.
#6: To the extent possible, ensure that the proposed automated field reporting and records management system reduces duplication of auto theft data entry and automates quality control processes.	Police	Partly Implemented	**Auditor's update as of June 2010:** On December 18, 2009 the City issued a Request for Proposal (RFP) for the Automated Field Reporting and Records Management System (AFR/RMS). Quality control processes and elimination of redundancy are requirements in the RFP. Target date: 12-12. **Auditor's update as of December 2010:** The Automated Field Reporting/Records Management System (AFR/RMS) Request for Proposal (RFP) was finalized and a vendor has been selected. A Notice of Intent to Award was issued on December 6, 2010. The Department is currently negotiating a contract with the intended vendor and will bring the contract to the City Council for consideration on March 1, 2011. Quality control processes and elimination of redundancy are requirements mentioned in the RFP. Target date: 12-12. **Auditor's update as of June 2011:** The Department has selected a vendor and the AFR/RMS implementation process is underway. Quality control processes and elimination of redundancy are requirements mentioned in the RFP. The Department has created an AFR/RMS Implementation Team consisting of employees from various Units within the Department. This team has worked with all Units, including Auto Theft, to ensure that quality control processes are implemented and redundancies are eliminated. Target date: 12-12. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** The new RMS will "go-live" on July 1, 2012. The AFR/RMS team will work with Auto Theft Unit personnel to ensure redundant processes are eliminated. Once the Department

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			becomes comfortable with the new system, we will begin establishing quality control processes. Target date: 6-13.
#13: Consider adding a classification for cases that are not investigated due to limited solvability or conviction factors in the proposed records management system.	Police	Partly Implemented	**Auditor's update as of June 2010:** The Automated Field Reporting/Records Management System (AFR/RMS) Request for Proposal (RFP) was finalized and released on 12/18/09. The Police Department will have the option to change or add classifications in the new AFR/RMS system. The AFR/RMS Project Manager indicated that once the AFR/RMS is fully implemented, specific Department/Bureau/Unit needs and programming will be assessed. The estimated date for City Council consideration of a contract award for the AFR/RMS project is December 2010 and the estimated implementation date of the AFR/RMS is April 2012. Target date: 4-12. **Auditor's update as of December 2010:** The AFR/RMS contract was approved by the City Council on March 1, 2011. Target date: 4-12. **Auditor's update as of June 2011:** The Department has created an AFR/RMS Implementation Team consisting of employees from various units within the Department. Throughout the process, the Team is tasked with keeping in touch with end-users throughout the Department which would ensure more efficient classification of cases not investigated – especially on cases with limited solvability or conviction factors. Target date: 4-12. **Auditor's update as of December 2011:** The AFR/RMS Implementation Team has been evaluating all classifications being utilized Department-wide. The Team is collaborating with end-users to establish consistent use of precise classifications. All units will be required to utilize the new AFR/RMS standardized classifications once the new system is deployed. Target date: 7-12. **Auditor's update as of June 2012:** The new RMS will include a designation for cases where all leads have been exhausted and another designation for cases where initial review shows that there are no leads. Target date: 6-13.

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AUDIT OF THE SAN JOSÉ CONSERVATION CORPS (Issued 5/13/09)

Our audit objective was to review contract compliance and oversight of the agreements between the San José Conservation Corps and the City. Of the 10 recommendations, 7 were previously implemented or closed, and 3 are partly implemented.

#1: Attempt to recover the $200,685 that was not reflected in Corps accounting records for services provided under ESD contracts. In addition, the City should attempt to recover the $133,140 in City-related expenditures that were already reimbursed by the California Department of Conservation. If within 60 days the Corps provides additional documentation supporting expenditures on City projects that were not reimbursed by others, we agree to reevaluate the amount that the City should attempt to recover from the Corps.	City Manager	Partly Implemented	**Auditor's update as of June 2010:** On January 12, 2010 the City Council approved a Settlement Agreement between the City and the San José Conservation Corps (Corps). Subject to compliance with the terms of the Settlement Agreement, the City will accept the documentation and further explanation provided by the Corps concerning Environmental Services Department (ESD) charges. The documentation demonstrated that the work was done by the Corps within the City of San José – thereby benefiting the City in a general manner even if not technically in compliance with the terms of the Master Agreement. The documentation also showed that the $133,140 of additional ESD recycling work, identified in the audit as having been already reimbursed by the State of California, was a financial misstatement and that unrestricted State reimbursements for recyclables should not have been applied to the Master Agreement projects paid for by the City. We will consider this recommendation implemented when the Corps has fulfilled its obligations under the Settlement Agreement. Target date: 7-11. **Auditor's update as of December 2010:** As described in Recommendation #2 below, the Corps' fulfillment of obligations under the Settlement Agreement has been delayed. Prior to June 30, 2011, the Administration plans to recommend that the City Council extend the repayment date in the Settlement Agreement to grant the Corps time needed to fulfill its obligations. Target date: 3-12. **Auditor's update as of June 2011:** See Recommendation #2 below. **Auditor's update as of December 2011:** See Recommendation #2 below. **Auditor's update as of June 2012:** See Recommendation #2 below**.**
#2: Attempt to recover the $76,117 it overpaid for services provided under Fire Department contracts. If within 60 days the Corps provides additional documentation supporting expenditures on City projects that were not reimbursed by others, we agree to reevaluate the amount that the City should attempt to recover from the Corps.	City Manager	Partly Implemented	**Auditor's update as of June 2010:** On January 12, 2010 the City Council approved a Settlement Agreement between the City and the Corps. The Settlement Agreement requires the Corps to repay $160,000 for payments made under Fire Department contracts and for indirect costs for work not described in City contracts. The Settlement Agreement allows the Corps to repay the City through in-kind services. According to the City Manager's Office, the Corps applied for and received grant funding from the California Conservation Corps to complete two projects that, together, will constitute the $160,000 in in-kind services required under the Settlement Agreement: one in Alum Rock Park ($152,000) to

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			restore trails, remove invasive species, restore native plants, plant drought resistant vegetation, provide erosion control measures, and reduce fuel loads, and another in Thompson Creek ($8,000) to remove an unsafe footbridge. The Corps is currently awaiting final approval for the projects from the State Treasurer's Office. The projects may be implemented in the spring to mitigate trail erosion from the rainy season in Alum Rock Park and to meet the Department of Fish and Game's permit requirements for the work to be completed in Thompson Creek. Under the Settlement Agreement these in-kind services must by completed by July 1, 2011. We will consider this recommendation implemented when the Corps has completed these projects and fulfilled its obligations under the Settlement Agreement. Target date: 7-11. **Auditor's update as of December 2010:** The Corps completed the project to remove the footbridge at Thompson Creek. PRNS inspected the project on January 5, 2011 and determined that it met the standards and criteria agreed upon by the City and the Corps. According to the Administration, the project in Alum Rock Park will be implemented in the fall of 2011 just prior to the rainy season so that winter rains support the native vegetation the Corps will plant (there is no irrigation system in the project's vicinity). Prior to June 30, 2011, the Administration plans to recommend that the City Council extend the repayment date in the Settlement Agreement to grant the Corps time needed to complete its work. Target date: 3-12. **Auditor's update as of June 2011:** In June 2011, the City Council extended the Settlement Agreement's repayment date to allow the Corps to complete the approved Additional Services in Alum Rock Park in the fall 2011. The work is expected to commence prior to the rainy season and be completed by December 31, 2011, thereby fulfilling Settlement Agreement repayment obligations at that time. Target date: 12-11. **Auditor's update as of December 2011:** The Corps has not been able to complete the work in Alum Rock Park due to unseasonably dry winter weather. As noted above, the project will be implemented just prior to the rainy season so that winter rains support the native vegetation the Corps will plant (there is no irrigation system in the project's vicinity). The lack of rain has caused the Corps to delay planting the California native plants. The Corps has requested an additional 12-month extension, as permitted under the City Council's prior extension to the Settlement Agreement's repayment date, to plant and hand water the vegetation if necessary. The work is now expected to be completed by December 2012, thereby fulfilling Settlement Agreement repayment obligations at that time. Target date: 12-12. **Auditor's update as of June 2012:** The Corps has completed the Alum Rock Park Trail Project to PRNS staff satisfaction. The Corps must also provide, within 120 days after the end of the Corps' fiscal year,

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			certification by its independent auditor that the Corps has implemented and continuously maintained the "Additional Fiscal Management Capacity Measures" outlined in the Settlement Agreement. On August 6, 2012, the Corps submitted a request to extend the audit completion date to February 1, 2013. This request is currently under consideration by the City Manager. Target date: 3-13.
#6: Attempt to recover the $98,325 paid in indirect costs for work not described in City contracts. If within 60 days the Corps provides additional documentation supporting expenditures on City projects that were not reimbursed by others, we agree to reevaluate the amount that the City should attempt to recover from the Corps.	City Manager	Partly Implemented	See Recommendation #2 above.
AUDIT OF EMPLOYEE MEDICAL BENEFITS (Issued 6/10/09) **The objective of our audit was to identify ways to improve the administration of the employee medical benefits program and optimize employee medical benefits. Of the 17 recommendations, 11 were previously implemented or closed, 4 are partly implemented, and 2 are not implemented.**			
#7: Coordinate with the Finance Department and IT to improve processes for collecting outstanding premiums.	Human Resources, Finance, and IT	Partly Implemented	**Auditor's update as of June 2010:** According to Human Resources, the FY 2010-11 budget did not include funding for PeopleSoft projects, which precluded HR from consulting outside expertise to activate a PeopleSoft billing module for collecting outstanding employee premium contributions. As of June 2010, HR is exploring alternative solutions currently underway at Finance Department's Accounts Receivable division. Target date: 6-11. **Auditor's update as of December 2010:** Human Resources is developing a process to collect all uncollected premiums in FY 2010-11, as well as developing an on-going bi-weekly billing procedure. Target date: 6-11. **Auditor's update as of June 2011:** Human Resources has developed a process to identify and collect outstanding premiums on a monthly basis in conjunction with the monthly reconciliation of medical plan invoices; however it is not yet collecting outstanding premiums. Target date: 6-12. **Auditor's update as of December 2011:** No change. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12. **POTENTIAL BUDGET IMPACT:** TBD.

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#13: Reduce cash in-lieu payment amounts, and work with the Office of Employee Relations on potential meet-and-confer issues that such a change would present.	Human Resources and Employee Relations	Partly Implemented	**Auditor's update as of June 2010:** For unrepresented employees and employees represented by ABMEI, POA and ALP, the City changed the in-lieu payments in a way that is likely to produce future savings. Specifically, for these employees, the City discontinued its previous practice of setting payments as 50 percent of what the City would otherwise contribute toward premiums. Instead, eligible employees in these employee groups will receive fixed in-lieu payments totaling $5,768 per year for employees eligible for family coverage and $2,316 per year for employees eligible for single coverage. These changes took effect June 2010 for unrepresented employees and employees represented by ABMEI and ALP, and will take effect December 2010 for employees represented by POA. Even though these in-lieu amounts equal approximately what the City would pay under the previous in-lieu payment calculation, the new fixed amounts will remain in effect for next year, even if medical premiums increase (which they are expected to do). According to Human Resources, the City will pursue similar fixed in-lieu payments to other City employees. Target date: Varies by employee group. **Auditor's update as of December 2010:** As a result of changes made in 2010, in-lieu amounts for unrepresented employees and employees represented by ABMEI, POA and ALP will result in over $300,000 of savings in calendar year 2011. Savings are likely to increase in future years because the City established fixed in-lieu amounts for these employees instead of setting in-lieu amounts as a percentage of growing premium rates. Based on 2011 in-lieu rates, we estimate that the City can realize additional savings of over $820,000 if it succeeds in converting the majority of City in-lieu participants who are still paid from the old in-lieu formula (AEA, CEO, IAFF, IBEW, MEF, CAMP, OE3 members who make up over two-thirds of the City's in-lieu participants). In addition, the City could potentially achieve further savings if it reduced the amount of the in-lieu payment as originally recommended in the audit. After the initial savings of converting all 900 health in-lieu participants to the new fixed payout rate, the City could save an additional $1 million in the first year if it reduced its payments by 20 percent. During the time of our audit, a 20 percent reduction in the health in-lieu payment would still result in generous in-lieu rate as compared with other public-sector employers. For an in-lieu participant eligible for family coverage, a 20 percent reduction would reduce annual payments from $5,768 to $4,614. Target date: Varies by employee group. **Auditor's update as of June 2011:** As of July 2011, most participants have seen reduced in-lieu payments. Employees represented by CEO will see these reduced payments beginning October 2011. These changes to the in-lieu benefit result in annual savings of over $300,000. Target date: 10-11.

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			Auditor's update as of December 2011: As of January 2012, all City employees have fixed in-lieu rates of $2,316 per year for single coverage and $5,768 per year for family coverage, but the City could potentially achieve further savings if it reduced the in-lieu payments as originally recommended in the audit. During the time of our audit, a 20 percent reduction in the health in-lieu payment would still result in generous in-lieu rates as compared with other public-sector employers. A 20 percent reduction in the current health in-lieu rates would produce annual savings of over $1.1 million. For an in-lieu participant eligible for family coverage, a 20 percent reduction would reduce annual payments from $5,768 to $4,614. Reducing health in-lieu payments would be consistent with the cost-containment strategies the City has implemented by increasing employee contributions to medical premiums, increasing co-pays and pursuing lower cost plans. Furthermore, given the increased amounts employees are paying toward their medical benefits, lowering in-lieu payments may not necessarily lower the demand for the program. Target date: TBD. **Auditor's update as of June 2012:** No change**.** **POTENTIAL BUDGET IMPACT:** About $870,000 per year if in-lieu were reduced by 20 percent, or a total of $3.1 million since the audit was issued.
#14: Prohibit participation in the Health In-Lieu Plan among City employees who are already receiving other City-provided medical benefits and work with the Office of Employee Relations on potential meet-and-confer issues that such a change would present.	Human Resources and Employee Relations	Partly Implemented	**Auditor's update as of June 2010:** For unrepresented employees and employees represented by ABMEI, POA and ALP, the City implemented eligibility changes such that a City employee who receives health care coverage as a dependent of another City employee or retiree should be deemed not eligible for family coverage. As a result, employees who were receiving family in-lieu payments were moved to single lieu status-decreasing, but not eliminating, their monthly payment amount. This change took effect June 2010 for unrepresented employees and employees represented by ABMEI and ALP, and will take effect December 2010 for employees represented by POA. According to Human Resources, the City will pursue a similar limitation for other City employees. Human Resources has begun identifying affected employees, and is working to develop ways of enforcing the limitation. Target date: Varies by employee group. **Auditor's update as of December 2010:** Human Resources developed and implemented a process to identify double-covered employees, and during the 2010 open enrollment period, alerted affected employees of the change. The City is currently pursuing a similar change for other City employees who are not prohibited from double coverage (AEA, CEO, IAFF, IBEW, MEF, CAMP, OE3). Target date: Varies by employee group.

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			Auditor's update as of June 2011: City employees continue to collect health in-lieu payments even though they are covered as dependents on City-sponsored plans; however, payouts for most employees have decreased from $5,768 per year (the family rate) to $2,316 per year (the single rate). For employees represented by CEO and covered as dependents on City-sponsored plans, annual in-lieu payments will decrease from $5,768 to $2,316 beginning October 2011. Even though the new in-lieu amounts are significantly less than previous ones, they still qualify as dual coverage, and account for over $100,000 per year in excess costs to the City. In addition to this excess cost, the health in-lieu program presents additional costs in the following ways: • Employees represented by IAFF who receive coverage as a dependent of another City employee continue to be eligible for $5,768 per year in in-lieu payments. • Unrepresented employees who are covered by City-provided medical plans through City retirees' plans continue to be eligible for $5,768 per year in in-lieu payments. City employees are prohibited from being simultaneously covered by City-provided medical benefits as a main subscriber and as a dependent of another City employee, so it would be consistent for the City to pursue a prohibition on employees from being covered by City medical benefits while collecting in-lieu payments. The intent of the in-lieu program was to provide an incentive for employees who could, to opt into outside medical coverage. Target date: TBD. **Auditor's update as of December 2011:** The intent of the in-lieu program was to provide an incentive for employees who could, to waive City coverage and elect into outside medical coverage. However, City employees continue to collect health in-lieu payments even though they are covered as dependents on City-sponsored plans. **We estimate the City incurs $423,000 in excess costs per year** because: • Employees represented by OE3, ABMEI, IBEW, AMSP, AEA, CAMP, POA, MEF, CEO and Unit 99 continue to collect single health-in-lieu payments (totaling $2,316 per year) even though they are dependents on City family plans. This allowance currently benefits an estimated 160 employees, and results in an estimated $360K in annual excess costs to the City. • Unrepresented employees and employees represented by IAFF who are covered by City plans continue to be eligible for $5,768 per year in family in-lieu payments. This allowance currently benefits an estimated 11 employees, and results in an estimated $63K in annual excess costs to the City.

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			City employees are prohibited from being simultaneously covered by City-provided medical benefits as a main subscriber and as a dependent of another City employee, so it would be consistent for the City to pursue a prohibition on employees from being covered by City medical benefits while collecting in-lieu payments. Target date: TBD. **Auditor's update as of June 2012:** Effective June 24, 2012, unrepresented employees are no longer eligible to collect $5,768 per year in family in-lieu payments. However, employees represented by IAFF who are covered by City plans continue to be eligible for $5,758 per year in family in-lieu payments. Furthermore, at least 125 employees continue to receive $2,316 per year in single in-lieu payments, even though they are already covered by City plans. Target date: TBD. **POTENTIAL BUDGET IMPACT:** Due to decreased enrollment, the estimated savings from this recommendation is $300,000 per year, or $1.9 million since the audit was issued.
#15: Clarify the rights of City retirees to suspend and re-enroll in their medical benefits.	Retirement and City Attorney	Not Implemented	**Auditor's update as of June 2010:** The San José Municipal Code allows retirees to suspend and re-enroll in their medical benefits. However, the City Attorney's Office has identified potential problems with encouraging retirees who are covered by outside plans to suspend and reenroll in their medical benefits if or when they lose their outside coverage. Although medical providers will allow City retirees to suspend and re-enroll in their medical benefits, the San José Municipal Code requires the City retiree to be enrolled in a City plan at the time of the retirement and at the time of death. If City retirees are not enrolled in a City plan during any of these two periods, dependents may be permanently disqualified for City medical coverage. This potential impact on dependents could be addressed by amending the Municipal Code to change the eligibility requirements for retirees and survivors, and may have potential meet-and-confer implications. Target date: TBD. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** No change. Target date: TBD. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** No change. Target date: TBD. **POTENTIAL BUDGET IMPACT:** This recommendation addresses the barriers to establishing a retiree in-lieu program. See Recommendation #16.
#16: Continue to explore an in-lieu program for qualified City retirees who suspend their medical benefits and work with the Office of Employee Relations on any potential meet-and-confer issues that	Retirement, Human Resources, and Employee	Not Implemented	**Auditor's update as of June 2010:** Human Resources and Retirement Services are actively working to identify issues that would affect the development of an in-lieu program for City retirees. Once they have identified the issues, the departments will prepare a work plan for

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such a change would present.	Relations		addressing the issues and present it to the City Administration. Target date: TBD. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** No change. Target date: TBD. **POTENTIAL BUDGET IMPACT:** At the time of our audit, we conservatively estimated potential savings of between $250,000 and $1 million in the first year of a retiree in-lieu program. We should note that as premiums of City-sponsored medical plans and the number of qualified City retirees rise, so do the potential savings from implementing an in-lieu program for qualified City retirees. Such a program could also improve the City's projected long-term retiree healthcare liability – potentially impacting long-term retiree health care contribution rates.
#17: Pursue at least one or a combination of the aforementioned cost-containment strategies and work with the Office of Employee Relations on potential meet-and-confer issues that such a change would present.	Employee Relations and Human Resources	Partly Implemented	**Auditor's update as of June 2010:** The City Administration has addressed rising costs of medical premiums by furthering cost-sharing among employees and pursuing alternative plan designs for employee medical benefits. In April 2010, the City introduced a new lowest-cost medical plan for unrepresented employees and employees represented by ABMEI, POA and ALP. The premium for this new lowest-cost plan is about 5 percent lower than the lowest-cost plan available to other City employees. This new lowest-cost plan has higher co-pays. In addition, for unrepresented employees and employees represented by ABMEI, POA and ALP, the City decreased its premium contribution rate from 90 percent to 85 percent. These changes took effect June 2010 for unrepresented employees and employees represented by ABMEI and ALP, and will take effect December 2010 for employees represented by POA. According to Human Resources, the City will pursue similar savings from other City employees. Target date: Varies by employee group. **Auditor's update as of December 2010:** As a result of changes made in 2010, about 1,355 City employees (unrepresented employees and employees represented by ABMEI, POA and ALP) have shouldered a larger share of their medical premiums. This has been achieved through a 85/15 City/Employee premium contribution rate and higher co-pays. Based on current premium and enrollment rates, these changes will save the City over $1.8 million by the end of the first year. The City is currently pursuing a similar cost-sharing arrangement for the 3,140 other City employees (members of AEA, CEO, IAFF, IBEW, MEF, CAMP and OE3) who currently retain the 90/10 City/Employee premium contribution rate and lower co-pays. Based on February 2011 premium and enrollment rates, the City could save an additional $4.3 million during the first year if it achieved the new cost-sharing arrangement for these employees.

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			Target date: Varies by employee group. **Auditor's update as of June 2011:** As a result of changes made in 2010 and 2011, most City employees have begun shouldering a larger share of their medical premiums. This has been achieved through a 85/15 City/Employee premium contribution rate and higher co-pays. Human Resources estimated the one year savings of these plan design changes at about $3.85 million. As premiums of City-sponsored medical plans increase, so do the potential savings from pursuing cost containment strategies. The potential savings would be greater if we considered reducing the cost of covering an ever-growing number of qualified City retirees. Apart from the direct cost savings these changes will produce, the cost-containment strategies will likely produce additional savings through changing consumer behavior and into the future as the City's claims experience changes. Target date: TBD. **Auditor's update as of December 2011:** City employees are shouldering a larger share of their medical premiums. This has been achieved through a 85/15 City/Employee premium contribution rate and higher co-pays. In June 2011, Human Resources estimated the one year savings of these changes at about $3.85 million. In addition, employees enrolled in the lowest cost City plan pay larger co-pays than they previously paid. Apart from the lower premiums that result from higher co-pays the City achieves additional savings through changing consumer behavior and into the future as the City's claims experience changes. Lastly, the City is exploring the option of introducing a new lowest cost plan. If implemented, the City would likely result in significant savings for active employees. Such a move would also result in significant savings in retirement medical costs because the City pays the full premium of the lowest cost City plans available to retirees. Target date: TBD. **Auditor's update as of June 2012:** As part of the June 2012 Council action that imposed new retirement and medical benefit terms to Federated employee groups, a deductible HMO medical plan will be available to Federated employees and retirees beginning January 2013. This plan – which has premium rates that are 26 percent lower than the current lowest cost plan – will be the new lowest cost plan. Target date: TBD. **POTENTIAL BUDGET IMPACT:** We estimate potential savings could exceed $10 million per year.

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AUDIT OF THE PARK TRUST FUND (Issued 9/10/09)

The objective of our audit was to review the administration of the Fund. Of the 14 recommendations, 4 were previously implemented or closed and 10 were implemented during this period.

#1: Formalize an administrative fee assessment policy which better aligns when fees are assessed with project activity.	PRNS	Implemented	**Auditor's update as of June 2010:** According to PRNS, staff has met and will meet again with the City Attorney's Office to discuss an alternate methodology for aligning administrative fee assessments with project activity. According to PRNS, final review and approval of a new methodology will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10. **Auditor's update as of December 2010:** Staff held follow-up meetings with the City Attorney's Office to discuss a revised methodology for aligning administrative fee assessments with project activity. The draft policy has been reviewed by City Attorney's Office and will be submitted to the PRNS Director for approval. Target date: 4-11. **Auditor's update as of June 2011:** Staff has developed a methodology to utilize interest earnings to provide funding for the program and project management costs (administrative allocation). The administrative allocation is used to fund not only analysts overseeing the fund but also project managers and department senior staff who actively manage projects and work with the community, Council offices and other stakeholders to scope out projects for the use of unallocated funds. Staff drafted a policy that is pending further discussion and final approval. Target date: 1-12. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012, including a formalized administrative fee assessment policy.
#2: Update the final Policies and Procedures Manual to include criteria for justifiable administration costs, and describe the process for defining and reporting administration costs to the City Council.	PRNS	Implemented	**Auditor's update as of June 2010:** According to PRNS, staff began identifying and documenting in the Policies and Procedures Manual the criteria for justifiable administrative costs as well as the department's current practice of reporting administration costs to the City Council on an annual basis as part of the Park Trust Fund Annual Report. According to PRNS, final review and approval of the criteria for and reporting of justifiable administrative costs will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10. **Auditor's update as of December 2010:** Staff drafted a policy containing criteria for justifiable administrative costs, and the City Attorney's Office has reviewed it. The policy will be submitted to the PRNS Director for approval and incorporation into the Policies and Procedures Manual. Target date: 4-11.

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			Auditor's update as of June 2011: Staff drafted a policy that is pending final approval, which has been delayed per Recommendation #9 below. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012, including criteria for justifiable administration costs.
#3: Formalize an accrued interest allocation policy which allocates accrued interest to projects on a monthly rather than quarterly basis, accounts for the timing of in-lieu fee deposits, and documents accrued interest allocations in the City's Financial Management System.	PRNS	Implemented	**Auditor's update as of June 2010:** PRNS staff began allocating accrued interest to projects on a monthly basis—taking into account the timing of in-lieu fee deposits—and has incorporated procedures for the revised allocation method in the Policies and Procedures Manual. According to PRNS, documenting accrued interest allocations at the project level in the City's Financial Management System (FMS) is not feasible at this time because of the details involved (per the Finance Department). As a result, the new procedures include an added control to identify and correct potential discrepancies between the amounts of in interest recorded in the department's internal database and FMS. According to PRNS, final review and approval of the new interest accrual procedures will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10. **Auditor's update as of December 2010:** The City Attorney's Office has reviewed the draft Policy and Procedures for allocating interest, and it will be submitted to the PRNS Director for approval. Target date: 4-11. **Auditor's update as of June 2011:** As noted in Recommendation #1 above, staff developed a methodology to use interest earnings to provide for program and project management costs. Staff drafted a policy that is pending further discussion and final approval. Target date: 1-12. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012, including a formalized accrued interest allocation policy.
#8: Formalize and document within the Park Trust Fund Policies and Procedures Manual an internal notification system to inform the PRNS Director, or designee, when uncommitted projects reach 18, 12, and 6 months from the 5-year commitment limit.	PRNS	Implemented	**Auditor's update as of June 2010:** PRNS staff incorporated into the department's internal database a field that notifies staff when in-lieu fee collections reach 18, 12, and 6 months from the 5-year commitment limit, and issued a memorandum notifying the PRNS Director of unallocated collections that reached these thresholds. Staff also drafted a policy and procedures explaining this process. According to PRNS, final review and approval of the internal notification system will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.

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			Auditor's update as of December 2010: The City Attorney's Office has reviewed the Policy and Procedures for informing the PRNS Director when uncommitted projects reach 18, 12, and 6 months from the 5-year commitment limit, and it will be submitted to the PRNS Director for approval. Target date: 4-11. **Auditor's update as of June 2011:** Staff drafted a policy that is pending final approval, which has been delayed per Recommendation #9 below. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012, including a formalized internal notification system for collections approaching the 5-year commitment limit.
#9: Finalize the Park Trust Fund Policies and Procedures Manual and document approval by the department director.	PRNS	Implemented	**Auditor's update as of June 2010:** According to PRNS, staff will obtain PRNS senior staff and City Attorney's Office review and approval for the Policies and Procedures Manual when all recommended changes have been incorporated. Target date: 12-10. **Auditor's update as of December 2010:** The City Attorney's Office has completed final review of Sections 1 through 11 of the Policies and Procedures Manual's 16 sections, and these sections will be submitted to the PRNS Director for approval. According to PRNS, final review of the remaining five sections of the Manual by the City Attorney's Office is anticipated to occur in March 2011. Target date: 4-11. **Auditor's update as of June 2011:** PRNS has experienced significant staff turnover as a result of retirements and budget reductions, including the retirements of the PRNS Director and the Capital Improvement Program (CIP) Recreation Superintendent; the elimination of the CIP Division Manager; and the displacement of most of the CIP team's analytical support. As a result, PRNS placed the completion of the Policies and Procedures Manual on hold. PRNS assigned new staff to the unit effective June 27, 2011 and anticipates completing the manual and obtaining its approval by January 2012. Target date: 1-12. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012.
#10: Update the dedication and in-lieu determination procedure language to match the Municipal Code.	PRNS	Implemented	**Auditor's update as of June 2010:** PRNS revised the language for the dedication and in-lieu determination procedure in the Policies and Procedures Manual to match the Municipal Code. According to PRNS staff, final review and approval of the revision will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10.

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			Auditor's update as of December 2010: The City Attorney's Office has reviewed this section of the Manual, and it will be submitted to the PRNS Director for approval. Target date: 4-11. **Auditor's update as of June 2011:** Staff drafted a policy that is pending final approval, which has been delayed per Recommendation #9. Target date: 1-12. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012, including updated dedication and in-lieu determination procedure language.
#11: Update the final Policies and Procedures Manual to include a description of the Department of Public Works fee collection process.	PRNS	Implemented	**Auditor's update as of June. 2010:** PRNS has drafted an overview of the Department of Public Works fee collection process for the Policies and Procedures Manual, and Public Works has verified the overview's accuracy. According to PRNS, final review and approval of the overview will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10. **Auditor's update as of December 2010:** The City Attorney's Office has reviewed this section of the Policies and Procedure Manual, and it will be submitted to the PRNS Director for approval. Target date: 4-11. **Auditor's update as of June 2011:** Staff drafted a policy that is pending final approval, which has been delayed per Recommendation #9. Target date: 1-12. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures May 2012, including an updated description of the Department of Public Works fee collection process.
#12: Update the final Policies and Procedures Manual to include a discussion of restrictions on the use of savings from completed projects.	PRNS	Implemented	**Auditor's update as of June. 2010:** PRNS has drafted a policy and procedures governing the use of savings, consistent with the rules for all money in the Park Trust Fund. According to PRNS, final review and approval of the draft will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10. **Auditor's update as of December 2010:** The City Attorney's Office has reviewed this section of the Manual, and it will be submitted to the PRNS Director for approval. Target date: 4-11. **Auditor's update as of June 2011:** Staff drafted a policy that is pending final approval, which has been delayed per Recommendation #9. Target date: 1-12.

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			Auditor's update as of December 2011: Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012, including an updated discussion of the use of savings from completed projects.
#13: Update the final Policies and Procedures Manual to define the process for calculating credits to ensure consistency across turnkey agreements.	PRNS	Implemented	**Auditor's update as of June 2010:** PRNS drafted an update to the Policies and Procedures Manual to clarify the process for calculating credits for turnkey agreements. According to PRNS, final review and approval of the draft will coincide with the review and approval of the rest of the Policies and Procedures Manual. Target date: 12-10. **Auditor's update as of December 2010:** The City Attorney's Office has reviewed this section of the Manual, and it will be submitted to the PRNS Director for approval. Target date: 4-11. **Auditor's update as of June 2011:** Staff drafted a policy that is pending final approval, which has been delayed per Recommendation #9. Target date: 1-12. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012, including a defined process for calculating credits to ensure consistency across turnkey agreements.
#14: Update the final Policies and Procedures Manual to include justification and procedures for offering reimbursements to developers from the Park Trust Fund, and for validating expenses developers claim.	PRNS	Implemented	**Auditor's update as of June 2010:** According to PRNS, staff drafted a procedure for reimbursing developers from the Park Trust Fund for payments made to the City beyond their obligation, but determined there was a need for further review. PRNS is drafting a potential ordinance amendment or resolution to set forth a policy on reimbursing developers. Target date: 7-11. **Auditor's update as of December 2010:** Ordinance and policy revisions were drafted. Target date: 12-11. **Auditor's update as of June 2011:** Staff drafted a policy that is pending further discussion and final approval. Target date: 1-12. **Auditor's update as of December 2011:** Due to staff turnover, there is no change. Target date: 5-12. **Auditor's update as of June 2012:** PRNS adopted revised procedures in May 2012, including a policy and procedures for offering reimbursements to developers that provide amenities beyond the developer's obligations under the PDO and/or PIO, and for validating expenses before issuing reimbursements.

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PERFORMANCE MANAGEMENT AND REPORTING IN SAN JOSÉ: A PROPOSAL FOR IMPROVEMENT (ISSUED 9/24/09) **This report identified a number of recommended next steps towards improving the City's performance management and reporting systems. Although the report did not include formal recommendations, we are reporting progress here.**			
While preparing the City's first annual *Service Efforts and Accomplishments (SEA) Report* in January 2009, a number of issues surfaced regarding the City's performance management and reporting systems. We found that the City had been collecting performance measures but had not yet created an organization-wide performance *management* system. We also found that many of the existing performance measures were not meaningful, useful, or sustainable; that core services did not always align with the organization's mission, goals, and objectives; and that it was difficult to ascertain the true net cost of core services. The purpose of the "white paper" was to provide a roadmap to improve the City's performance management and reporting systems. The "next steps" below were meant to reduce staff time compiling data while ensuring City staff and policy makers have the best information available for decision making and increasing accountability and transparency in the City's public reporting. • Develop a performance management system. • Promote data-driven decision making. • Evolving meeting content and format should be expected. • Periodic assessments of the performance management system. • Review and reduce the number of performance measures. • Compile methodology sheets for performance measures. • Create a performance measure clearinghouse. • Reassess Council Committee reports. • Validate performance measures. • Incorporate project management reporting into the performance measurement and management system. • Consider use of information systems. • Clarify core service names. • Clarify the link between mission, goals, and objectives. • Obtain the net cost of services.	City Manager	Partly Implemented	**Auditor's update as of September 2010:** In the annual request for performance measures, the Budget Office strongly encouraged departments to propose elimination of performance measures and activity and workload highlights that were not necessary, meaning, useful and/or sustainable. The Budget Office's review of proposed changes resulted in a net reduction of 105 performance measures and activity and workload highlights (120 deletions, 15 additions, and 91 revisions) in the FY 2010-11 budget. To make it easier for the reader to see what core services are provided by each department, many titles of core services were clarified and renamed in the approved FY 2010-11 operating budget, and Community Service Area Sections were revised to present each department in alphabetical order, and then each of the department's core services appear in alphabetical order. To make it easier to see the full cost of services, beginning in FY 2009-10, the Budget Office allocated Strategic Support to individual core services in the City Service Area (CSA) sections of the operating budget. Workers' Compensation Claims were also allocated by department (i.e. Police, Fire, Transportation) as well as by CSA in the appropriate City-wide Expenses sections. In March 2010, the City Auditor's Office completed a review and validation of performance measures and costs for the Department of Transportation's Sewer Line Cleaning Program, per department request. In FY 2009-10, the City Auditor's Office has also provided citywide trainings on performance measurement for all interested City employees and the Art & Practice of Leadership (APL) teams from the City Manager's Office, and will continue to provide such ongoing assistance to the City. **Auditor's update as of December 2010:** In addition to the above results, the City Auditor's Office coordinated 2009-10 performance measure data gathering with the Budget Office. The City Auditor's Office continues to provide performance measurement and management trainings to interested City employees and in February 2011, to the City's Innovation Incubator teams. At the request of the City Manager's Office, in February 2011, the City Auditor's Office began presenting in depth performance information at

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• Allocate strategic support to individual core services. • Increase use of efficiency measures.			weekly Issues Working Group meetings (IWG) to senior management to discuss departmental performance and problems. **Auditor's update as of June 2011:** The Administration's IWG meetings were completed with a focus on basic service levels in each department. The Auditor's workplan for 2011-12 includes audits of the Airport's public safety level of service performance metrics and the Fire Departments' performance measures. **Auditor's update as of December 2011:** The City has not yet begun the process of actively moving from measurement to management but has significantly improved performance measurement and is working to further improve in this area. The City Manager's Budget Office is leading the City's performance measurement management and reporting. Every year during budget preparation, departmental staff are encouraged to evaluate performance measures to determine if any reductions, modifications, or additions are necessary to ensure that the measures are useful, meaningful, and sustainable as well as reflective of the major services provided. In 2010-2011, there were a total of 839 measures city-wide. In 2011-2012, the total number of measures reported was reduced to 791. This effort is particularly important given the significant organizational changes that have been necessary in recent years due to deep budget cuts. In addition, the Budget Office evaluated the line items in the City-Wide Expenses category to determine if those expenditure items could be allocated to a particular department and core service. Based on this analysis, several line items in the City-Wide Expenses category were reallocated to departments as part of the 2010-2011 Adopted Budget. To continue with efforts to streamline the data reporting and collecting process, the Budget Office created a template in 2011-2012 that was used to collect actual 2010-2011 performance data from departments, report that data to the Auditor's Office for the 2010-2011 Service Efforts and Accomplishments Report, and prepare the Performance Measure tables that will be included in the 2012-2013 Proposed Operating Budget. This simplifies the data submittal process for departments and helps ensure consistency in the data reported. The Budget Office also continues to work with departments to streamline and clarify core service titles to provide more meaningful and clear names that better describe the particular City operations. Additional changes are expected to be brought forward as part of the 2012-2013 Proposed Budget. **Auditor's update as of June 2012:** The City continues to make improvements to the performance measurement and reporting process. During the preparation of the 2012-2013 Proposed Budget, the Administration continued to clarify core service names for various departments such as the Airport Department and the Office of Economic

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			Development. Also, 66 Performance Measures and Activity & Workload Highlights were deleted and 22 measures were added from a starting point of 791 measures for a net reduction of 44 or 6 percent. The Administration updates these measures and considers the information reported through these measures as part of the development of the annual Proposed Budget. As an example of updating departmental performance measures, the Administration and the City Auditor worked closely together as part of the May 2012 issued audit titled "*Review of Fire Department Performance Measures: Improving the Usefulness of Data*." As a result of this work, it was determined that there were several measures in the Fire Department that were not meaningful and could therefore be eliminated or language could be revised. In fact, from this detailed review of Fire Department measures, it was determined that a net of 10 performance measures out of a total of 49 (or 20%) could be eliminated. The recent audit of the Fire Department's measures brought together the Administration and Auditor's experts in reviewing and improving a department's performance measurement and management system. Due to the success of this effort, the Administration and the City Auditor's Offices will identify more departments for a performance measure review, with a review of the performance measures for the Office of Economic Development on the Auditor's FY 2012-13 workplan. As part of the FY 2012-13 City Manager's Office workplan, the Administration will start the process to develop and/or standardize performance measure methodology sheets for all departments. Through this process, the Administration with assistance from the City Auditor's Office, as needed, will guide departments to adjust and/or develop additional measures which are meaningful, useful, and sustainable or delete measures which cannot meet these goals. Parallel to this effort, the Administration has begun exploring automating the City's Performance Measurement and Management System.
AUDIT OF ANIMAL CARE & SERVICES (Issued 10/7/09) **The scope of our audit was to review the cost-recovery status of animal services including the cost-recovery of its contracts with the four contracting cities. Of the 11 recommendations, 8 were previously implemented or closed, 1 was implemented during this period, and 2 are not implemented.**			
#4: Determine the entire cost of the program, including an accurate overhead rate and number of FTEs while calculating its cost recovery ratio.	Public Works (Animal Services)	Not Implemented	**Auditor's update as of June 2010:** According to ACS, staffing constraints have delayed implementation of this recommendation. Staff will continue to work with the Finance Department and the Budget Office to ensure that the overhead rate and the cost-recovery calculation are accurate in the 2010-11 Fees and Charges report. Target date: 12-10.

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			Auditor update as of December 2010: In October 2010, General Services (of which ACS is a division) merged with Public Works. Staff is working on getting analytical support assigned to ACS as a result of this consolidation. Absent analytical support, ACS is unable to move forward on implementation of this recommendation. Target date: 6-11. **Auditor update as of June 2011:** As part of the Public Works/General Services consolidation, a portion of an Analyst's time will be devoted to ACS. This will allow work to begin on the cost recovery analysis. Target date: 12-11. **Auditor's update as of December 2011:** ACS has assigned an analyst to work on determining the true cost of the program. We will review the results of the analyst's work during the next follow-up. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
#5: We recommend Animal Services: A. Develop a policy to determine ACS program wide cost-recovery goals; and B. Annually review and update a program wide cost recovery (similar to that provided by the City Auditor's Office) prior to setting fees.	Public Works (Animal Services)	Not Implemented	**Auditor's update as of June 2010:** Staffing constraints have delayed implementation of this recommendation. Staff continues to work with the Finance Department and the Budget Office to ensure that the overhead rate and the cost-recovery calculations are accurate in the 2010-2011 Fees and Charges Report. However, the broader analysis of the program wide cost-recovery goals will be developed in 2010-11 as long as staffing resources are available. Target date: 12-10. **Auditor update as of December 2010:** See recommendation # 4. **Auditor update as of June 2011:** See recommendation #4. **Auditor's update as of December 2011:** See recommendation #4. **Auditor's update as of June 2012:** See recommendation #4.
#8: We recommend Animal Services: A. Continue to review and document contract city costs for a pre-determined time period; and B. Explore the possibility of either increasing the reimbursement rates or reducing the level of service to the contract cities if the costs continue to be higher than the reimbursements.	Public Works (Animal Services)	Implemented	**Auditor's update as of June 2010:** The next contract set to expire is the City of Milpitas in 2012. Staff anticipates that it will review and analyze service and cost data for the City of Milpitas prior to renewing this contract. However, staff has not yet begun to review and document contract city costs for a pre-determined period. The Deputy Director agrees with the value of doing this analysis however, staffing constraints may delay implementation of this recommendation. Target date: 12-10. **Auditor update as of December 2010:** See recommendation # 4. **Auditor update as of June 2011:** Even though ACS has received additional staffing in the current fiscal year, the analyst may not have sufficient time to review the cost analysis of the contract of the City of Milpitas. ACS intends to utilize the analysis done by the Auditor's Office for this current renewal. We will review this recommendation once staff has completed its review of the cost recovery of the contract for City of Milpitas. See also recommendation #4. Target date: 12-11.

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			Auditor's update as of December 2011: ACS has proposed and is in negotiations with the City of Milpitas to increase the rates to reflect the actual cost of providing service. We will report on the results of this negotiation during the next follow-up cycle. Target date: 6-12. **Auditor's update as of June 2012:** In June 2012, ACS executed a 3-year contract with the City of Milpitas that included overhead costs and increased the annual cost reimbursement by about $120,000.
AUDIT OF PENSIONABLE EARNINGS AND TIME REPORTING (Issued 12/09/09) **The objective of our audit was to review the time-reporting and payroll processes that impact pensionable earnings and pensionable hours. Of the 15 recommendations, 2 were previously implemented or closed, 3 are partly implemented, and 10 are not implemented.**			
#2: Review the highest 12-month salary of all active beneficiaries starting in July 1, 2001[1] and work with Payroll to adjust those with retroactive lump sum payments to ensure that beneficiaries are receiving accurate pensions.	Retirement and Payroll	Not Implemented	**Auditor's update as of June 2010**: Retirement Services will work with Finance to obtain the historical retroactive lump sum payment information, including the correct pay periods for which they need to be spread. **Auditor's update as of December 2010:** Payroll has run a Peoplesoft query of retroactive lump sum payments and is working to identify material amounts that will need further investigation. Target date: TBD. **Auditor's update as of June 2011:** Finance/Payroll will provide the query and work with Retirement Services to determine which retroactive transactions will need to be broken down into pay periods for their analysis of the highest 12-month salary and possible adjustment of benefits. Target date: 9-11. **Auditor's update as of December 2011:** Going forward, Payroll began identifying and spreading lump sum payments for all sums received after the audit issuance and Retirement added a step to their benefits set-up procedures to identify any lump sum payments in a retiree's highest year. There has been no additional progress on fixing the errors already made that we identified in our audit report due to resource constraints. Payroll has a vacant Senior Accountant position and a vacant Accountant position. Target date: 6-12. **Auditor's update as of June 2012:** Payroll will provide to Retirement a list of employees who have retired and who received retroactive lump sum payments but needs direction from Retirement on how to proceed with adjustments. Target date: 3-13. **POTENTIAL BUDGET IMPACT:** Corrections to pensions of sample retirees we reviewed can be expected to save the Retirement Funds $648,000 over the life expectancy of the retirees. Additional savings could be identified based on a review of the entire retiree membership, and would lower City contributions by an amount TBD.

[1] July 1, 2001 was the date that the Federated Retirement Plan began using the highest 12-month salary as opposed to the highest three year salary when computing retirement benefits.

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#4: To the extent possible, correct pension payments and retirement contributions for the Police and Fire Retirement members and for the Federated Retirement members where higher class pay or management allowances were considered pensionable.	Retirement, Payroll, and Employee Relations	Partly Implemented	**Auditor's update as of June 2010:** The Finance Department has computed the required adjustments to pensionable earnings and the related retirement contributions, by pay period, for higher class pay. This information is in the final stages of verification and will be forwarded to the Retirement Services Department. Once the information on the over-collected and over-paid contributions is finalized, the Finance Department and Retirement Services will work with the City Attorney's Office to develop a plan and method for returning contributions to the employees and the City and Retirement Services will work with the City Attorney's Office to assess whether and to what extent future pension payments need to be adjusted and/or over-payments collected. The Finance Department is working with the City Attorney's Office and Office of Employee Relations to review whether it is possible to revise the manner in which management allowance is paid, or to recommend amendments of the Municipal Code, to implement a correction to the pension treatment of management allowances. Target date: 2-11. **Auditor's update as of December 2010:** In May 2010, Finance corrected the treatment of Higher Class Pay (HCL) on a go forward basis. Finance has computed the required adjustments to pensionable earnings and the related retirement contributions, by pay period, for HCL retroactively which they will provide to Retirement Services by the end of March 2011. Higher Class Pay was used by almost 900 employees in FY 2009-10 for a total of about $713,000 in earnings and by 714 employees for about $455,000 through mid-February in FY 2010-11 in non-pensionable earnings. Management Allowances have not been corrected. Management Allowances were used by 28 employees in FY 2009-10 for a total of just over $52,000 in pensionable earnings. Target date: 5-11. **Auditor's update as of June 2011:** In June 2011, Payroll inactivated Management Allowances on a go forward basis. Also, Finance has calculated the contribution overpayment for Higher Class Pay and will prepare a transmittal memo to Retirement Services. Target date: 9-11. **Auditor's update as of December 2011:** There has been no additional progress due to resource constraints. Payroll has a vacant Senior Accountant position and a vacant Accountant position. Target date: 6-12. **Auditor's update as of June 2012:** Payroll is finalizing the computations necessary to correctly reflect HCL payments as non-pensionable for all affected active employees. Payroll will provide the transmittal correction file to Retirement Services when completed. Target date: 9-12. **POTENTIAL BUDGET IMPACT:** Corrections to pensions of sample retirees we reviewed can be expected to save the Retirement Funds $925,126 over the life expectancy of the retirees. Additional savings could be identified based on a review of the entire retiree membership, and would lower contributions from the City to the funds by an amount TBD.

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#5: Propose amendments to the Municipal Code to ensure that only pays that are specifically negotiated and defined as pensionable in the Municipal Code for the Police and Fire and Federated Retirement Plans are included in the pension calculations.	Employee Relations	Not Implemented	**Auditor's update as of June 2010:** The City will ensure that any future pays that may be negotiated specify whether they are pensionable. If future pays are pensionable, ordinances will be prepared to amend the Municipal Code to include any new pensionable pays. Target date: TBD. **Auditor's update as of December 2010:** In addition to ensuring future pays are specified as pensionable, the City should amend the Municipal Code to clarify which of the existing pay codes are pensionable. Target date: TBD. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** No change.
#6: Adjust the FLSA pension records for retirees and active employees as soon as possible and recalculate pension benefits for retired firefighters.	Retirement and Payroll	Partly Implemented	**Auditor's update as of June 2010:** On June 22, 2010 the City Council approved a Settlement Agreement to settle two federal Fair Labor Standards Act (FLSA) lawsuits brought by San Jose fire employees. The following actions will be taken as a result of the agreement: (1) the fire employees will be paid back wages in an amount of approximately $1,440,000; (2) the City will calculate overtime pay prospectively pursuant to the settlement agreement that commences after July 1, 2010; and (3) the City will pay attorneys' fees and costs for both lawsuits in the amount of $105,000. The City made payments to active employees through payroll on August 27, 2010, and payments to fire retirees on September 10, 2010. Macias, Gini & O'Connell (MGO), the Plan's external auditor, has completed a draft review of the FLSA correction file prepared by Finance that was discussed at the August 2010 Police and Fire Board meeting. Upon reconciliation by Finance of MGO's questions concerning the Finance file, Retirement Service will work with the Finance Department to implement the final reconciled report for active employees and will initiate implementation for retirees in coordination with the Finance Department and the City Attorney's Office. **Auditor's update as of December 2010:** Macias, Gini & O'Connell (MGO), the Plan's external auditor, has completed an Agreed Upon Procedures memo comparing data between Peoplesoft and PensionGold. This review included testing of the FLSA correction file prepared by Finance. The memo went to the Plan boards in December 2010 and found many discrepancies between the two systems. Most of the discrepancies appeared to be explainable and/or immaterial differences such as slight differences in retirement start dates, however some discrepancies may have impacts on pension calculations and should be reviewed by Payroll and Retirement. Retirement has requested information from Payroll to correct the discrepancies but Finance has not

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			had the resources to commit to researching and providing the calculations for the items requested by MGO to date. Retirement has stated that they are willing to accept that some discrepancies are not worth researching and correcting but they would like Finance to definitively state which. Additionally, the City Attorney's Office has stated in the past that the City has only a three year window to correct past retirement contribution mistakes; if that is the case for the FLSA mistake then the City is almost out of time to collect any overpayments to the Plans. The FLSA issue was corrected on a go forward basis in July 2008, two and a half years ago, so only six months of mistakes still fall in the three year window. Target date: 6-11. **Auditor's update as of June 2011:** Finance has responded to the Retirement board on the items identified by MGO. Their analysis on the difference found that many of the items were caused by differences in paper timecards and the adjusted electronic payroll system date used by Finance. As stated by Retirement Services, these items and other items in the audit report were immaterial. Finance will correct discrepancies identified, related to contribution and pensionable earnings related to FLSA during the period from July 1999 to October 1999. Finance will provide corrected reports even though this period is outside of the 3-year window. The adjusted report will be provided to Retirement Services by September 30, 2011. Target date: 9-11. **Auditor's update as of December 2011:** Finance is working to complete their review of FLSA issues by March to present their changes to the March Police and Fire Board Meeting. Shortly thereafter, Finance plans to put the changed data into an uploadable format for Retirement to use. Retirement is optimistic that they will be finished with their data entry and pension adjustments related to FLSA issues by the end of 2012. Target date: 12-12. **Auditor's update as of June 2012:** Finance completed the return of FLSA retirement contributions to active employees in June 2012, however, due to a problem in the file transfer Retirement has not been able to determine the potential impact on retirees and no determination has been made as to whether their records can be corrected. Target date: 10-12. **POTENTIAL BUDGET IMPACT:** TBD.
#7: Obtain authoritative documentation for time reporting codes and earnings codes, and create written policies and procedures for proper application of all codes, and for regularly reviewing and maintaining an authoritative time/earning code mapping table.	Payroll and Employee Relations	Partly Implemented	**Auditor's update as of June 2010:** As of July 2009 the Finance Department captures authoritative documentation for implementation of new time reporting codes and earnings codes on a go forward basis. Creating written policies and procedures for proper application of all codes, and for regularly reviewing and maintaining an authoritative time/earning code mapping table requires coordination of time and resources between Human Resources, Office of Employee Relations and

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			Finance. Prioritization of this effort will be coordinated through the Human Resources/ Payroll Steering Committee. Target date: TBD. **Auditor's update as of December 2010:** This item has been delayed due to other priorities related for payroll. It will be brought before the Human Resources/Payroll Steering Committee in the upcoming meetings. Target date: TBD. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#8: Conduct periodic reviews of all codes to cull duplicative or unused codes.	Payroll and Employee Relations	Not Implemented	**Auditor's update as of June 2010:** This recommendation to conduct periodic reviews of all codes to cull duplicative or unused codes has been placed on the Human Resources/Payroll Steering Committee workplan for appropriate prioritization. The committee will be prioritizing the workplan over the next six months. Target date: TBD. **Auditor's update as of December 2010:** See Recommendation #7. **Auditor's update as of June 2011:** Payroll has conducted some minor reviews of codes when requested through the Steering Committee, however, due to staffing issues/other priorities there are no current plans to review all the codes. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#9: Correct past errors and review all codes to ensure that codes are only available for use to applicable work groups.	Payroll and Employee Relations	Not Implemented	**Auditor's update as of June 2010:** This recommendation to correct past errors and review all codes to ensure that codes are only available for use to applicable work groups has been placed on the Human Resources/Payroll Steering Committee workplan for appropriate prioritization. The committee will be prioritizing the workplan over the next six months. Target date: TBD. **Auditor's update as of December 2010:** See Recommendation #7. **Auditor's update as of June 2011:** See Recommendation #8. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.

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#10: Perform periodic reviews of all codes to ensure they are being used correctly. And to the extent possible, correcting past misuse. For example, checking that codes with strict parameters for their use are used correctly, e.g. Cancer Screening Release Time, Unpaid Furlough Leave.	Payroll	Not Implemented	**Auditor's update as of June 2010:** Implementing this recommendation requires coordination of time and staffing between Human Resources, Office of Employee Relations and Finance. Prioritization of this effort will be coordinated through the Human Resources/ Payroll Steering Committee. Target date: TBD. **Auditor's update as of December 2010:** See Recommendation #7. **Auditor's update as of June 2011:** Payroll has inactivated the Cancer Screening Release Time code that is no longer used. They currently do not have the staff to monitor and restrict usage for other strict-use codes. According to Payroll, effective monitoring of these types of codes would require advanced IT programming set up by ITD staff as well as querying run by Payroll. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#11: Conduct regular comprehensive training for timekeepers and supervisors on PeopleSoft, time reporting and earning codes, and any changes in Union negotiated pay or hours.	Payroll	Not Implemented	**Auditor's update as of June 2010:** This recommendation has been placed on the Human Resources/Payroll Steering Committee workplan for appropriate prioritization. The committee will be prioritizing the workplan over the next six months. Target date: TBD. **Auditor's update as of December 2010:** See Recommendation #7. **Auditor's update as of June 2011:** Finance plans to coordinate with OER to combine the OER conducted annual training for timekeepers with Payroll to include supervisors and broaden topics covered in the training. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#12: Provide timekeepers with written procedures and consider having them conduct the periodic monitoring of time codes.	Payroll	Not Implemented	**Auditor's update as of June 2010:** Payroll is in the process of developing written procedures for timekeepers requiring increased monitoring of the use of time codes. Target date: 3-11. **Auditor's update as of December 2010:** Little progress has been made on this project due to year end processing priorities. Target date: 6-11. **Auditor's update as of June 2011**: The written procedures are still being developed and will be available for the next scheduled annual training for timekeepers. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.

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#13: Consider amending the Municipal Code to calculate final compensation as the highest base salary received, with suitable exceptions.	Employee Relations	Not Implemented	**Auditor's update as of June 2010:** The City Administration will evaluate the recommendations within the context of its overall negotiation strategy with the various bargaining units. The City will be in negotiations with the majority of the bargaining groups in 2011 and will consider this issue as part of the retirement reform discussions. **Auditor's update as of December 2010:** The City has begun negotiating second tier benefits for all new hires and is proposing changing the determination of final average salary in the new plan. Target date: 6-11. **Auditor's update as of June 2011:** The City is continuing to negotiate the determination of final average salary. Target date: 3-12. **Auditor's update as of December 2011:** The City is planning to put opt-in and second tier retirement plans on the ballot in June which would address this issue. Target date: 6-12. **Auditor's update as of June 2012:** Measure B, which was approved by the voters in June 2012 addresses this issue, as does the proposed second tier for new Federated employees. Target date: TBD. **POTENTIAL BUDGET IMPACT:** Potential savings as a result of our review of sample retirees can be expected to save the Retirement Funds $720,000 over the life expectancy of the retirees we reviewed. Additional savings to the funds could be identified based on a review of the entire retiree membership and would lower contributions from the City to the funds by an amount TBD.
#14: Consider amending the Municipal Code such that the Retirement Board shall credit a member with one year of federated city service for 2,080 hours of federated city service rendered by the member in any calendar year.	Employee Relations	Not Implemented	**Auditor's update as of June 2010**: The City Administration will evaluate the recommendations within the context of its overall negotiation strategy with the various bargaining units. The City will be in negotiations with the majority of the bargaining groups in 2011 and will consider this issue as part of the retirement reform discussions. **Auditor's update as of December 2010:** The City has begun negotiating second tier benefits for all new hires and is including changing the determination of final average salary in the new plan. Target date: 6-11. **Auditor's update as of June 2011:** The City has a proposal on the table in ongoing retirement reform negotiations to effect this change. Target date: 3-12. **Auditor's update as of December 2011:** See Recommendation #13. Target date: 6-12. **Auditor's update as of June 2012:** See Recommendation #13. **POTENTIAL BUDGET IMPACT:** See Recommendation #13.

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#15: Consider amending the Municipal Code to return to a three year average in calculating pension benefits in both Retirement Plans. Prior to July 1, 2001 for the Federated Plan and January 1, 1970 for the Police and Fire Plan, the City used a three year average in calculating pension benefits.	Employee Relations	Not Implemented	**Auditor's update as of June 2010:** The City Administration will evaluate the recommendations within the context of its overall negotiation strategy with the various bargaining units. The City will be in negotiations with the majority of the bargaining groups in 2011 and will consider this issue as part of the retirement reform discussions. **Auditor's update as of December 2010:** The City has begun negotiating second tier benefits for all new hires and is proposing changing the determination of final average salary in the new plan. Target date: 6-11. **Auditor's update as of June 2011:** Retirement reform negotiations with all bargaining units are currently underway. In addition the City Council has proposed a ballot measure that would effect this change for current and future employees. Target date: 3-12. **Auditor's update as of December 2011:** See Recommendation #13. Target date: 6-12. **Auditor's update as of June 2012:** See Recommendation #13. **POTENTIAL BUDGET IMPACT:** Potential savings could be 4 to 6 percent of pension cost as estimated in our audit of pension sustainability September 2010, or about $6 to $9 million per year.

AUDIT OF CIVILIANIZATION OPPORTUNITIES IN THE SAN JOSÉ POLICE DEPARTMENT (Issued 1/14/10)

The objective of the audit was to assess the efficiency and effectiveness of current deployment of sworn versus non-sworn Police department employees. We identified duties and roles in the Police Department that are currently performed by sworn employees that could be performed by a civilian. Of the 13 recommendations, 2 were previously implemented or closed, 6 are partly implemented, and 3 are not implemented.

#2: Adopt a civilianization policy based on that of the International Association of Chiefs of Police or other best practices the Police Department identifies.	Police	Not Implemented	**Auditor's update as of June 2010:** The Police Department advises that it does not have the resources to work on this during the short term. The Department further advises that it is on the Department's work plan for this year and that they will work with the appropriate City departments and the POA to develop a work plan that facilitates this recommendation and to research best practices. We encourage the Police Department to adopt a framework in the short-term based the principles in the IACP policy. Target date: 3-11. **Auditor's update as of December 2010:** No change. Target date: 9-11. **Auditor's update as of June 2011:** No change. Target date: 7-12. **Auditor's update as of December 2011:** No change. Target date: 7-12. **Auditor's update as of June 2012:** No change. Target date 7-13.

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#4: Consider how Community Service Officers and Investigative Aides might be used in the future in San José and meet and confer with the SJPOA regarding this provision.	Police and Employee Relations	Partly Implemented	**Auditor's update as of June 2010:** The Police Department advises that this recommendation is beyond its scope and authority and that it requires a policy discussion with the City Council and requires Council direction to the City Manager. It would further require a "meeting and conferring" with the POA. The City Auditor's Office encourages the Police Department to propose the use of Community Service Officers and Investigative Aides to foster a Citywide discussion. Target date: 6-11. **Auditor's update as of December 2010:** Police Department management advises that aside from limitations in scope and authority noted above, the Department also faces current and upcoming budget and staffing cuts. Management advises that because of the challenges and constraints brought about by these cuts, making significant organizational and structural changes at this time will not serve the best interest of the Department and the public. Management advises that it will reevaluate this issue once it gets a better picture of the short-term and long-term impacts brought by the current and upcoming budget cuts. Target date: 6-11. **Auditor's update as of June 2011:** No change. Target date: 7-12. **Auditor's update as of December 2011:** The Department advises that it has been conducting research into how other agencies utilize Community Service Officers (CSOs). A recommendation will be provided to the Chief of Police for review and discussion. The Office of Employee Relations advises that a policy discussion on this issue should occur prior to the commencement of negotiations with the SJPOA in early 2013. Target date: TBD. **Auditor's update as of June 2012:** The Department advises that a preliminary implementation plan has been developed and is currently under review by the Chief of Police. Target date: 7-13 **POTENTIAL BUDGET IMPACT:** See Recommendation #9.
#6: Analyze its employment and assignment options regarding *Brady* officers and then develop a policy accordingly, based on the International Chiefs of Police model policy and other best practices identified by the Police Department. Should also consider whether to retain those officers and whether the work they perform, if administrative, could instead be performed by civilians.	Police	Partly Implemented	**Auditor's update as of June 2010:** The Police Department advises that it has conducted research on best-practices throughout the State to determine what other California agencies are doing internally with "Brady" officers. Based on the Department's research, it is developing a proposed "Brady" policy and considering all related issues. Implementation may require coordination with the POA, the City Attorney's Office, and with the District Attorney. Target date: 3-11. **Auditor's update as of December 2010:** The Police Department advises it has conducted research on best-practices throughout the State and developed a "Brady" policy which has been approved by the City Attorney's Office and the District Attorney's Office. Management advises that the policy is now in effect. The Auditor's Office notes, however, that

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			the adopted policy differs from the IACP model in that it does not address how or whether Brady status may affect a sworn employee's continued employment. The problem identified in the audit was that the Brady employees were frequently assigned to administrative work that could have been performed by civilians. Target date: TBD. **Auditor's update as of June 2011:** The Auditor's Office notes that the current policy does not address how or whether Brady status may affect a sworn employee's continued employment, Police Department management advises that such additional changes in the policy will require further analysis. Such changes are also subject to "meet and confer" with SJPOA. The Department will continue to work with SJPOA, the City Attorney's Office, and all affected stakeholders. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#7: Work with the Human Resources Department to update or create job descriptions to accurately reflect job duties of non-Patrol sworn positions.	Police and Human Resources	Not Implemented	**Auditor's update as of June 2010:** The Police Department advises that it will work with individual units to update job descriptions of non-Patrol sworn positions as resources allow. Currently, due to budget shortages and staffing reductions, the Department advises that it is in the process of reorganizing its unit structure. The Department advises that as the full impact of staffing reductions and changes is assessed, the Department will begin moving forward with this recommendation. Target date: 3-11. **Auditor's update as of December 2010:** The Police Department management advises that it will work with individual units to update job descriptions of non-Patrol sworn positions as resources allow. Management advises that the Department faces current and upcoming budget and staffing cuts and because of the challenges and constraints brought about by these cuts, making significant organizational and structural changes at this time will not serve the best interest of the Department and the public. Management advises that it will reevaluate this issue once it gets a better picture of the short-term and long-term impacts brought by the current and upcoming budget cuts. Target date: 9-11. **Auditor's update as of June 2011:** The Police Department advises that due to current budget and staffing cuts the target date has been revised. Target date: 7-12. **Auditor's update as of December 2011:** The Police Department advises that due to limited resources both in the Police Department and Human Resources, no progress has been made on this recommendation. Target date: 12-12. **Auditor's update as of June 2012:** No change. Target date: TBD.

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#8: Work with the Human Resources Department to develop a plan for creating a civilian job classification system that provides opportunities for variety to civilians within the Police Department.	Police and Human Resources	Not Implemented	**Auditor's update as of June 2010:** The Police Department advises that it will work with Human Resources to implement this recommendation as resources allow. The Department further advises that the timing of implementation may be impacted by other workforce priorities driven by the City's fiscal condition. Target date: 3-11. **Auditor's update as of December 2010:** No change. Target date: 9-11. **Auditor's update as of June 2011:** No change. Target date: 9-11. **Auditor's update as of December 2011:** The Police Department advises that due to limited resources both in the Police Department and Human Resources, no progress has been made on this recommendation. Target date: 12-12. **Auditor's update as of June 2012:** No change. Target date: TBD.
#9: Develop short, medium, and long-term plans to civilianize the positions identified in this audit and/or other positions identified by the Police Department.	Police	Partly Implemented	**Auditor's update as of June 2010:** The Police Department advises that it developed a short-term plan that identified positions for civilianization that would be allowed under the SJPOA MOA and therefore, could be immediately incorporated into the budget process. The Department advises that this plan included 15 positions and was presented to Budget but that funding was not available. The City Manager's Office advises that additional analysis, given the current budget context, is required. Target date: 3-11. **Auditor's update as of December 2010:** Police Department management advises that it has developed a short-term plan to civilianize 15 positions in the FY 2011-12 fiscal year. The proposal would eliminate the sworn positions and add new civilian positions in the appropriate classifications. Target date: 9-11. **Auditor's update as of June 2011:** Police Department management advises that it has civilianized 15 positions in the FY 2011-12 budget. The proposal eliminated certain sworn positions and added new civilian positions. The Department advises that it will continue to explore civilianization opportunities and implement such measures provided that it will maximize efficiencies, result in cost savings, and enhance service delivery. Target date: 7-12. **Auditor's update as of December 2011:** No change. Target date: 12-12. **Auditor's update as of June 2012:** The Police Department completed an analysis that was submitted to Council in May 2012 (MBA #34). To date, the Department has civilianized 22 positions, including 15 in FY 2011-12 and an additional seven in FY 2012-13 (consisting of four in the Gaming Division and two in the Permits Unit and one in the Personnel Unit). The Department advises that it will continue to explore

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			civilianization opportunities in the context of recent budget reductions and redeployments. The May 2012 report indicated that an additional 52 positions were continuing to be evaluated for potential civilianization opportunities. Target date: TBD. **POTENTIAL BUDGET IMPACT:** $5.1 million per year was identified as potential savings in the audit (based on 88 positions). The Police Department has since civilianized 22 positions as well as eliminated various positions, some of which were recommended for civilianization in the audit. The 22 civilianized positions resulted in an estimated savings of $1.4 million. Additional civilianization would result in more savings. See Recommendation #11 for information on approximately $1.2 million in savings already achieved due to positions civilianized or contracted out.
#10: Identify partial administrative roles filled by sworn and consider options for civilianization.	Police	Partly Implemented	**Auditor's update as of June. 2010:** The Police Department advises that it agrees with this recommendation and will continue to identify partial administrative duties conducted by sworn personnel as the long-term civilianization plan is developed and as staffing allows. Target date: 3-11. **Auditor's update as of December 2010:** No change. Target date: TBD. **Auditor's update as of June 2011:** Police Department management advises that through the budget process, the Department continues to evaluate and consider options for civilianization. This is an ongoing review that the Department has incorporated in its budget development process. Target date: TBD. **Auditor's update as of December 2011:** The Police Department advises that this is an ongoing process. The Department continues to review staffing and resource allocations to determine how best to deploy resources. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD. **POTENTIAL BUDGET IMPACT:** See Recommendation #9.
#11: Consider outsourcing the helicopter pilot duties as well as the fixed-wing airplane assignments on an hourly basis.	Police	Partly Implemented	**Auditor's update as of June 2010:** The Police Department advises that it has completed the analysis for such outsourcing but has not received Budget approval to outsource the positions. The Department advises that it is necessary to meet and confer with the SJPOA but that this has not happened yet. The Department notes that the Air Support Unit has been reassigned to the Airport Division for greater efficiency, consolidation of supervision and to save money. Target date: 3-11. **Auditor's update as of December 2010:** The Police Department has suspended the Helicopter Program effective in March 2011. The Air Support Unit (of which the Helicopter Program is a part) was reassigned to the Airport Division for greater efficiency, consolidation of supervision and to save money but has not been considered for outsourcing. Target date: 9-11.

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			Auditor's update as of June 2011: In the FY 2011-12 budget, the Helicopter Unit continues to be suspended. The suspension includes the elimination (on a one-time basis) of 4 officer positions and 1 sergeant position resulting in a savings of $1.2 million. The budget states that the Police Department will work to identify service delivery alternatives, including collateral assignment and contract pilots during the one-year suspension. It further states that the proposal does not impact the fixed-wing aircraft which is staffed as a collateral assignment. Target date: 7-12. **Auditor's update as of December 2011:** The Department advises that the Helicopter Unit remains suspended and that the Department has considered outsourcing the helicopter pilots and is in the process of evaluating the cost impact of such a proposal in the FY2012/2013 budget process. Target date: 7-12. **Auditor's update as of June 2012:** No change. Target date: 7-13. **ACTUAL BUDGET IMPACT:** $1.2 million in one-year savings.
#12: Work with the Police Activities League to determine the most effective and efficient mix of sworn and civilian staff. The Police Department should also reconsider how the Department should support the work of the Police Activities League in the future.	Police	Partly Implemented	**Auditor's update as of June 2010:** The Police Department management advises that it believes it is important to retain a sworn presence at PAL. At the time of the civilianization audit, PAL staffing from SJPD consisted of six positions (five sworn and one civilian). SJPD advises that it has since reduced the sworn staffing by three officers, so that remaining sworn staff consists of one sergeant and one officer. One civilian also remains. The Auditor's Office agrees with these changes but also encourages the Police Department to continue to consider other ways to support PAL. Target date: 3-11. **Auditor's update as of December 2010:** No change. Target date: TBD. **Auditor's update as of June 2011:** No change. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD. **POTENTIAL BUDGET IMPACT:** See Recommendation #9.

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AUDIT OF DECENTRALIZED CASH HANDLING (Issued 2/10/10)

The objective of our audit was to determine if the City has an adequate and effective system of internal controls over the cash handling process. Of the 8 recommendations, 3 were previously implemented or closed, 4 are partly implemented, and 1 is not implemented.

#1: Complete the update of Finance Administrative Manual Sections 4.0 through 4.6 procedures governing cash handling and revenue collection.	Finance	Partly Implemented	**Auditor's update as of June 2010:** According to the Finance Department, the transition to the City's new banking services provider was completed on July 2, 2010. With the banking transition complete, Finance will update cash handling procedures in the Finance Administrative Manual to accurately describe current systems and practices. Target date: 12-10. **Auditor's update as of December 2010:** Finance has completed updates to several policy sections. Target date: 3-11. **Auditor's update as of June 2011:** According to Finance Department Administration, procedures are to be finalized and will be posted to the City Administrative Policy Manual. Target date: 10-11. **Auditor's update as of December 2011:** No change. Target date: 3-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
#2: Develop Citywide policies and procedures to require and periodically assess Payment Card Industry compliance at all distributed cash handling sites accepting credit cards.	IT and Finance	Partly Implemented	**Auditor's update as of June 2010:** According to City Administration, an October 1, 2010 deadline for Payment Card Industry (PCI) compliance has been established and the Information Technology Department (IT) is working with the Finance Department and Wells Fargo Bank to meet it. IT will be working with a PCI consultant to finalize the security policy regarding credit card acceptance at Citywide cash handling sites in accordance with PCI Council requirements. Target date: 10-10. **Auditor's update as of December 2010:** According to IT, there has been a delay in identifying consulting resources to complete the information security policy. The City's merchant card processor (Wells Fargo) has granted an extension until the information security policy is approved. Target date: 4-11. **Auditor's update as of June 2011:** According to Information Technology Department Administration, the department has sought additional contractual assistance to complete the information security policy. Target date: 1-12. **Auditor's update as of December 2011:** ITD is currently working the City's information security consultant to finalize a security policy that will be sent forward for Council approval. Target date: 6-12. **Auditor's update as of June 2012:** The City's security policy has been drafted and is currently under review by key stakeholders. A final version is expected to be sent to Council for adoption in October 2012. Target date: 10-12.

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#3: Require vendors providing credit card processing software and services be pre-certified for Payment Card Industry compliance, and submit quarterly or annual Payment Card Industry certifications of compliance to the City's Information Technology Chief Security Officer and department contract managers.	IT and Finance	Not Implemented	**Auditor's update as of June. 2010:** According to City Administration, upon completion of Citywide compliancy efforts, the Information Technology (IT) Department will begin checking that vendors providing credit card processing software and services are pre-certified for Payment Card Industry (PCI) compliance and submit proof of compliance either quarterly or annually. Target date: 3-11. **Auditor's update as of December 2010:** According to IT, implementation of this recommendation has been delayed due to lack of additional resources required. Target date: 6-11. **Auditor's update as of June 2011:** According to Information Technology (IT) Administration, this recommendation will be addressed after Citywide compliancy issues are completed. The IT Department will work with Finance-Purchasing and other City departments now to immediately identify those vendors processing credit cards, but does not plan to contact the vendors directly until after the information security policy is complete. Target date: 1-12. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: 10-12.
#4: Complete the update of procedures for conducting spot audits of petty cash and change funds, and clarify roles and responsibilities for conducting the audits.	Finance	Partly Implemented	**Auditor's update as of June 2010:** According to the Finance Department, an update to the existing procedures for spot audits of petty cash and change funds, clarifying roles and responsibilities for conducting the audits, has been drafted. Finance intends to finalize the updated procedures by December 2010. Target date: 12-10. **Auditor's update as of December 2010:** Finance is currently evaluating the feasibility of converting the existing petty cash process from a traditional cash disbursement process to an electronic (Pcard) non-cash process. Pending the outcome of the evaluation Finance will either update existing procedures as currently conceived or draft new procedures to reflect new processes. Target date: 7-11. **Auditor's update as of June 2011:** According to Finance Department Administration, the current process is still under review. Target date: 1-12. **Auditor's update as of December 2011:** No change. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.

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#5: Complete the update of the 1986 cash shortage/overage procedure to increase the reporting threshold from $50 to $100, and implement a reporting form on the Finance Department's intranet website to allow departments to easily file cash shortage/overage reports.	Finance	Partly Implemented	**Auditor's update as of June 2010:** According to the Finance Department, an updated cash overage/shortage procedure has been drafted and will be finalized by December 2010. Target date: 12-10. **Auditor's update as of December 2010:** No change. Target date: 6-11. **Auditor's update as of June 2011:** According to Finance Department Administration, the Overage/Shortage reporting form has been posted on the Finance Department's intranet website. In addition, the Overage/Shortage procedure has been drafted and will be posted to the City Administrative Policy Manual. Target date: 10-11. **Auditor's update as of December 2011:** Finance Department is in the process of updating the cash overage/shortage procedure and plans to post it to the City Administrative Policy Manual. Target date: 3-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
AUDIT OF COMMUNITY CENTER STAFFING (Issued 3/11/10) **The objective of our audit was to determine if the current allocation of staff at community centers is efficient and effective. Of the 17 recommendations, 12 were previously implemented, 2 were implemented during this period, and 3 are partly implemented.**			
#1: Enhance data collection methodology to track community center traffic, daily and hourly attendance, and program participation.	PRNS	Partly Implemented	**Auditor's update as of June 2010:** PRNS has modified data collection forms and processes to collect program information by site, rather than regionally, effective July 2010. PRNS is in the process of purchasing automated people counter systems, for high-use sites with limited points of entry, which will provide daily and hourly attendance counts. PRNS staff believes collecting hourly attendance data for other sites is not feasible because the labor time involved to gather information by hand would result in a significant reduction in programming and center services. Target date: 7-11. **Auditor's update as of December 2010:** According to PRNS, an initial market scan of people counter systems revealed higher than budgeted costs for hardware and installation. PRNS says that it will continue to pursue people counter systems in the first half of FY 2011-12 by searching for more affordable hardware/installations and/or alternative funding sources. In the interim, PRNS states it has focused data collection efforts on using the Registration and E-Commerce System (RECS). Since the December 2008 initial implementation of RECS, PRNS has implemented a number of functionalities to improve data collection, including class registration, facility reservation and memberships. Target date: 12-11. **Auditor's update as of June 2011:** The process of evaluating different people counter systems was temporarily postponed so staff could evaluate the impact of FY 2011-12 budget reductions on community

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			center staffing and programs. Contingent on securing necessary funding, PRNS estimates implementation of people counter systems in June 2012. Target date: 6-12. **Auditor's update as of December 2011:** The Department is moving forward with securing estimates for people counter systems to install at select community centers. The Division has submitted a budget proposal to the PRNS Capital Unit to secure funds in FY 2012-13 for the purchase of the door counters. The estimated costs per site will range from $8,500-$12,500. Target date: 6-13. **Auditor's update as of June 2012:** The FY 2012-13 capital budget includes $65,000 for the Department to install the people counter systems. According to staff, PRNS is currently developing the bid specifications to procure the most viable system for community center use. Target date: 6-13.
#2: Invest in a people counter system to capture more complete and consistent data on community center usage.	PRNS	Partly Implemented	**Auditor's update as of June 2010:** PRNS staff has identified six hub community centers—Roosevelt, Berryessa, Mayfair, Seven Trees, Evergreen, and Almaden—where, based on the numbers of entry points and foot traffic, the installation of people counter systems is most feasible. According to PRNS, staff has been working with potential vendors to determine the appropriate type of device for each site and with the General Services Department to plan installation of the equipment. PRNS plans to evaluate the feasibility of installing equipment at other sites based on the availability of technology to deal with multiple entry points, foot traffic, and estimated cost effectiveness. PRNS staff state funding availability will also be a determining factor in implementation as initial costs are estimated at approximately $8,000 to $9,000 per site. Target date: 7-11. **Auditor's update as of December 2010:** See recommendation #1 above. **Auditor's update as of June 2011:** See recommendation #1 above. **Auditor's update as of December 2011:** See recommendation #1 above**.** **Auditor's update as of June 2012:** See recommendation #1 above.

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#8: Estimate the fair market value of re-use facilities.	Economic Development	Partly Implemented	**Auditor's update as of June 2010:** According to PRNS, staff has provided basic information on re-use facilities—such as age and square footage—and held preliminary discussions about their fair market lease valuations with the General Services Department. General Services staff plans to have more in-depth discussions with PRNS to address this recommendation. Target date: 6-11. **Auditor's update as of December 2010:** According to Real Estate, staff developed a draft methodology for estimating the fair market value of reuse facilities, and will begin evaluating each property when the methodology is finalized. Target date: 6-11. **Auditor's update as of June 2011:** Real Estate staff has moved from Public Works and General Services into the Office of Economic Development, and is in the process of gathering information related to City owned property assets, including re-use facilities. As part of that project, staff is working with appraisal consultants to obtain estimates of value for City owned property and estimates of current market rents. This effort will result in an inventory of City property assets, including an estimate of their fair market value and anticipated annual income. Target date: 6-12. **Auditor's update as of December 2011:** No change. Staff has met with the City Auditor and discussed the streamlining efforts that are taking place in the Real Estate Division. Staff will be developing and implementing the streamlined processes during the next 18 months. Target date: 6-13. **Auditor's update as of June 2012:** No change. Target date: 6-13.
#15: Substantially reduce the number of classes offered with no attendance.	PRNS	Implemented	**Auditor's update as of June 2010:** According to PRNS staff, there will always be a minimal percentage of classes with little or no attendance because staff is encouraged to try testing new classes or new locations each sessions, and new classes, although based on customer feedback, are not always successful the first time offered. Nonetheless, staff is using the data from RECS to identify classes that have had little or no enrollment, and is working to consolidate classes that have less than minimum enrollment. Based on these efforts, the class cancellation rate has decreased from 52 percent in Spring 2009 to 39 percent in Winter 2010. Staff will continue to work on decreasing the cancellation rate to a goal of 20-25 percent. Target date: 12-12. **Auditor's update as of December 2010:** According to PRNS, staff will continue to develop additional reports from the RECS system to better target populations and marketing efforts, to explore new classes and locations, and to work on decreasing the cancellation rate to its goal of 20-25 percent. Target date: 12-12.

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			Auditor's update as of June 2011: Staff has been using community surveys and data from RECS to strive to reduce the number of canceled classes. The current class cancellation rate is 45 percent, which PRNS believes is too high. According to PRNS, the Leisure Class Program Manager analyzes data at the close of each session to provide recommendations to help reduce class cancellations, and staff is developing procedures to further reduce the occurrence of classes that repeatedly cancel. PRNS plans to apply this new process to classes in the Spring 2012 session, with a goal of reducing the class cancellation rate to 25 percent or less by Spring 2013. Target date: 6-13. **Auditor's update as of December 2011:** According to PRNS, the cancellation rate has declined from its high of over 40 percent. The Summer 2011 cancellation rate was 38 percent, and the Fall 2011 cancellation rate was 34 percent. The Spring 2012 class catalog reflects classes that begin in March 2012, and PRNS will develop cancellation rate data after Spring 2012 classes are completed in June 2012 to assess its continued progress towards its goal of a 25 percent cancellation rate for leisure classes. Target date: 6-13. **Auditor's update as of June 2012:** According to PRNS data, the Spring 2012 cancellation rate has declined to 30 percent based on classes offered. PRNS has developed strategies, including quarterly monitoring of cancelled classes, pre-approval of new classes, defined marketing strategies, and community-specific outreach efforts, to continue to reduce the overall cancellation rate over the next two recreation sessions (Fall 2012 and Winter 2013) with a goal of reaching a 25 percent cancellation rate that allows staff to experiment with new offerings yet focus on successful efforts. PRNS plans to continue to monitor class cancellation rates in the normal course of business, and we consider this recommendation implemented based on progress to date.
#16: Identify community centers where staffing schedules can be modified to allow for weekend operations.	PRNS	Implemented	**Auditor's update as of June 2010:** PRNS proposed a new staffing structure and expanded operational hours, including greater weekend operations, for hub community centers as part of the FY 2010-11 budget process. However the proposal was deferred by the City Council until FY 2011-12. Target date: 6-11. **Auditor's update as of December 2010:** According to PRNS, staff will be better prepared to identify new staffing schedules after the approval of the FY 2011-12 budget. Target date: 6-11. **Auditor's update as of June 2011:** The FY 2011-2012 Budget process reduced Hub Community Center operational hours to an average of 59 hours per week. This new model calls for increased evening and weekend hours to offer a broad range of fee-based recreation programs and services to sustain and increase revenue, full-time staffing schedules have been modified to cover new evening and weekend hours. Staff says

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			that, through an ongoing evaluation of classes offered and participant registration, the Department will move to operational hours that are seasonally and demand based, which will allow the Department to stay open longer on evening and weekends during the Spring and Summer sessions. However, according to the City's community center website, weekend hours of operation are offered on only Saturday morning/early afternoon in only six of the Hub community centers, and the Fall 2011 activity guide references Sunday events only twice (in one community center). By offering fee classes on weekends the Department will be able to gage future demand for extended weekend operating hours. Target date: 6-12. **Auditor's update as of December 2011:** As of Fall 2011, eight Hub Community Centers offer Saturday weekend hours. At the start of each session the Department analyzes the best method to use to meet specified revenue targets. A combination of recreation classes and rentals are offered on the weekends (Saturday and Sunday) to meet the needs of clients and revenue goals. The Department will strategically increase weekend hours based on seasonality, experimentation and as the demand for recreation programs and services grows. Target date: 6-12. **Auditor's update as of June 2012:** As of the Winter 2012 session, all Hub Community Centers offered recreation classes and programs on Saturdays. The Department plans to continue to focus efforts on increasing the use of community centers in the late evening and weekend hours through new program development and marketing strategies.
AUDIT OF THE CITY'S LICENSING AND PERMITTING OF CARDROOM OWNERS AND EMPLOYEES (Issued 4/7/10) **The purpose of our review was to assess the efficiency and effectiveness of the City's licensing and permitting process for cardroom owners and employees, including benchmarking the scope and cost of cardroom employee background investigations and the cost of oversight. Of the 6 recommendations, 2 are partly implemented, and 4 are not implemented.**			
#1: Retain the City's licensing of cardroom owners, and propose amendments to Title 16 to require and rely solely on the State's key employee license for issuing a San Jose key employee license thereby reducing the DGC's workload while preserving the City's ability to impose limitations and conditions on these licenses including the ability to retract the license based on the key employee's violations of Title 16. These revisions should apply to all new, pending, and incomplete license investigations.	Police, City Attorney, and City Manager	Partly Implemented	**Auditor's update as of June 2010:** The City Attorney's Office plans to propose amendments to Title 16 in Fall 2010. Target date: 12-10. **Auditor's update as of December 2010:** According to the City Attorney's Office amendments to Title 16 have been deferred to Summer 2011. Target date: 6-11. **Auditor's update as of June 2011:** The City Attorney's Office will be bringing forward amendments to Title 16 in October 2011. The amended Title 16 will require the City to accept Key Employee Licenses that have

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			been granted by the State while retaining the DGC's ability to impose limitations or conditions on the license. However, this new amendment would not apply to those key employees that are designated as such only by the City's DGC. For these employees, the old licensing process would still apply. According to the SJPD, guidelines on the scope of the investigations and internal procedures would be addressed by its Business Plan which is currently awaiting final approval from the Chief of Police. We will revisit this recommendation, once Title 16 amendments have been adopted and DGC's new procedures are in place. Target date: 12-11. **Auditor's update as of December 2011:** Title 16 changes were approved by the City Council on February 14, 2012 with direction to return to the Rules Committee in April 2012 regarding changes to non-key employee licensing and permitting. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#2: Abide by the Title 16 guideline that license investigations should be completed within 180 days and develop clear written guidelines for when investigations can extend beyond 180 days. These revisions should apply to all new, pending, and incomplete license investigations.	Police and City Manager	Not Implemented	**Auditor's update as of June 2010:** According to the Gaming Administrator, the DGC no longer does key employee license investigations. However, the DGC has not made any progress on issuing permanent licenses to all key employees with a State license and has not provided guidelines for when license issuance could extend beyond 180 days. According to the Gaming Administrator, the DGC is waiting for the City Attorney's Office to present Title 16 amendments to City Council. Target date: 12-10. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** The City Attorney's office will be bringing forward amendments to Title 16 in October 2011. Those amendments do not address when investigations should extend beyond 180 days. According to the SJPD, this will be addressed in its Business Plan which is awaiting the Chief of Police's final approval. We will revisit this recommendation once the Business Plan is approved, and procedures are in place. Target date: 12-11. **Auditor's update as of December 2011:** The Business Plan does not contain the relevant guidelines pertaining to work that went beyond 180 days. Title 16 changes were approved by the City Council on February 14, 2012 with direction to return to the Rules Committee in April 2012 regarding changes to non-key employee licensing and permitting. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.

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#3: To better manage its backlog of pending license investigations, redesign its background investigations to: a) provide clearer guidance on the desired scope of the DGC licensing process, b) be more limited in scope, and c) track and report the status and cost of these pending and incomplete license investigations through the Annual Report to the City Council. These revisions should apply to all new, pending, and incomplete license investigations.	Police and City Manager	Not Implemented	**Auditor's update as of June 2010:** The DGC has not made any progress on pending key employee licenses. According to the Gaming Administrator, the DGC has discontinued key employee license investigations and is waiting for key changes to Title 16. Once Title 16 is revised, the DGC intends on issuing permanent licenses to all eligible key employees. Further, according to the Gaming Administrator, the DGC has developed new guidelines on the scope of license investigations. These guidelines will be presented in a Business Plan. The draft Business Plan is awaiting approval by the Chief of Police. Target date: 12-10. **Auditor's update as of December 2010:** No change. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** The business plan does not provide any guidance on the desired scope of the license investigations. Further, it does not address the reporting mechanism of the costs of the investigations nor does it provide for reporting the costs of the pending and incomplete license investigations through the Annual Report. Title 16 changes were approved by the City Council on February 14, 2012 with direction to return to the Rules Committee in April 2012 regarding changes to non-key employee licensing and permitting. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#4: Implement procedures to track time and costs of each licensing review, provide an itemized accounting to each applicant at the end of each review, and include the per applicant cost in the Annual Report to City Council.	Police and City Manager	Not Implemented	**Auditor's update as of June 2010:** The Division has not made any progress on tracking time and cost of each licensing review. Target date: 12-10. **Auditor's update as of December 2010:** As stated in the audit, the DGC purchased a web-based time sheet management portal in 2009 which can track the time that DGC staff has expended on each and every investigation. Further, as stated in recommendation # 3, the DGC has discontinued license investigations pending changes to Title 16. We will revisit this recommendation once we have reviewed the DGC's new license investigations guidelines detailed in a Business Plan. This Plan is pending approval by the Chief of Police. Target date: 6-11. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. See recommendation #3. **Auditor's update as of June 2012:** No change. Target date: TBD.

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#5: Liquidate the two encumbrances in the DGC's fund and use the funds to offset DGC costs.	City Manager and Police	Partly Implemented	**Auditor's update as of June 2010:** The City Manager's Office is in the process of selecting a consultant to review and recommend changes to the Gaming Division structure. According to the Administration, a consultant has been selected and the City Attorney's Office is in the process of reviewing the selection. Funding would come from the two encumbrances in the DGC's fund. Target date: 12-10. **Auditor's update as of December 2010:** In November 2010, the City Manager's Office selected Whitesand Gaming LLC to provide gaming consultant services with regard to the City's gaming operations. According to the City Manager's Office, the consultant is in the process of completing a staffing configuration plan of the DGC. The Police Department requested and received approval to liquidate $50,000 from the encumbrance to fund the consultant's services. Funds will be used on an as needed basis to pay for the consultant. Target date: 6-11. **Auditor's update as of June 2011:** The consultant hired by the City Manager's Office completed its review of the City's gaming operations and presented its recommendations to the City Manager's Office. Currently the DGC still has an encumbrance of at least $50,000 in the fund. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#6: We recommend the City Administration: A. Propose revisions to Title 16 to discontinue the City's permitting function and accept State-issued portable gaming work permits, or B. Process work permits within the DGC. If the Administration chooses to process work permits within the DGC we also recommend that: a) the DGC continue to streamline and develop a work permitting approval and renewal process that strictly abides by the Title 16 guideline to issue work permits within 20 working days, and b) the Administration analyze the cost recovery status of work permit fees.	Police and City Manager	Not Implemented	**Auditor's update as of June 2010:** As of August 4, 2010, the DGC has taken over the work permit function. According to the Gaming Administrator, as of September 9, 2010, the DGC has reviewed and granted 72 new work permits and renewals. Due to the limited timeframe since the adoption of the audit report in June 2010 and the limited available data, the Auditor's office will revisit this recommendation in the next recommendation follow-up cycle. Target date: 12-10. **Auditor's update as of December 2010:** The DGC has been processing work permits in-house since September, 2010. Appointments are scheduled based on a list of applicants the cardrooms send on a weekly basis. Each cardroom has two 30 minute slots each day (Monday to Thursday). Since September 2010, the DGC has processed more than 100 work permits. On average it took the DGC about 12 days to process and issue a work permit. According to the DGC, it has allocated 0.5 Police Officer and 0.25 staff technician to the work permitting process. The SJPD's fiscal division will be working on analyzing the cost-recovery of work permit fees based on the total hours that the DGC spends on work permits, however this analysis has not yet started. Target date: 3-11.

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			Auditor's update as of June 2011: The DGC has been processing work permits in house and appears to be processing most completed applications in a timely manner. However, DGC lacks a mechanism to track the timeliness of processing. The DGC has also revised the pre-approval portion of the work permit process. Target date: 12-11. **Auditor's update as of December 2011:** At the February 14, 2012, Council meeting, the City Council directed the Administration to determine the feasibility of accepting State-issued portable gaming work permits. The Administration response is expected by April 2012. Target date: TBD. **Auditor's update as of June 2012:** The Administration reported to the May 12, 2012 Rules Committee meeting and requested more time to respond to the February 14 City Council direction. Target date: TBD.
AUDIT OF THE AIRPORT'S PARKING MANAGEMENT AGREEMENT (Issued 4/7/10) **The objectives of our audit were to determine compliance with the current agreement and identify opportunities to improve provisions in the planned new management agreement. Of the 17 recommendations, 4 were previously implemented or closed, 9 were implemented during this period, 2 are partly implemented, and 2 are not implemented.**			
#1: Revise procedures related to reconciling credit card transactions to reflect the new operating environment once the new PARCS is installed and implemented.	Airport	Not Implemented	**Auditor's update as of June 2010:** Airport Staff are evaluating new procedures related to reconciling credit card transactions, in recognition of new reporting flexibility and options that will be available when the new Parking and Revenue Control System (PARCS) is installed and implemented Fall 2010. Revised credit card transaction procedures will be in place by the time the final acceptance of the new PARCS system is completed in Spring 2011. Target date: 4-11. **Auditor's update as of December 2010:** PARCS system installation continues with acceptance testing scheduled to start in late Spring 2011 and acceptance by late Summer 2011. Target date: 8-11. **Auditor's update as of June 2011:** PARCS system installation continues with acceptance testing expected in Fall 2011 and final acceptance in Spring 2012. Target date: 3-12. **Auditor's update as of December 2011:** PARCS system installation continues with acceptance testing expected in Spring 2012 and final acceptance in Summer 2012. Target date: 9-12. **Auditor's update as of June 2012:** PARCS system installation continues with acceptance testing awaiting final issues resolution. Acceptance testing expected in Fall 2012 and final acceptance by the end of the calendar year. Target date: 1-13.

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#2: Develop audit procedures to detect unreported revenue, theft or fraud once the new PARCS is installed.	Airport	Not Implemented	**Auditor's update as of June 2010:** Airport staff plan to enhance existing audit procedures that place additional emphasis on detecting unreported revenue theft and fraud recognizing that new procedures, reporting and options will be available when the new PARCS(parking and Revenue Control System) is installed and implemented Fall 2010. The Airport staff plan to have revised audit procedures to detect unreported revenue, theft or fraud in place by the time the final acceptance of the new system is completed in Spring 2011. Target date: 4-11. **Auditor's update as of December 2010:** PARCS system installation continues with acceptance testing scheduled to start in late Spring 2011 and acceptance by late Summer 2011. Target date: 8-11. **Auditor's update as of June 2011:** PARCS system installation continues with acceptance testing expected in Fall 2011 and final acceptance in Spring 2012. Target date: 3-12. **Auditor's update as of December 2011:** PARCS system installation continues with acceptance testing expected in Spring 2012 and final acceptance in Summer 2012. Target date: 9-12. **Auditor's update as of June 2012:** PARCS system installation continues with acceptance testing awaiting final issues resolution. Acceptance testing expected in Fall 2012 and final acceptance by the end of the calendar year. Target date: 1-13.
#3: Clarify its procedures for calculating the monthly management fee to match the specific language of the management agreement and train staff on those procedures.	Airport	Partly Implemented	**Auditor's update as of June 2010:** According to Airport staff, the intent of the language in the management agreement is to calculate the management fee based on the parking fees generated-in the previous month, as long as the fees are deposited to the City's account within a reasonable time. The lag time for deposit of cash transaction in the current Parking Management Agreement is generally one business day and up to 72 hours for credit card transactions. Interest is charged for delays in the deposit beyond this time. Airport staff agrees with the recommendation and will ensure that the procedures for calculating the monthly management fee will be clearly outlined in the next parking management agreement. Development of the next Airport Parking Management Agreement RFP is underway and the final agreement is anticipated to be awarded late Fall 2011. Target date: 11-11. **Auditor's update as of December 2010:** RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** RFP proposals are due in October 2011 with agreement effective date of March/April 2012. Target date: 5-12. **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for

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			Council approval in early March and the agreement effective April 1, 2012. Target date: 4-12. **Auditor's update as of June 2012:** An agreement between the City/Airport and ABM/Ampco began in April 2012 and invoicing and payments have been made since that date in accordance with the new agreement. Airport staff is currently developing written procedures for calculating the monthly management fee. Target date: 11-12.
#4: Identify the Airport or City official to whom the operator should submit its performance and fidelity bonds in its next Request for Proposal and Airport Parking Management Agreement.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff plan to clearly specify the City Official to whom the operator should submit the documents including the performance and fidelity bonds in the next Airport Parking Management Agreement. Development of the next Airport Parking Management Agreement RFP is underway and the agreement is anticipated to be awarded late Fall 2011. Target date: 11-11. **Auditor's update as of December 2010:** RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12. **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. The RFP included the identification of the City Official to whom the bonds were to be submitted. Target date: 4-12. **Auditor's update as of June 2012:** The Agreement between the City/Airport and ABM/Ampco began in April 2012 and identifies the responsible City officials to approve compliance with the contractors bonding and insurance requirements.
#5: Consider using a cost plus management agreement for its next Request for Proposal and Airport Parking Management Agreement.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff agrees with the recommendation and the Cost Plus Management Model will be incorporated in the next RFP and Airport Parking Management Agreement. Development of the next Airport Parking Management Agreement RFP is underway and the agreement is anticipated to be awarded late Fall 2011. Target date: 11-11. **Auditor's update as of December 2010:** RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12.

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			Auditor's update as of December 2011: The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. The RFP included a management fee plus reimbursables compensation formula. Target date: 4-12. **Auditor's update as of June 2012:** The agreement between the City/Airport and ABM/Ampco utilizes a management fee plus reimbursable expenses compensation formula.
#6: Include specific provisions to protect against the reimbursement of costs which are overstated or unrelated to Airport parking operations in its next Request for Proposal and Airport Parking Management Agreement.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff plans to include in the next Airport Parking Management Agreement RFP wording similar to Portland Airport's parking management agreement to ensure controls are in place to protect against overstatement of costs and charges for unrelated charges. Development of the next Airport Parking Management Agreement RFP is underway and the agreement is anticipated to be awarded late Fall 2011. Target date: 11-11. **Auditor's update as of December 2010:** RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12**.** **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. Specific provisions related to reimbursement of costs were included in the RFP. Specific provisions are anticipated to be incorporated into the final agreement. Target date: 4-12. **Auditor's update as of June 2012:** The agreement between the City/Airport and ABM/Ampco specifies both reimbursable and non-reimbursable expenses.

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#7: Consider reducing the frequency of the nightly LPI inventory and eliminating the unaccounted vehicles provision in its next Request for Proposal (RFP) and Airport Parking Management Agreement. The RFP should also include specific language describing how the inventory is conducted, i.e., the use of LPR and LPI technology.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff agrees with the recommendation and will specify inventories required and the method (physical count vs. LPI vs. LPR verification) in the next Airport Parking Management Agreement RFP. Wording similar to SFO's parking management agreement will be included in the next Airport Parking Management Agreement to clarify how parking inventories are conducted. The development of the next RFP is underway and the agreement is anticipated to be awarded late Fall 2011. Target date: 11-11. **Auditor's update as of December 2010:** RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12**.** **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. The minimum frequency of LPI inventory was reduced to once per week per lot and specifics were included in the RFP. Target date: 4-12. **Auditor's update as of June 2012:** The agreement between the City/Airport and ABM/Ampco included a provision related to inventories utilizing LPI technology. The agreement states that LPI data is to be collected manually and entered into hand-held data entry computer units and then downloaded into the PARCS database at minimum once per week. In addition, the unaccounted for vehicle provision is not included in the current agreement.
#8: Explore the possibility of contracting with a vendor to install space locator dispensers in the Airport's parking facilities.	Airport	Partly Implemented	**Auditor's update as of June 2010:** Airport staff will work with City Purchasing staff to determine if potential Airport Parking Management Agreement RFP vendors are available and interested in providing space locator dispensers in the Airport's parking facilities with a goal of implementation when all the Airport parking facilities are in place in 2011. The development of the next RFP is underway and the agreement is anticipated to be awarded late Fall 2011. Construction of new Airport parking lots, both short-term and long-term are anticipated to occur during fiscal year 2010-11. The incorporation of space locator dispensers, if available will take place after completion of new lots. Target date: 11-11. **Auditor's update as of December 2010:** Staff will be working with Purchasing to determine if a vendor is available; however it will not be part of the Parking RFP as indicated above. Target date based on completion of facilities: 11-11.

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			Auditor's update as of June 2011: Once the RFP process is completed staff will work with Purchasing to investigate vendor availability. Target date: 3-12. **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. The selected contractor has proposed space locators as a potential product for use at the airport. Target date: 4-12. **Auditor's update as of June 2012:** According to the Airport, the discussion with ABM/Ampco related to space locator dispensers will occur during the second half of 2012. Target date: 6-13.
#9: Include a clause that allows the City, with notice, to become the bankcard merchant for credit card transactions at its parking facilities in its next Request for Proposal and Airport Parking Management Agreement.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff plans to include a clause that will allow the City to become the bankcard merchant with 30-day notice in the new RFP and Airport Parking Management Agreement. The development of the next RFP is underway and the agreement is anticipated to be awarded late Fall 20ll. Target date: 11-11. **Auditor's update as of December 2010:** RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12**.** **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval or early March and the agreement effective April 1, 2012. The RFP included a clause that would allow the City to become the bankcard merchant with 30-day notice. Target date: 4-12. **Auditor's update as of June 2012:** The agreement between the City/Airport and ABM/Ampco includes a clause that would allow the City to become the bank card merchant for transactions at Airport parking facilities, following 30-day notice**.**
#10: Include in its next Request for Proposal and Airport Parking Management Agreement the required controls to guard against the risks of theft or fraud from the new pay-on-foot machines and automatic exit gates.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff plans to include controls to guard against the risks of theft and or fraud associated with the use of Pay-on-Foot and automated exit equipment t in the new Airport Parking Management Agreement RFP. The Airport staff will use the Parking and Revenue Control system installation consultant to assist in the development of these controls. The development of the next RFP is underway and the agreement is anticipated to be awarded in late Fall 2011, and written controls and procedures to guard against theft and or fraud will be included in the new agreement. Target date: 11-11.

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			Auditor's update as of December 2010: RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12**.** **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. All equipment was included in the required equipment responsibilities of the contractor for prevention of theft or fraud, including the parking pay stations and automated equipment, in the RFP. Target date: 4-12. **Auditor's update as of June 2012:** The agreement between the City/Airport and ABM/Ampco provides that the contractor assumes all risks of loss of funds from theft or fraud associated with the parking pay stations and automated exit equipment.
#11: In its next Request for Proposal and Airport Parking Management Agreement: A. Include a provision that the operator provide quarterly or annual evidence of a Certificate of Compliance with Payment Card Industry (PCI) standards and B. Outline the PCI requirements for which the operator is responsible.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff will include requirements for quarterly and annual certification of compliance with PCI standards in the new RFP and Airport Parking Management Agreement. The new agreement will also provide specific responsibilities and requirements of the operator related to PCI compliance. Development of the next Airport Parking Management Agreement RFP is currently underway; the process to select a new operator will include the necessary security standards including PCI compliance. The new agreement is anticipated to be awarded late Fall 2011. Target date: 11-11. **Auditor's update as of December 2010:** RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12**.** **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. PCI standards were specified in the RFP and accepted by the recommended contractor. Target date: 4-12. **Auditor's update as of June 2012:** The agreement between the City/Airport and ABM/Ampco includes language requiring the contractor comply with PCI Data Security Standards. According to the contract, the contractor is responsible for all quarterly, annual, or other required assessments or certification processes necessary to maintain PCI

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			certification and must provide data to the Airport of proof of such compliance on quarterly basis. Also, in the event of the contractor's non-compliance with PCI standards and/or in the event of a data breach, the contractor must inform the City immediately and at the contractor's expense, take all measures to remedy the problem.
#12: Develop performance standards that reflect customer service goals and a mechanism to monitor them.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff plans to develop customer service standards and measures for performance to be met by the operator. These measures and standards will be included as requirements for the new RFP and the subsequent Airport Parking Management Agreement. Development of the next RFP is underway and the agreement is anticipated to be awarded late Fall 2011. Completion of this recommendation will take place with the completion of the RFP process and the City's approval of the new Airport Parking Management Agreement. Target date: 11-11. **Auditor's update as of December 2010:** RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12**.** **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. Customer service standards and requirements were included in the RFP. Target date: 4-12. **Auditor's update as of June 2012: T**he agreement between the City/Airport and ABM/Ampco includes customer service performance standards and a schedule of liquidated damages for failure to attain such standards. Airport staff conducts daily spot checks of parking facilities which are documented on a daily checklist. Any issues noted during these spot checks result in an incident report and are reported to the Landside Operations Superintendent for resolution. Airport staff has also developed written procedures to monitor the contractors performance of its responsibilities related to the employee lot.
#13: Clarify Airport and operator responsibilities related to customer complaints and the operation of the employee lot in its next Request for Proposal and Airport Parking Management Agreement.	Airport	Implemented	**Auditor's update as of June 2010:** Airport staff plans to include specific standards and measurements to be met by the operator for complaint handling and the operation of the employee parking lot in into the new RFP and the subsequent Airport Parking Management Agreement. Development of the next RFP is underway and the agreement is anticipated to be awarded late Fall 2011. Implementation of this recommendation will take place with the completion of those processes. Target date: 11-11.

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			Auditor's update as of December 2010: RFP development is on track for award in late Fall 2011. Target date: 11-11. **Auditor's update as of June 2011:** Auditor's recommendation has been included in the Airport Parking Management RFP. Proposal responses are due back October 2011 with the subsequent agreement to be effective March/April 2012. Target date: 5-12**.** **Auditor's update as of December 2011:** The RFP evaluation process was completed with staff's recommendation of award scheduled for Council approval in early March and the agreement effective April 1, 2012. Operator responsibilities related to customer complaints and employee parking management were included in the RFP. Target date: 4-12. **Auditor's update as of June 2012:** The agreement between the City/Airport and ABM/Ampco includes customer service standards and identifies contractor responsibilities in relation to customer complaints. The contract also includes specific contractor responsibilities for operation of the employee parking lot including processing all documents for employee parking permits and reporting monthly of parking permit activity.
CITY PROCUREMENT CARDS: POLICIES CAN BE IMPROVED (Issued 9/8/10) **The objective of this audit was to review p-card transactions from three departments (Environmental Services, Police, and Parks, Recreation and Neighborhood Services) for compliance with the City's p-card policy and other applicable policies. Of the 8 recommendations, 4 were previously implemented, 1 was implemented during this period, and 3 are not implemented.**			
#1: Revise the p-card policy to require simple descriptive annotations on receipts or statements that describe the intended use of the purchases, as well as the intended location, and if applicable, the number of people intended to use the purchased items or services.	Finance	Not Implemented	**Auditor update as of December 2010:** The Finance department plans to propose changes in the purchasing process which may result in increasing the p-card limit. Finance staff has deferred making revisions to the p-card policy pending the outcome of this proposal. Target date: 6-11. **Auditor update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.

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#4: Develop clear guidance on purchases for employees' personal use and exceptions (where appropriate).	Employee Relations	Implemented	**Auditor update as of December 2010:** OER has assigned a staff person to develop guidelines on purchases for employees' personal use. However, no progress has been made. Target date: 6-11. **Auditor update as of June 2011:** OER has begun to develop guidelines on purchases for employees' personal use and other revisions to the p-card policy. We will review these guidelines once they have been finalized and approved. Target date: 12-11. **Auditor's update as of December 2011:** OER is in the process of finalizing revisions to the P-Card policy. Target date: 3-12. **Auditor's update as of June 2012:** OER has finalized the revisions to the p-card policy. These revisions clarify and provide guidance on the purchases for employee's personal use and exceptions. The policy is posted on the City's intranet website.
#5: Update its cardholder training on the revised p-card policy to emphasize the following restrictions against: • Allowing other employees to use the p-card; • Providing itemized receipts or using the missing receipt form when needed; • Using the p-card for purchasing services over $1,000; • Using the p-card for employee use; • Splitting transactions to circumvent spending limits; • Filing required memos of violation with the Finance department; • Using the City Warehouse or Open Purchase Orders when available; • Making personal purchases with the City's p-card; and • Renting equipment that requires employee signatures.	Finance	Not Implemented	**Auditor update as of December 2010:** See recommendation #1. **Auditor update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. The Finance department needs to update its 2006 online training to include some violations we observed during are review such as using the missing receipt form when needed, filing required memos of violation with the Finance department and renting equipment that requires employee signatures. Further, because some of the other violations we found included some of the same restrictions that are currently in the online p-card training, in our opinion, the program would benefit from re-emphasizing these commonly seen violations. Target date: TBD.
#6: Annually distribute the p-card policy and restrictions and require annual certification by p-card holders, department coordinators and approving officials that they have received and agree to comply with the City's p-card policy.	Finance	Not Implemented	**Auditor update as of December 2010:** Finance has not made any program changes. According to Finance due to staffing limitations they will only be able to begin work on this recommendation by June 2011. Target date: 12-11. **Auditor update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: TBD.

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PENSION SUSTAINABILITY: RISING PENSION COSTS THREATEN THE CITY'S ABILITY TO MAINTAIN SERVICE LEVELS – ALTERNATIVES FOR A SUSTAINABLE FUTURE (Issued 9/29/10) **The purpose of this audit was to assess the long-term sustainability of the City's pension benefits and the potential impact of increases in pension costs on City operations, and provide background information on pension reform and alternatives being pursued by other retirement systems. Of the 6 recommendations, 4 are partly implemented and 2 are not implemented.**			
#1: Explore prohibiting: A. Pension benefit enhancements without voter approval B. Retroactive pension benefit enhancements that create unfunded liabilities	Employee Relations	Partly Implemented	**Auditor's update as of December 2010:** The City Manager's Office will include these two issues as components of Retirement Reform to be addressed in a future phase of the overall reform effort. Target date: TBD. **Auditor's update as of June 2011:** The City Council is considering a ballot measure that would include these changes. Target date: 3-12. **Auditor's update as of December 2011:** The target date for the ballot measure has been revised to 6-12. **Auditor's update as of June 2012:** Measure B, the Pension Modification Ballot Measure, was passed by the voters on June 5, 2012, and provides that future retirement benefit increases be approved by the voters. Additionally, all of the City's pension and retiree healthcare plans must be actuarially sound. Measure B is in the process of being implemented. Target date: TBD.
#2: To ensure the reasonableness of the methods and assumptions used in the retirement plans' actuarial valuations, we recommend that the City Council amend the Municipal Code to require an actuarial audit of such valuations every five years if the actuary conducting the valuation has not changed in that time.	Retirement and City Attorney	Not Implemented	**Auditor's update as of December 2010:** Retirement Services plans to work with the City Attorney to bring forth to City Council a proposal to amend the Municipal Code that would require an actuarial audit of the retirement plans' actuarial valuations every five years if the actuary conducting the valuation had not changed during that time. Target date: TBD. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** No change.
#3: Pursue at least one or a combination of pension cost-containment strategies, including: • Additional cost sharing between the City and employees • Eliminating the Supplemental Retirement Benefit Reserves (SRBRs) or at least prohibiting transfers in and distribution of "excess earnings" when the plans are underfunded	Employee Relations	Partly Implemented	**Auditor's update as of December 2010:** The City will be in negotiations with all 11 of the bargaining units in 2011 and will consider these issues as components of the retirement reform efforts. Target date for establishing a 2nd tier pension benefit: 6-11. Target date for changes for current employees and/or retirees: TBD. **Auditor's update as of June 2011:** The City is engaging all bargaining units in retirement reform negotiations and currently has proposals on the table to eliminate SRBR and second tier pension benefits. The City has

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• Negotiating with employee bargaining groups for changes to plan benefits for existing employees • Establishing a second tier pension benefit for new employees • Considering whether to join the California Public Employees Retirement System in order to reduce administrative costs The Administration should work with the Office of Employee Relations on potential meet-and-confer issues that such changes would present.			reached tentative agreements with five bargaining units to eliminate SRBR. In addition, the City Council is considering a proposed ballot measure to change benefits and cost sharing for existing employees. Negotiations are expected to conclude in October 2011 and the ballot measure could go before the voters in March 2012. Target date: 3-12. **Auditor's update as of December 2011:** The target date for the ballot measure has been revised to 6-12. **Auditor's update as of June 2012:** Measure B, the Pension Modification Ballot Measure, as approved by the voters on June 5, 2012, provides for additional employee retirement contributions for current employees who do not opt into a Voluntary Election Program (VEP) with reduced benefits for future years of employment. Measure B also discontinued the Supplemental Retiree Benefit Reserve (SRBR) and established the parameters for a Tier 2 defined benefit plan and the VEP. Measure B is in the process of being implemented (pending the outcome of legal challenges). A Tier 2 plan was approved by the City Council on June 12, 2012, for new employees in the Federated City Employees' Retirement System and ordinances are currently in review and are expected to be effective in the Fall of 2012. The City is proceeding to arbitration with the San José Police Officers Association and the International Association of Firefighters regarding a Tier 2 plan. The City has researched joining the California Public Employees' Retirement System and has determined not to move forward with this at this time. Target date: TBD. **POTENTIAL BUDGET IMPACT:** TBD (any combination of these strategies could result in millions of dollars of savings to the City and the pension funds).
#4: To ensure that pension cost projections for negotiations with employee bargaining groups are actuarially sound, the Administration should provide the Office of Employee Relations an ongoing budget for actuarial services.	Budget and Employee Relations	Partly Implemented	**Auditor's update as of December 2010:** The 2010-11 Adopted Operating Budget provides one-time funding for actuarial studies for the retirement system and consultant services related to labor negotiations for employee groups. According to the Budget Office, as pension reform efforts move forward, any additional one-time funding needs associated with actuarial services or other consultant services to support these efforts will be identified and funding recommendations will be brought forward for City Council approval. After pension reform is completed, a process which may span multiple fiscal years, the Budget Office plans to work with the Employee Relations to determine ongoing funding needs for actuarial services to address retirement issues. Target date: TBD. **Auditor's update as of June 2011:** No change.

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			Auditor's update as of December 2011: Budget actions in the 2011-2012 Adopted Budget as well as recommended actions in the 2011-2012 Mid-Year Budget Review allocate one-time resources for retirement actuarial services to address the projected needs in 2011-12. After pension reform is completed, the Budget Office plans to work with OER to determine ongoing funding needs for actuarial services to address retirement issues. Target date: TBD. **Auditor's update as of June 2012:** Budget actions in the FY 2012-13 Adopted Budget allocate one-time resources for retirement actuarial services to address the projected needs in FY 2012-13. The Budget Office plans to work with OER to determine ongoing funding needs for actuarial services to address retirement issues as part of the FY 2013-14 budget process. Target date: TBD.
#5: To ensure the Council is fully informed on the retirement plans' performance, the impact of reforms, and pension costs, the Retirement Services Department should: A. Ensure that each City Councilmember receive both plans' Comprehensive Annual Financial Report B. Provide an annual report to the City Council that includes updates on the financial status of the plans, forecasts of pension costs, and sensitivity analyses showing best and worst case scenarios. This should be a supplement to the City Manager's Budget Office's *Five-Year Economic Forecast and Revenue Projections for the General Fund and Capital Improvement Program*.	Retirement	Partly Implemented	**Auditor's update as of December 2010:** In January 2011, Retirement Services sent each City Councilmember a copy of both retirement plans' Comprehensive Annual Financial Reports for the fiscal year ended June 30, 2010, but made no presentation to the Council or its Committees. Retirement Services has worked closely with Employee Relations and the Budget Office to provide updates on the financial status of the plans and forecasts of pension costs. This information has or will be incorporated into reports or presentations to City Council. However, the City Auditor believes it is important that the City Council hear directly from Retirement Services staff in open session regarding the financial status of the plans, forecasts of pension costs, and best and worst case scenarios. Target date: TBD. **Auditor's update as of June 2011:** In May 2011, Retirement Services staff, along with Employee Relations and the City Auditor, gave a presentation to City Council on retirement reform as part of the annual budget study sessions. The City Auditor believes it is important that on an annual basis, Retirement Services staff formally briefs the City Council on the financial status of the plans, forecasts of pension costs, and best and worst case scenarios. This is particularly important as the City moves forward with retirement reform and as pension costs further threaten service levels. Target date: TBD. **Auditor's update as of December 2011:** At the January 18, 2012 meeting of the Rules Committee, Mayor Reed requested that the Administration schedule a time during a future City Council meeting for Retirement staff or members of the Retirement Boards to present and explain their Comprehensive Annual Financial Reports. In addition to such a presentation, which would be a retrospective look at the respective plans' financial condition and results of the prior fiscal year, our recommendation includes a second presentation to Council based on the

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			results of the annual actuarial valuations. The actuarial valuations provide information on the City's annual required pension contributions, the City's and employees' contribution rates, and forecasts of future contribution requirements. As pension contributions have a major impact on the City's annual budget, it is important that Retirement staff present and explain the results of both the Comprehensive Annual Financial Reports and the actuarial valuations. Target date: TBD. **Auditor's update as of June 2012:** The Retirement Plans are currently preparing the CAFR for the fiscal year ended June 30, 2012. According to the Department of Retirement Services, a presentation of pension related activity will be coordinated with the City Manager's Office. Target date: TBD.
#6: To improve communication and understanding of the financial health of the retirement systems, the Retirement Services Department should prepare an annual summary report containing current and historical financial and actuarial information to be distributed to all plan members and posted on the Retirement Services Department website.	Retirement	Not Implemented	**Auditor's update as of December 2010:** The City Auditor believes it is critically important for Retirement Services to keep plan members informed about the financial health of the retirement systems. Basic information about the current and historical health of the plans can be summarized in a short 2-4 page report and distributed to members. Due to competing priorities Retirement Services at this time does not plan on preparing such a report for plan members. Target date: TBD. **Auditor's update as of June 2011:** No change. **Auditor's update as of December 2011:** No change. **Auditor's update as of June 2012:** The Retirement Boards are currently exploring options to improve communication with plan participants. Target date: TBD.
AUDIT OF THE CITY'S TAKE-HOME VEHICLES (Issued 10/14/10) **The objective of our audit was to assess the cost and reasonableness of current practices, and opportunities to reduce the number of take-home vehicles. Of the 11 recommendations, 4 were previously implemented or closed, 6 are partly implemented, and 1 is not implemented.**			
#3: Amend the vehicle policy to state that only City employees can be assigned vehicles on a take-home basis.	Public Works (Fleet Management)	Partly Implemented	**Auditor's update as of December 2010:** Staff is drafting revisions to City Policy Manual chapter 1.8.1 "Use of City and Personal Vehicles" (the vehicle policy) that would preclude volunteers, consultants, contractors, and others (non-City employees) from taking City vehicles home. Target date: 12-11. **Auditor's update as of June 2011:** No change. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.

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#4: Amend the vehicle policy to clearly define the purpose of take-home vehicles and restrict their use to the greatest extent possible.	Public Works (Fleet Management)	Partly Implemented	**Auditor's update as of December 2010:** Staff is drafting revisions to the vehicle policy that would clarify the purpose of take-home vehicles is to enable after-hours emergency response by authorized City employees on standby duty assignments that require special purpose or police and fire vehicles. The draft also provides the criteria for take-home vehicle use. Target date: 12-11. **Auditor's update as of June 2011:** No change. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
#6: We recommend that departments maintain and update records on the number of call backs for individuals, positions, and units with take-home vehicles, and provide these records with their annual requests for take-home vehicles.	Public Works (Fleet Management)	Partly Implemented	**Auditor's update as of December 2010:** Staff is drafting revisions to the vehicle policy that would require departments to provide take-home vehicle records as noted in the audit recommendation. Target date: 12-11. **Auditor's update as of June 2011:** No change. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
#7: To enhance the process for justifying take-home vehicles, we recommend the City amend the vehicle policy. The vehicle policy should, at a minimum, establish: a. A requirement that, as a condition for take-home use of a City vehicle, staff must be required to respond to after-hours emergencies. b. A minimum number of emergency callbacks within a 12-month period and field response as part of a justification model for take-home vehicles and require evidence of minimum emergency call backs with annual take-home vehicle requests. c. A maximum emergency response time for employees with take-home vehicles. Departments should establish and document emergency response-time limits and other expectations by unit. If there is no specific time target, departments should establish policies that require employees to pick-up a City vehicle to respond to the callback rather than take a City vehicle home; and/or a maximum allowable one-way commute distance to achieve the maximum allowable emergency response time. d. A minimum amount and/or percentage of vehicle utilization, excluding commuting miles, that must be attained	Public Works (Fleet Management)	Partly Implemented	**Auditor's update as of December 2010:** Staff is drafting revisions to the vehicle policy that will be reviewed by the Office of Employee Relations and the City Attorney's Office. As noted in the Administration's response to the audit, the Administration feels that part (d) is a vehicle utilization concern that is addressed by implementation of recommendations 1 and 2; we agree. The current draft incorporates parts (a), (b), and (c) of the recommendation by requiring that employees: (a) be on standby duty and to respond after-hours emergencies; (b) respond to at least 24 call-backs per year, generally; and (c) respond within 45 minutes of a call and have a one-way commute of at most 30 miles. The calendar year 2011 take-home requests by the Police and Fire Departments included vehicles for 14 employees who live 35 to 50 miles from their primary work reporting location. When the revised vehicle policy is formally approved by the City Manager's Office, such exemptions to the vehicle policy's guidelines should be infrequent exceptions—frequent exemptions could dampen the impact on the take-home vehicle program of establishing a maximum commute distance and/or emergency response time. Target date: 12-11. **Auditor's update as of June 2011:** No change. Target date: 12-11. **Auditor's update as of December 2011:** The 2012 take-home vehicle request list includes 9 employees in the Police and Fire Departments who commute 45 to 77 miles each way. The draft vehicle policy revision

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otherwise the vehicle will be considered for elimination from take-home use. If take-home vehicles do not attain minimum business usage, they should be placed into a department's or the City's motor vehicle pool, or eliminated. City Departments may create stricter departmental policy, as needed.			states that Department Chiefs must provide the CMO, along with the authorization request list, "Any policy exemption requests or requests to modify City policy as it relates to response times by specific units and one-way commute mileage criterion by assignment." The importance of this exemption process is evidenced by the continued number of take-home uses far beyond the 30-mile maximum one-way commute limit, and we reiterate the need for exemptions to be infrequent or else they will dilute the vehicle policy's impact. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
#8: We recommend departments assess the cost-benefit of mileage reimbursements, auto allowances, and other options mentioned above in cases where take-home vehicles are not justified in terms of the number of emergency call-backs. The City Manager's Office should approve and enforce implementation of the less costly option.	Public Works (Fleet Management) and City Manager	Partly Implemented	**Auditor's update as of December 2010:** Annually, Fleet Management will submit a recommendation to the City Manager's Office regarding the annual Take-Home Vehicle program. This recommendation will include a summary of the requested standby positions by department and will identify those standby positions or employees assigned to those positions where take-home vehicles are not recommended, or where alternatives such as mileage reimbursement should be considered. This will be done on a year-by-year, case-by-case basis. In addition, staff is drafting revisions to the vehicle policy that would require a cost-benefit analysis when take-home assignments do not meet the minimum annual call-back threshold to inform the annual review process. Target date: 12-11. **Auditor's update as of June 2011:** Fleet Management's recommendation for take-home vehicles for the 2011 calendar year identified positions where a vehicle was not recommended based on lengthy one-way commutes significantly beyond the proposed 30-mile limit. We will consider this recommendation implemented when draft policy changes are approved. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
#10: Work with the City Attorney's Office to clarify the process for determining whether use of a City vehicle is personal or business, and review whether the City may need to calculate and remit to the IRS imputed vehicle usage of Fire Department and Chaplain vehicles.	Finance	Not Implemented	**Auditor's update as of December 2010:** The Finance Department, plans to meet with the City Attorney's Office in the coming months to clarify the process for determining whether use of a City vehicle is personal or business, and to review whether the City may need to calculate and remit to the IRS imputed vehicle usage of Fire Department and Chaplain vehicles. Target date: 6-11. **Auditor's update as of June 2011:** The Finance Department has not yet met with the City Attorney's Office on this recommendation, but plans to meet in the next few months. Target date: 12-11. **Auditor's update as of December 2011:** The Finance Department has revised the take-home vehicle imputed reporting period to facilitate the recommended reporting period of the City Manager's Office in

Audit Report and Recommendation	Department	Current Status	Comments
			recommendation #11. In addition the Finance Department plans to meet with the City Attorney's Office in March 2012 regarding implementation of this recommendation and recommendation #11. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.
#11: Amend the vehicle policy to require: a. The City Manager's Office to authorize positions, not individuals, for take-home use of City vehicles, and clarify the level of discretion departments have in assigning occasional or short-term take-home use and the level of management at which such use can be authorized. b. Departments to track authorized employees who use take-home vehicles during year and report the list to both the General Services and Finance Departments. c. The Finance Department to base its calculation of imputed vehicle income on the take-home vehicle list authorized by the City Manager's Office in coordination with Departments and General Services.	Public Works (Fleet Management)	Partly Implemented	**Auditor's update as of December 2010:** Staff is drafting revisions to the vehicle policy that will incorporate all three parts of the recommendation. Target date: 12-11. **Auditor's update as of June 2011:** No change. Target date: 12-11. **Auditor's update as of December 2011:** No change. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: 12-12.

POLICE DEPARTMENT STAFFING: OPPORTUNITIES TO MAXIMIZE THE NUMBER OF POLICE OFFICERS ON PATROL (Issued 12/9/10)

The purpose of our audit was to review several FY 2010-11 budget proposals related to the Police Department and to identify efficiencies to maximize the number of police officers on patrol. Of the 8 recommendations, 1 was previously implemented, 4 are partly implemented, and 3 are not implemented.

#1: To promote transparency and provide the public with information about how resources are allocated in the Police Department, the Police Chief should report to the Public Safety, Finance, and Strategic Support Committee of the City Council at each shift change (every six months) on the changes in staffing by unit and function.	Police	Partly Implemented	**Auditor's update as of December 2010:** The Chief of Police plans to update the Public Safety, Finance, and Strategic Support Committee once every six months as to organizational changes made within the Department. The next update is expected to occur after the Department's March 2011 shift change. The Auditor's Office notes that the intent of the recommendation was to provide a one-page summary of Department-wide staffing that shows the changes in each unit's staffing levels from one shift change to the next. Target date: 3-11. **Auditor's update as of June 2011:** Police Department management advises that the Chief of Police reports organizational and staffing changes to the Public Safety, Finance, and Strategic Support Committee on a bi-monthly basis. The most recent report included a general summary, but the intent of the audit recommendation was to provide a one-page summary of Department-wide staffing that shows the changes in each unit's staffing level from one shift change to the next. The Department is exploring the possibility of providing such data. Target date: TBD.

Audit Report and Recommendation	Department	Current Status	Comments
			Auditor's update as of December 2011: No change. Target date: TBD. **Auditor's update as of June 2012:** The Department continues to report operational changes and staffing changes to the PSFSSC, but has not presented the simplified one-page summary of Department-wide staffing changes as described above. Target date: TBD.
#2: To better align staffing with workload, SJPD should propose additional shift start times.	Police	Not Implemented	**Auditor's update as of December 2010:** The Police Department is considering implementing an early swing shift car deployment. Management further advises that it is in talks with the Office of Employee Relations (OER) and the San José Police Officers' Association (SJPOA) as this issue requires the Department to "meet and confer" with SJPOA. Target date: TBD. **Auditor's update as of June 2011:** Police Department management advises that it has considered implementing an early swing shift car deployment but that plans to implement such a shift have been delayed due to budgetary and staffing cuts. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** The Department continues to review staffing allocations and schedules as staffing levels fluctuate. Target date: TBD.
#3: As an option to reduce costs in the near term and decrease span of control, SJPD should assess the feasibility of reducing the current number of divisions and associated supervisory positions without simultaneously redistricting.	Police	Partly Implemented	**Auditor's update as of December 2010:** Police Department management advises that in an effort to reduce costs it has evaluated the possibility of changing the number of divisions as well as other cost-saving measures. Management further advises that it has submitted a budget proposal that would potentially decrease the span of control without reducing the number of divisions and may achieve a similar effect as reducing the number of divisions. If implemented, effective July 2011, the proposal would reduce the number of lieutenant, sergeant, and police officer positions (in addition to the police officer positions already anticipated to be eliminated as of June 30, 2011). Target date: 7-11. **Auditor's update as of June 2011**: Police Department management advises that it is continuing to explore the possibility of reducing the number of divisions. With regard to span of control, the FY 2011-12 budget eliminated 23 positions (9 lieutenants and 14 sergeants) in Patrol as well as related maintenance and operating funding for six marked vehicles in Patrol. These eliminations were offset by the restoration of 8 police officer positions. Department management advises that the Department is continuing to review its span of control. The table below shows the Auditor's calculation of the span of control at the time of the audit (Dec. 2010) and in August 2011. Target date: TBD.

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	Dec. 2010 – Dept. Overall	Aug. 2011 – Dept. Overall	Dec. 2010 – Patrol	Aug. 2011 – Patrol
Cpts. to Lts.	1 to 5.2	1 to 7.8	1 to 5.8	1 to 5.3
Lts. to Sgts.	1 to 4.6	1 to 4.7	1 to 4.7	1 to 5.4
Sgts. to Officers	1 to 4.5	1 to 4.7	1 to 5.5	1 to 6.2

Auditor's update as of December 2011: The Department advises that an internal workgroup has been formed to review the issue. Target date: TBD.

Auditor's update as of June 2012: The Department submitted a Manager's Budget Addenda (MBA#35) during the 2012-2013 budget that outlined the change from four to three divisions, which will take effect September 16. As noted in the June 2011 update, 9 lieutenants were eliminated from Patrol in the FY 2011-12 budget. The Department advised in MBA#35 that in order to return to its deployment model of one lieutenant per division per shift, the Department will reduce the City back to three divisions and redeploy five lieutenants currently assigned elsewhere to the Bureau of Field Operations (BFO). Target date: 9-12.

POTENTIAL BUIDGET IMPACT: Net savings from elimination of 23 lieutenants and sergeants and restoration of 8 officers is approximately $3.5 million.

#4: If SJPD decides that redistricting is needed, the Department should conduct further study on the possibility of 12 districts and should reconsider its assumptions regarding span of control, proactive patrol time, call saturation, and hourly workload demand versus average hourly workload demand.	Police	Partly Implemented	**Auditor's update as of December 2010:** Police Department management advises that it conducted a verbal analysis and will postpone any consideration of redistricting until after it has a better picture of the short-term and long-term impacts brought by the current and upcoming budget cuts. Target date: TBD. **Auditor's update as of June 2011:** Police Department management advises that it conducted an analysis after conducting interviews with various Units within the Department which would be directly involved and affected if redistricting were implemented. Department management advises that the analysis indicated extensive resources would be required if redistricting were to be implemented in order to ensure that the Department's operations and service delivery would not be compromised. Department management advises that it has decided to postpone any consideration of redistricting until it has a better picture of the short-term and long-term impacts brought about by the current and upcoming budget cuts and layoffs. Department management further advises that it may work with an outside consultant to review span of control. Target date:

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			TBD. **Auditor's update as of December 2011:** The Department advises that it formed an internal committee and had a telephone conference call with the outside consultant in November 2011, who had done prior work for the Department regarding police districts in San Jose. The Department will also continue the review of its span of control, and will conduct analysis for the policy as resources become available. Target date: TBD. **Auditor's update as of June 2012:** The Department reports that it has reviewed and considered redistricting, and determined that the existing model is appropriate. (However, the Department will reduce the number of divisions from four to three at the September shift change, as noted in Recommendation #3.). Target date: 9-12.
#5: SJPD should assess and report on (to the Public Safety, Finance, and Strategic Support Committee of the City Council) the feasibility of changing the Patrol schedule to a potentially more efficient schedule.	Police	Not Implemented	**Auditor's update as of December 2010:** Police Department management advises that in 2010 (prior to the audit), the Bureau of Field Operations (BFO) Administrative Unit revised the scheduling of approximately one-third of the total patrol teams to improve operating efficiencies. The Department believes this change has resulted in greater operational efficiencies but is still evaluating the impact and the Chief will report on any changes to the Patrol schedule when appropriate. The Auditor's Office notes that the intent of the recommendation was for the Department to assess and report on the possibility and potential impact of switching to a patrol schedule other than the current four-days-per-week, 10 hours-per-day schedule (4-10). Target date: TBD. **Auditor's update as of June 2011:** Police Department management advises that its current shift schedule provides maximized efficiencies. Management further advises that In light of the latest budgetary and staffing cuts, the Department is constricted in exploring and experimenting with any new patrol schedule as recommended by the Auditor's Office due to the negative impacts that such experimentation can create to the Department's service delivery model. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** The Department reports that as staffing is restored within the Department, the Department will review this again to determine if there is opportunity for a change. Target date: TBD. **POTENTIAL BUDGET IMPACT**: TBD.
#7: To ensure that span of control is reasonable from both a safety and a cost perspective, the San José Police Department should develop a policy that provides guidance on how the department determines appropriate spans of control. The policy should incorporate criteria such as: complexity of work; quality, skills, and experience of supervisors and employees; administrative	Police	Not Implemented	**Auditor's update as of December 2010**: Police Department management advises that the Department has not created a formal policy for span of control. As resources become available, the Department will conduct analysis for the policy. Target date: TBD. **Auditor's update as of June 2011:** Police Department management advises that it is reviewing span of control and may work with an outside

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requirements; dispersed workforce; stability of the organization, etc.			consultant to review it. The Auditor's Office notes that in the FY 2011-12 budget, the Police Department eliminated 23 supervisory positions in Patrol and restored 8 officer positions for a net savings of about $3.5 million (see Recommendation #3). Target date: TBD. **Auditor's update as of December 2011:** The Department advises that an internal workgroup has been formed to review the issue. Target date: TBD. **Auditor's update as of June 2012:** The Department provided the PSFSSC an informational memorandum regarding span of control. The Committee accepted the written report and no further action is expected at this time. Target date: TBD. **POTENTIAL BUDGET IMPACT:** At the time of the audit, we estimated the potential budget impact at $15 million or more depending on the span of control.
#8: The San José Police Department should develop a high level staffing and resource allocation framework that: a) Reflects today's economic realities and focuses on improving efficiency of existing staffing levels b) Includes both an assessment of community priorities determined via community involvement and management's staffing priorities by unit or function c) Incorporates span of control guidance and targets d) Considers how prior recommendations regarding civilianization, outsourcing, and use of alternative personnel and schedules will be implemented.	Police	Partly Implemented	**Auditor's update as of December 2010:** Police Department management advises that with the current budget and staffing cuts the Department is facing, the Department does not have the staffing resources to conduct this type of analysis. As resources become available, the Department will consider this recommendation. Target date: TBD. **Auditor's update as of June 2011:** Police Department management advises that with the current budget and staffing cuts the Department is facing, the Department does not have the staffing resources to conduct this type of analysis. Target date: TBD. **Auditor's update as of December 2011:** The Department advises that it has implemented a verified response program to address the high number of false alarm calls. The Department has also modified its responses to non-emergency calls including non-injury accidents, street peddling violations, and other events not requiring an immediate police officer presence. The Department has civilianized some positions and will continue to evaluate the possibility of contracting and civilianizing additional positions. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.

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DISABILITY RETIREMENT: A PROGRAM IN NEED OF REFORM (Issued 4/14/11)

The purpose of our audit was to assess potential factors leading to a high disability retirement rate in the City. Of the 6 recommendations, 6 are partly implemented.

#1: We recommend the City fully implement, with a goal towards making permanent, the Fire Department's pilot Wellness Program requiring that all firefighters must meet minimum fitness standards (including changes to the firefighters' annual fitness examination) or be on a corrective action plan to achieve a minimum standard of fitness.	Fire	Partly Implemented	**Auditor's update as of June 2011:** The City and San Jose Fire Fighters (Local 230) reached an agreement to proceed with a pilot wellness program in March 2011. According to Fire Department Administration, the pilot program is still being evaluated. Target date: TBD. **Auditor's update as of December 2011:** The City and the San Jose Fire Fighters Union (Local 230) agreed to a **pilot** wellness program in March 2011. Per this agreement, sworn personnel represented by Local 230 shall participate in a Health Risk Assessment (HRA) fitness evaluation that will be conducted semiannually by the San Jose Fire Department. The HRA fitness evaluation will result in the employee being provided a "Fit Score" based on agreed upon scoring and testing components. Further, the Fire Chief may direct any sworn personnel assigned to twenty-four hour duty with a "Fit Score" of 2 or below or if recommended by the department's assigned Wellness Program Coordinator, to participate in a fitness program while on duty. In October 2011 the City Council approved a one year contract with Club One Inc. This contract provides for an on-site Certified Exercise Specialist to work weekly on a full-time (40 hour) schedule. Contract deliverables include: • Health Risk Assessments and analysis of results; • Health, fitness, and wellness training programs for all fire department personnel; • Personalized fitness programs to employees returning from injury that will help to improve employee well-being and prevent future injury; • Evaluations of fitness equipment in all Fire Department facilities and follow-up with training and equipment procurement activities; • Coordinate fitness equipment maintenance and repairs; • Information bulletins for Fire Department members; and • Provide initial and on-going training to Peer Fitness instructors. We will revisit the recommendation to review the impact and long-term viability of this approach during the next recommendation follow-up cycle. Also see related wellness program recommendation #4 from 2009 audit of workers' compensation. Target date: 6-12. **Auditor's update as of June 2012:** The Fire Department's ClubOne coordinator initiated fitness evaluations in January 2012. The ClubOne

Audit Report and Recommendation	Department	Current Status	Comments
			HRA coordinator assesses firefighters for various wellness indicators such as: resting heart rate and blood pressure, body composition assessment, three minute step test recovery, flexibility, sit-ups, push-ups, and 1.5 mile run/walk. The wellness testing results in a "fit score" for the employee. "Fit scores" range from 1-6 with 1 being the lowest score and 6 being the highest. In contrast to other years' HRAs, the current agreement allows the Fire Chief to direct any sworn personnel assigned to twenty-four (24) hour duty to participate in a fitness program while on duty, if his/her has a "Fit Score" of 2 or is recommended by the Department's Wellness Program Coordinator. This year, the Fire Department reports that 596 employees of 641 eligible employees completed the HRA. Eleven employees received a "fit score" of 2 or below. According to the Fire Department, these employees will be contacted by the ClubOne HRA coordinator to develop a customized program, and be retested in 6 months. However, since this is a pilot program it is not yet clear what this follow-up will entail and/or how fitness goals will be set. We will review this recommendation in six months once the Fire department's process to follow-up with the employees that have received low fit scores is defined. Target date: 12-12.
#2: Take steps to amend the Municipal Code to reconfigure the City's process for reviewing disability retirement applications so that: (1) the decision to grant or deny an application for a disability retirement is made by a disability committee made up of individuals with experience in disability and workers' compensation laws; (2) applicants who wish to appeal the decision of the disability committee may appeal the committee's decision to a board-appointed Hearing Officer; and (3) the City has its own legal counsel to advocate for its interests at the disability hearings.	City Attorney and Employee Relations	Partly Implemented	**Auditor's update as of June 2011:** The City Council is considering a ballot measure that would establish an independent panel of medical experts, appointed by the City Council that would make disability determinations for both plans with the right of appeal to an administrative law judge. Target date: 3-12. **Auditor's update as of December 2011:** The revised ballot measure is scheduled for the June 2012 election. Target date: 6-12. **Auditor's update as of June 2012:** San Jose voters approved Measure B on June 5, 2012. Measure B provides that an independent panel of medical experts, appointed by the City Council will make determinations of disability for both plans. It also provides the City and the employees the right to appeal the decisions to an administrative law judge. Measure B is in the process of being implemented. As far as the City having its own legal counsel at the disability hearings is concerned, according to the Office of Employee Relations the plan is to have a process that will include an advocate for the City however, they have not developed the process yet. Target date: 12-12.

Audit Report and Recommendation	Department	Current Status	Comments
#3: We recommend the City Council consider amending the City Charter and the Municipal Code to clarify that the purpose of the disability retirement benefit is to provide a stable source of income for employees who are incapable of engaging in any gainful employment but are not yet eligible to retire (in terms of age or years of service), and to limit disability retirement benefits to those employees who are incapable of engaging in any gainful employment.	City Attorney and Employee Relations	Partly Implemented	**Auditor's update as of June 2011:** The City Council is considering a ballot measure that would include changes to the definition of "disability" and the requirement to qualify for a disability retirement. Target date: 3-12. **Auditor's update as of December 2011:** The current ballot language, as revised, is less restrictive than proposed by the audit. The ballot measure is scheduled for June 2012. Target date: 6-12. **Auditor's update as of June 2012:** Measure B as approved by the voters on June 5, 2012, states that in order to receive any disability retirement benefit under any pension plan, City employees must be incapable of engaging in any gainful employment for the City, but not yet eligible to retire (in terms of age and years of service). An employee is considered "disabled" if they cannot do the work they did before, cannot perform nay other jobs described in the City's classification plan (in the employee's department for Police and Fire employees) because of his or her medical condition and the employee's disability has lasted or is expected to last for at least one year or to result in death. Measure B is in the process of being implemented. Target date: 12-12.
#4: We recommend the City Council take steps to amend the Municipal Code to require employees to declare their intention to apply for a disability retirement at the same time that they file for a service retirement.	City Attorney and Employee Relations	Partly Implemented	**Auditor's update as of June 2011:** The Administration generally agreed with this recommendation, but has not initiated the process to do so. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** Measure B as approved by the voters on June 5, 2012, states that in order to receive any disability retirement benefit under any pension plan, City employees must be incapable of engaging in any gainful employment for the City, but not yet eligible to retire (in terms of age and years of service). Measure B is in the process of being implemented. Target date: 12-12.
#5: Take steps to change the Municipal Code to impose a retirement benefit payment offset for sworn employees receiving disability retirement payments that replicates the offset for retired non-sworn employees.	City Attorney and Employee Relations	Partly Implemented	**Auditor's update as of June 2011:** According to City Administration, the City is currently engaged in retirement reform negotiations with both the Police Officers' Association and Firefighters Local 230 and intends to include this issue in those negotiations. Target date: 10-11. **Auditor's update as of December 2011:** This change has been incorporated into the ballot measure approved for the June 2012 election. Target date: 6-12. **Auditor's update as of June 2012:** Measure B as approved by the voters on June 5, 2012, provides that the City will not pay workers' compensation benefits for disability on top of disability retirement benefits without an offset to the service connected disability retirement allowance to eliminate duplication of benefits for the same cause of disability,

Audit Report and Recommendation	Department	Current Status	Comments
			consistent with the current provisions in the Federated City Employees' Retirement System. Measure B is in the process of being implemented. Target date: 12-12. **POTENTIAL BUDGET IMPACT:** The estimated cost per year to the pension plan of not offsetting Police and Fire disability retirement pension benefits when workers' compensation benefits are paid is $2.8 million.
#6: We recommend that the City take aggressive steps to collect the outstanding balances it is owed from those retirees who still have not fully repaid the City the amounts they were overpaid for their unused sick leave. If sick leave payouts are not eliminated as part of contract negotiations, payouts should be reduced when a disability retirement is pending to avoid future overpayments.	Finance	Partly Implemented	**Auditor's update as of June 2011:** According to Finance Administration, Finance/Payroll will work with Retirement Services to reduce sick leave payouts when disability retirement payments are pending. In addition, Finance/Payroll will also focus more on the accuracy of the billings in order to avoid delays in the collection process by Revenue Management. Also, Finance staff: (1) has collected approximately $70,000 in overpaid sick leave payouts, (2) has utilized the small claims court process, (3) set up payment plans with the debtors, (4) sent accounts to the collection agencies to collect on the City's behalf, and (5) worked with the City Attorney's Office to collect these past due amounts. Target date: TBD. **Auditor's update as of December 2011:** According to the Finance department, a total of about $100,000 of the $148,000 in overpayments as pointed out by the audit has been collected. Efforts to collect the remaining continue. We should note that sick leave payouts have not yet been eliminated for a majority of the employee groups. The City is currently in negotiations with various bargaining groups to eliminate this. If agreement is not reached, then the City would still need to develop a process for reducing payouts when a disability retirement is pending. Target date: TBD. **Auditor's update as of June 2012:** Finance department staff has continued to work with six retirees to collect about $50,000 outstanding sick leave payout overpayments. According to Finance, the City has begun legal proceedings on two of the six accounts, agreed upon a payment plan with three retirees and is currently reviewing an amount dispute with the one retiree. In addition, Finance staff identified three additional sick leave payout overpayments of about $87,000 and has been successful in collecting $9,800. However as mentioned in the previous recommendation follow-up update, sick leave payouts have not been eliminated for all the employee groups and if an agreement on its elimination is not reached, the City would still need to develop a process for reducing payouts when a disability retirement is pending. Target date: TBD.

Audit Report and Recommendation	Department	Current Status	Comments

ANNUAL FINANCIAL SCAN OF CITY-FUNDED COMMUNITY-BASED ORGANIZATIONS: FISCAL YEARS 2006-07 THROUGH 2009-10 (Issued 4/14/11)

The audit summarized key financial information for 36 organizations that receive more than $250,000 in annual financial assistance from the City. The 2 recommendations were implemented this period.

#1: To ensure that the annual list is accurate and complete, responsible grant-making departments should (1) update grant information timely in WebGrants and (2) establish a process for tracking other forms of financial assistance that are not currently included in WebGrants. The City Manager's Office should ensure the completeness and accuracy of such information before publishing the annual list of financial assistance.	Economic Development	Implemented	**Auditor's update as of June 2011**: OED staff advises that the Grant Management Policies and Procedures Manual now includes a requirement that departments update grant information in WebGrants prior to execution of the agreement or amendment. Staff further advises that as a check and balance, the WebGrants Grant ID# will be included in the summary pages of agreements beginning in FY 2011-12 to indicate compliance with this requirement. OED staff also advises that there are now means of reporting operating and maintenance (O&M) agreement amounts, in-kind grant amounts and below-market lease amounts in the WebGrants system. This data will be entered beginning in FY 2011-12 and will appear on comprehensive Grant reports from FY 2011-12 forward. Target date: TBD. **Auditor's update as of December 2011:** Work is ongoing to ensure that comprehensive data is included in WebGrants. Target date: TBD. **Auditor's update as of June 2012:** The Grants Management Working group and individual grant managers continue to be responsible for ensuring that grant information as well as broader total financial assistance is up to date in WebGrants.
#2: To ensure that the City's Sunshine Reform Task Force requirements are met, grant-making departments should verify that financial statements are posted before making a funding recommendation regarding a CBO. The City Manager's Office should further ensure at the start of each fiscal year that any CBO subject to the Sunshine Reform Task Force requirements has complied.	Economic Development	Implemented	**Auditor's update as of June 2011:** OED staff advises that the Grant Management Policies and Procedures Manual now includes the requirement that departments verify compliance with the City's web posting requirement prior to funding or increasing funding to a grantee and during the annual program monitoring. OED staff further advises that compliance with the above requirement will be confirmed periodically through the Grants Management Working Group. Target date: TBD. **Auditor's update as of December 2011:** Work is ongoing by the Grants Management Working Group to confirm compliance on a periodic basis as staff resources allow; the group will work with departments as needed to ensure continued compliance. Target date: TBD. **Auditor's update as of June 2012:** The Grants Management Working group and individual grant managers continue to be responsible for ensuring that a CBO's financial statements are posted to the web before a funding recommendation is made regarding a CBO.

Audit Report and Recommendation	Department	Current Status	Comments
KEY DRIVERS OF EMPLOYEE COMPENSATION: BASE PAY, OVERTIME, PAID LEAVES AND PREMIUM PAYS (Issued 5/11/11) **The objective of our audit was to define and quantify the various components and major cost drivers of employee cash compensation. Of the 7 recommendations, 2 are partly implemented and 5 are not implemented.**			
#1: We recommend the City Administration take steps to move towards a merit-based system by: (1) requiring a current positive performance appraisal before implementing any pay increase (including step and general wage increases), (2) considering elimination of the automatic step increase process and/or establishing minimum performance thresholds for receiving step increases, and (3) automating the current performance appraisal system.	City Manager	Not Implemented	**Auditor's update as of June 2011:** This is part of the City Manager's May 2011 Fiscal Reform Plan and will be a part of upcoming contract negotiations with the City's bargaining units. Target date: Varies by employee unit. **Auditor's update as of December 2011:** No change. Target date: Varies by employee unit. **Auditor's update as of June 2012:** No change. Target date: Varies by employee unit. **POTENTIAL BUDGET IMPACT:** TBD.
#2: To reduce the cost of overtime, the City should (1) conduct a Citywide FLSA overtime review or at a minimum review job specifications for specific positions and whether they would qualify for an FLSA overtime exemption; (2) pursue reductions in overtime to align with FLSA requirements (including but not limited to calculating overtime on hours worked, not paying overtime to exempt employees, and not paying overtime to employees receiving executive leave); and (3) prepare full cost estimates of contract provisions that exceed FLSA provisions.	Employee Relations	Partly Implemented	**Auditor's update as of June 2011:** The City achieved changes in overtime eligibility for some employees. Specifically, effective July 2011, employees represented by OE#3, IBEW, MEF and CEO (September 2011) are compensated at the rate of time-and-one-half hourly rate for hours worked in excess of forty hours per week, and paid time off shall not be considered time worked for the purposes of calculating eligibility for overtime. Reducing overtime costs is part of the City Manager's May 2011 Fiscal Reform Plan and will be a part of upcoming contract negotiations with the City's bargaining units. The City has not yet conducted a citywide FLSA overtime review or a review of job specifications to determine whether some positions would qualify for FLSA overtime exemptions. The City has not prepared full cost estimates of contract provisions that exceed FLSA provisions, but OER reports this analysis will be done in preparation for the upcoming contract negotiations. Changing overtime eligibility for employees that receive executive leave may be subject to meet-and-confer and would be considered within the context of labor negotiations. Target date: Varies by employee unit. **Auditor's update as of December 2011:** No change. Target date: Varies by employee unit. **Auditor's update as of June 2012:** No change. Target date: Varies by employee unit. **POTENTIAL BUDGET IMPACT:** Between the date the audit was issued (May 2011) and August 2012, overtime costs to supervisory employees have exceeded $1.6 million. We estimate pursuing reductions in overtime and comp time for supervisory employees could save $1.6 million per year (depending on actual usage).

Audit Report and Recommendation	Department	Current Status	Comments
#3: We recommend that the City include eligible paid time off in calculations of total compensation, and consider aligning paid leaves, particularly holidays, with other comparable employers.	Employee Relations	Not Implemented	**Auditor's update as of June 2011:** The Administration generally agreed with this recommendation and will initiate efforts to develop and communicate a uniform definition of total compensation, including base and other eligible pays as well as benefits. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#4: To reduce costs, the City Council should consider eliminating or reducing the sick leave payout. If the City decides to leave a payout option for employees and caps the total payout, disclose the expected costs of the remaining benefit over the long-term.	City Manager	Partly Implemented	**Auditor's update as of June 2011:** Effective January 2012, employees represented by CEO, IBEW, MEF and OE#3 will not be eligible for sick leave payouts. The City has side letters to continue negotiations over changes to sick leave payout with the remaining 7 bargaining units. The City Manager's Fiscal Reform Plan recommends eliminating the sick leave payouts by Fiscal Year 2012-2013. Target date: TBD. **Auditor's update as of December 2011:** Effective January 2012, the City eliminated sick leave payouts for employees represented by CEO, IBEW, MEF and OE#3, and the City Manager's Office of Employee Relations is currently engaged in negotiations regarding more changes. Target date: 6-12. **Auditor's update as of June 2012:** No change. Target date: Varies by employee unit. **POTENTIAL BUDGET IMPACT:** During FY 2011-12, the City paid out over $10M in sick leave payouts. Even though many employees are no longer eligible for sick leave payouts, the potential expense of providing them to employees who retain eligibility is significant. We estimate the value of sick leave accrued by employees who are eligible to collect payouts within a year exceeds $10 million.
#5: We recommend the City Administration (1) seek to eliminate obsolete premium pays, (2) disclose the direct and indirect costs associated with rolling in premium pays, and (3) consider discounting the value of premium pays to maintain cost neutrality when rolling in premium pays OR identify and disclose the full cost associated with rolling in these premium pays into base pay.	Employee Relations	Not Implemented	**Auditor's update as of June 2011:** OER reports that premium pays will be evaluated during the upcoming negotiations. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD. **POTENTIAL BUDGET IMPACT:** TBD.
#6: The City should discontinue including POST in its calculation of overtime and leave payouts, or should roll POST pay into base pay on a discounted, cost neutral basis.	Employee Relations	Not Implemented	**Auditor's update as of June 2011:** As part of the 2011-12 labor negotiations, the City proposed excluding POST pay from the calculation of separation payouts for employees represented by the San Jose Police Officers' Association (POA). However, POST continues to be included in calculations of overtime and leave payouts. In our audit, we estimated this treatment of POST has cost the City over $4.7 million between 2000-01 and 2009-10. Until this recommendation is implemented, these costs will continue to grow. Target date: TBD.

Audit Report and Recommendation	Department	Current Status	Comments
			Auditor's update as of December 2011: No change. Target date: TBD. **Auditor's update as of June 2012:** No Change. Target date: TBD. **POTENTIAL BUDGET IMPACT:** Between the date the audit was issued (May 2011) and August 2012, we estimate this treatment of POST has cost the City over $500,000. Until this recommendation is implemented, these costs will continue.
#7: In the interest of transparency, and to fully recognize all employee compensation, the City should standardize its definition of total compensation to include all eligible pays, including the average value of sick leave payouts and consider making such information publicly available for all employees and members of the public.	City Manager	Not Implemented	**Auditor's update as of June 2011:** No change. Target date: TBD. **Auditor's update as of December 2011:** No change. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.

SUPPLEMENTAL MILITARY PAY AND BENEFITS: REEXAMINATION AND SIMPLIFICATION ARE NEEDED (Issued 6/8/11)

The purpose of our audit was to find administrative efficiencies for the program and determine if any adjustments could be made to reduce costs while still ensuring that the original program intent is maintained of allowing City-employed reservists to serve our country with minimal financial impact. The 2 recommendations are partly implemented.

#1: We recommend the City Council revisit the purpose of the Supplemental Military Pay and Benefits Program and codify provisions including: a. When will the Program apply? We suggest specifying a threshold for a crisis, such as when X number of reservists are called-up nationwide. b. How long will supplemental pay and benefits be provided? We also suggest time-limiting participation to five years cumulative military service while employed with the City, which would be consistent with federal veterans' rights requirements. If individual tour benefits were limited to 540 days (roughly 1.5 years), only one of the last 28 long tours would have reached the cut-off point; if the limit were set at 366 days (roughly one year), 7 of the last 28 long tours would be impacted. c. Will retirement credits accrue, and should vacation and sick leave continue to accrue? We suggest requiring reservists to pay the employee share of contributions to provide parity with other City employees and because they are earning military retirement credit at the same time.	Employee Relations, Finance, and Human Resources	Partly Implemented	**Auditor's update as of June 2011:** In response to the audit, the City Council requested additional information about administrative procedure options. Target date: 11-11. **Auditor's update as of December 2011:** On August 9, 2011, the City Council accepted the City's Auditor's report, with additional modifications as outlined in the memorandum dated August 5, 2011, from Vice Mayor Nguyen, Councilmembers Constant, Kalra and Liccardo. The City Council's action addressed each of this recommendation's questions as follows: a. The program will apply to all City employees that are also reserves regardless of any specific call-ups or crises. b. Supplemental pay and benefits will last as long as employees are on active duty. c. Vacation and sick leave shall accrue throughout the leave and retirement credits shall also accrue if the reservist elects it. However, reservists will be required to contribute the employee share of retirement costs just as they would do if they were actively working for the City. d. Reservists shall be obliged to disclose any Department of Defense differential pay (RIRP) that they receive, and the City

Audit Report and Recommendation	Department	Current Status	Comments
d. Reservists should be obliged to disclose any Department of Defense differential pay (RIRP) that they receive, and the City should offset the City's supplement based on that amount. e. We also recommend paying MLT only for the first 30 days of a single tour, not more than once per fiscal year as required by State law.			should offset the City's supplement based on that amount. e. MLT will be paid for the first 30 days of a tour and additionally for the first 30 days of a new fiscal year. Once these mandates are incorporated into the Supplemental Programs policy, this recommendation will be implemented. Target date: 6-12. **Auditor's update as of June 2012:** The Office of Employee Relations, Human Resources, and the City Attorney's Office have drafted an updated Supplemental Military Leave Policy. The policy is currently close to completion and addresses all of the questions noted in this recommendation. Target date: 10-12.
#2: We recommend the Administration: a. Update the Supplemental Military Leave Policy establishing that the supplemental payment shall be a fixed monthly amount – the difference between regular earnings in the month prior to deployment and the military pay on the first full month of a tour, with a one-time adjustment after 90 days and no further modifications. b. Simplify the military leave contract and consider which aspects of the Program require signed commitments. c. Consider incorporating reserve status and military income release forms into HR's Outside Employment and the Police Department's Secondary Employment forms and policies as a way of streamlining documentation and management. d. Consider appointing a reservist liaison(s) to promote better communication regarding benefits and upcoming military leaves, and to maintain contact with reservists on tour. e. Prepare written procedures for calculating supplemental pays, leave accruals, seniority hours, and benefits management.	Employee Relations, City Attorney, Human Resources, and Finance	Partly Implemented	**Auditor's update as of December 2011:** On August 9, 2011, the City Council accepted the City's Auditor's report with additional modifications as outlined in the memorandum dated August 5, 2011 from Vice Mayor Nguyen, Councilmembers Constant, Kalra and Liccardo. On December 6, 2011, the City Council accepted a follow-up report on Supplemental Military Pay including this recommendation. The Office of Employee Relations has been working with the City Attorney's Office to draft new policies reflecting these changes. Meanwhile, the City has not changed the way it calculates supplemental pay but it has started identifying employees as reservists through the Peoplesoft system and has determined that the City's Benefits Manager will be the designated reservist liaison. Target date: 8-12. **Auditor's update as of June 2012:** The Office of Employee Relations, Human Resources and the City Attorney's Office are in the process of finalizing the changes to the Supplemental Military Leave Policy, which addresses most of the items in our recommendation. Once the policy is finalized, Finance can prepare written procedures. Target date: 12-12.

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TRAFFIC CITATION REVENUE: REVENUE HAS DECLINED OVER THE LAST FIVE YEARS AND THE CITY CONTINUES TO RECEIVE A SMALL SHARE OF THE REVENUE (Issued 8/11/11)

The objective of this audit was to review the accuracy of the apportionment of fine collected in connection with violations of the State Vehicle Code on city streets. Of the 3 recommendations, 2 were previously implemented or closed and 1 is partly implemented.

#3: We recommend the City Administration work with the Santa Clara County Superior Court to develop an annual report of information the Police Department can use to improve its operations and ensure traffic citation revenue is not lost.	Police	Partly Implemented	**Auditor's update as of December 2011:** In the past, the Department has received an annual report from the County which the Department has used as a reference for the number of citations written and how they have been processed. The Department will contact County staff to obtain the annual report which covers calendar year 2011, or the last fiscal year, in the coming months. Target date: 3-12. **Auditor's update as of June 2012:** Court staff recently informed the Department it no longer has the resources to provide as detailed a report as provided in the past. The Court provided an alternative annual report that did not fulfill the Department's request because it lacked vital information that would make it a beneficial tool for operations planning and revenue tracking. The Department has informed the Court that this new report will not meet the Department's needs, and the Court has agreed to re-evaluate its position, and report back to the Department at a later date. Target date: TBD.

AIRPORT PUBLIC SAFETY LEVEL OF SERVICE (Issued 10/12/11)

The objective of this audit was to benchmark the current level of police and fire services at Mineta San José International Airport. Of the 5 recommendations, 1 was implemented during this period, 2 were partly implemented and 2 are not implemented.

#1: In order to better monitor the levels of service provided by law enforcement and aircraft rescue and firefighting services, performance metrics should be continuously reviewed and discussed amongst the Airport and its public safety and security partners.	Airport	Partly Implemented	**Auditor's update as of December 2011**: The Airport is working on clarifying a Memorandum of Understanding with SJPD-Airport Division and SJFD, respectively, that includes staffing and equipment agreements, operational requirements regarding public safety and security, as well as performance-related reports to be provided to the Airport on a weekly and monthly basis. Target date: 6-13**.** **Auditor's update as of June 2012:** The Airport completed the Memorandum of Understanding (MOU) with SJPD-Airport Division. The MOU includes a staffing agreement, operational requirements and indentifies performance reports to be provided. Work with SJFD continues. Target date: 6-13.

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#2: Airport Operations should summarize and distribute key performance metrics such as gate and door alarms, TSA red alarms, FAA alerts, and a summary of other significant events to its public safety and security partners (currently the San José Police Department and the San José Fire Department) on a regular basis.	Airport	Partly Implemented	**Auditor's update as of December 2011:** Representatives of SJPD-Airport Division and SJFD (Station 20) typically receive daily activity reports from Airport Operations via email of all significant airport events; however, key activities and performance metrics are not yet being summarized and distributed on a regular basis. The Airport needs to discuss which measures to focus on for data collection and how often such data should be compiled and shared with the City and other departments. Target date: 6-13. **Auditor's update as of June 2012:** Key performance metrics are being developed for distribution to appropriate entities. Target date: 6-13.
#3: Any existing Memorandum of Understanding or mutual aid policy specific to the Airport should be clarified in order to clearly distinguish the jurisdictional boundaries and responsibilities of the Sheriff's Office versus the San José Police Department. An outsourcing agreement must also clarify what services are included and what services might trigger additional fees and charges.	Airport	Not Implemented	**Auditor's update as of December 2011:** The Airport did not contract out law enforcement services in late 2011, so no MOU is necessary at this time. However, the possibility of outsourcing Airport law enforcement services to the Sheriff's Office may be reevaluated in early 2013. If services are ultimately contracted out to any agency other than SJPD, then an MOU should be clarified among the Airport, SJPD, and the third party. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.
#4: In order to better monitor the levels of service provided by law enforcement, SJPD should summarize and distribute key performance metrics such as incidents by type, response times, and a summary of off-field responses to its public safety and security partners (currently Airport Operations and the San José Fire Department) on a regular basis.	Police	Implemented	**Auditor's update as of December 2011:** The Police Department has occasionally shared performance measurement information with Airport Operations; the Airport is working to clarify a MOU that includes daily, weekly, and monthly performance reports from SJPD. The Department will also start the practice of sharing information with the City's Fire Department. Target date: 3-12. **Auditor's update as of June 2012:** The Police Department's Airport Division now provides a copy of its quarterly Program Management Report (PMR) to Airport Operations and the Fire Department. The PMR includes performance metrics such as incidents by type, response times, and summary of off-field responses. The Police Department currently meets bi-weekly with Airport Operations to share information. Monthly meetings are held with all stakeholders, which include the Fire Department.
#5: In order to better monitor levels of service, the San José Fire Department should summarize and distribute key performance metrics such as incidents by type, response times, and a summary of off-field responses to its public safety and security partners (currently Airport Operations and the San José Police Department) on a regular basis.	Fire	Not Implemented	**Auditor's update as of December 2011:** Review of Fire Department performance measures is currently being undertaken. An update will be provided in June 2012. Target date: TBD. **Auditor's update as of June 2012:** No change. Target date: TBD.

Audit Report and Recommendation	Department	Current Status	Comments

AUDIT OF ANNUAL FORM 700 FILERS (Issued 11/10/11)

The purpose of this audit was to determine whether the City had identified everyone who should be filing these forms, and to document whether the forms were filed timely or not. The 5 recommendations are partly implemented.

#1: During each reporting cycle, the City Clerk should notify the City Manager and department heads of non-filers in their departments and should impose penalties on late and non-filers. Furthermore, the City Manager and department heads should consider disciplinary action on designated City employees who file untimely or not at all.	City Clerk	Partly Implemented	**Auditor's update as of December 2011:** The City Clerk plans to implement this recommendation immediately, beginning with annual statements due April 1, 2012 and for all assuming and leaving office statements after February 1, 2012. Target date: 4-12. **Auditor's update as of June 2012:** The City Clerk has notified employees who did not file the required Form 700 and Family Gift Report by the April 1 deadline. Final notices to the employees and notification to the City Manager and Departments of non-compliant designated persons is underway. Target date: TBD.
#2: The City Attorney's Office should provide instructions to department and Purchasing staff to facilitate the identification of consultants who should be Form 700 filers. In addition, City departments should notify the City Clerk in cases where a contract terminates early or the designated consultant's assigned employee(s) change.	City Attorney	Partly Implemented	**Auditor's update as of December 2011:** Not Implemented. Target date: TBD. **Auditor's update as of June 2012:** Instructions have been developed and training given for consultant contracts involving Public Works. In addition, instructions and training for other consultant contracts will be developed and will be reviewed with departments as a part of the Biennial review of the City's Conflict of Interest Code. The Biennial review will be submitted for Council approval by December 2012. Target date: 12-12.
#3: To ensure designated consultant firms' assigned employees file their Form 700s timely, (a) the City Clerk should require such firms to coordinate and file assuming office statements for their assigned employees upon the commencement of work, and (b) the City Clerk should annually notify those firms whose contracts are still valid of the requirement for their assigned employees to file the Annual Form 700.	City Clerk	Partly Implemented	**Auditor's update as of December 2011:** Not Implemented. Target date: TBD. **Auditor's update as of June 2012:** Procedures are being developed and will be reviewed with departments as a part of the Biennial review of the City's Conflict of Interest Code. The Biennial review will be submitted for Council approval by December 2012. Target date: 12-12.
#4: The City should seek to amend current legislation to allow the City to participate in the State's electronic filing pilot program.	City Clerk	Partly Implemented	**Auditor's update as of December 2011:** The City Clerk reports that he will propose City support for AB1251 (Davis) which will make the current pilot for the electronic filing of statements of economic interest to be made permanent and allow all jurisdictions to require electronic filing. Target date: TBD. Varies by employee unit. **Auditor's update as of June 2012:** AB 2062, which would allow local jurisdictions to require electronic filing of the Form 700 upon meeting certain conditions with the Fair Political Practices Commission, is pending in the State Legislature. Target date: TBD.

Audit Report and Recommendation	Department	Current Status	Comments
#5: Include information about Form 700 filing requirements in new employee orientation materials and employee exit checklists, as appropriate.	HR	Partly Implemented	**Auditor's update as of December 2011:** HR is in discussions with the Clerk's Office to include a one page introduction to Form 700 filing requirements for all new employees during new employee orientation. Target date: TBD. **Auditor's update as of June 2012:** HR is coordinating with the Clerk's Office and the Attorney's office to include a one page introduction to Form 700 filing requirements for all new employees during new employee orientation. Target date: TBD.

OFFICE SUPPLY PURCHASES: THE CITY DID NOT RECEIVE ALL ANTICIPATED DISCOUNTS NOR DID IT FULLY TAKE ADVANTAGE OF OFFICEMAX'S ENVIRONMENTALLY FRIENDLY OFFERINGS (Issued 1/18/12)

The objective of our audit was to determine if the City was receiving all applicable discounts. Of the 5 recommendations, 1 is implemented this period and 4 are not implemented.

#1: We recommend that the Finance Department work with OfficeMax to periodically set fixed pricing on frequently purchased items.	Finance	Not Implemented	**Auditor's update as of June 2012:** The Purchasing section in the Finance Department is planning to have a quarterly business review that will address usage and make fixed pricing recommendations sometime in the 1st quarter of FY 12-13. Purchasing would like OfficeMax to provide their recommendations on which items to include in the fixed price group before that meeting so that the list can be discussed during the review. Target date: 10-12.
#2: We recommend the Finance Department work with OfficeMax to enhance the website to encourage purchasing best value items in accordance with City policies.	Finance	Not Implemented	**Auditor's update as of June 2012**: A quarterly business review that will address enhancements to the on-line catalog including directing users to "best value" items will be scheduled in the 1st quarter of FY 12-13. Purchasing would like to get recommendations from OfficeMax on how to implement this recommendation. Target date: 10-12.
#3: We recommend the Finance Department accept the $829 refund for fixed price item errors and other billing errors from OfficeMax.	Finance	Implemented	**Auditor's update as of June 2012:** OfficeMax provided a refund of $829 and a credit of $166,000 in January 2012 for the issues we identified on our report. **BUDGET IMPACT:** The City saved $166,829 by implementing our recommendation.
#4: We recommend that the City Manager aggressively seek to phase out City-owned printers, scanners and faxes and divert those needs to the Ricoh machines.	IT	Not Implemented	**Auditor's update as of June 2012:** IT has benchmarked the usage of laser printers citywide and is analyzing the data to make a vendor neutral recommendation to the City Manager. Fax machines are being analyzed for possible efficiencies as part of the hosted Voice over IP implementation. Ricoh, the City's current printer vendor for rented

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			machines, has also reviewed machine usage in City Hall to identify areas where machines could be eliminated. They are working with IT to implement this recommendation. Target date: 12-12. **POTENTIAL BUDGET IMPACT:** We estimate the City could save approximately $300,000 (much of the savings coming through reduced purchasing of toners) by shifting the City's printing, copying, and faxing use to rented Multi-function devices.
#5: We recommend that the Finance Department work with OfficeMax to introduce website enhancements that increase environmentally friendly purchases, especially for toner and paper products.	Finance	Not Implemented	**Auditor's update as of June 2012:** The Finance Department is planning to include the ESD Green Team in the quarterly business review to ensure that the City optimizes its catalog. Target date: TBD. **POTENTIAL BUDGET IMPACT:** We estimate the City could save at least $78,800 by purchasing the more discounted environmentally friendly toners and papers on the OfficeMax contract that many of the "traditional" options.

AUDIT OF INFORMATION TECHNOLOGY GENERAL CONTROLS (Issued 1/18/12)

The objective of our audit was to assess the general controls ensuring that the City's information systems are properly safeguards, that applications programs and data are secure, and that computerized operations can be recovered in case of unexpected interruptions. The 11 recommendations are partly implemented.

#1: To ensure changes to the City's network and mission-critical enterprise systems are tightly controlled, ITD should immediately change the password to its shared administrative account, ensure that administrative log-ins to the City's network are traceable, and strictly limit administrative log-in privileges to those who absolutely need such privileges. Furthermore, we recommend that the ITD CIO annually review and approve the memberships of shared accounts that can access the City's network and enterprise systems, and if necessary make changes based on current business needs.	IT	Partly Implemented	**Auditor's update as of June 2012:** ITD has changed passwords for the highest level administrative log-ons as recommended. Staff is currently upgrading Microsoft Active Directory (the City's identify management system). According to ITD, this will reduce the number of shared accounts and enforce automated password rotations of shared accounts without staff intervention. Target date: 11-12.
#2: To improve password and access controls over the City's network and data, ITD should: a) Establish minimum length and complexity requirements for users' passwords, automatic periodic expiration schedules, and "lock-outs" when users reach a pre-determined number of consecutive unsuccessful login attempts. b) While granting access to additional server drives, etc., ITD should by default, terminate transferring employees' access to the drives of the departments they are departing, or explore a system through which	IT	Partly Implemented	**Auditor's update as of June 2012:** ITD's draft security policy addresses many security concerns addressed in the audit. Further, according to ITD, this recommendation will also be addressed as part of the active directory upgrade. Target date: 12-12.

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employees' access levels are tied to their employment status as recorded in the City's personnel system. c) Develop a review process requiring departments to periodically review the users with access to their departmental drives.			
#3: The City should include boilerplate terms to include in contracts with third parties the following: a) Require PCI-DSS compliance when contractors are responsible for collecting credit card information. b) Require the vendors to submit current PCI-DSS compliance certificates on an ongoing basis.	IT and City Attorney	Partly Implemented	**Auditor's update as of June 2012:** City contracts for the acceptance of credit cards includes boilerplate language requiring PCI compliance. ITD, Purchasing and the Attorney's Office are working on additional contract language to address vendors that may potentially accept credit cards post contract-execution but still during the life of the contract. Target date: 9-12.
#4: In order to fully comply with Data Security Standards (PCI-DSS), immediately develop an Information Security Policy and include within this policy (applicable to all users who are connected to the City's network) the following minimum standards: a) Updated password and access protocols (see Recommendation #2); b) Required schedules for periodic reviews of people with access to data center (including restricting the number of people with access); c) Improved guidelines to departments for facilitating IT network changes during inter-departmental transfers and terminations; d) Training and implementation of the City's information security policy; e) After developing and implementing a Council-adopted Information Security Policy, initiate a citywide data security assessment to identify City's PCI-DSS status.	IT	Partly Implemented	**Auditor's update as of June 2012:** ITD has worked with an Information Security consultant to draft a Citywide Information Security Policy. Elements of the policy are currently under review by key stakeholders. The policy is anticipated for Council approval in October 2012: While most recommendations are addressed by this policy, ITD will still need to develop schedules for periodic reviews of people with access to the data center, training and implementation of the City's Information Security Policy, and initiating a citywide data security assessment to identify the City's PCI-DSS status. Target date: 10-12.

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#5: The City should expand its Identity Theft Prevention Program to include all programs that collect personally identifiable information and: a) Annually review, amend and report on the status of handling private information. b) Annually review the business needs of employees with access to private information and update accordingly. c) Provide periodic training for all employees handling private information and/or annually highlight (through an email) and inform employees of their responsibilities on safeguarding this data. d) Include boilerplate language in its contracts to protect the City from liability when personally identifiable information is collected and ensure that the contractor has controls in place to secure and protect this information. e) Ensure that the ITPP guidelines are posted publicly and easily accessible by City employees.	IT and Employee Relations	Partly Implemented	**Auditor's update as of June 2012:** ITD is currently working with the City Attorney's Office on data classification and examples of personally identifiable information (PII) to better raise awareness in the identification of PII within the organization. Once this area is complete, ITD plans to work with OER, HR and the CMO to update policies and develop an education program with respect to the identification of PII. As part of this coordinated effort, departments will be required to formalize specific PII handling procedures. ITD anticipates that because this is much larger than a technology issue, completion must be phased and the adoption of the Information Security Policy is the beginning of this process. ITD expects that this recommendation may take up to year to complete. Target date: 8-13.
#6: We recommend that ITD develop the following written policies and procedures: a) Internal policies and procedures on day-to-day operations within ITD; b) Citywide policies on technology usage such as ITD responsibilities in enforcement, principles of least privilege, and acceptable use of computer equipment. Within these policies develop clear guidelines on which departments would be exempt and why, from some of these policies.	IT	Partly Implemented	**Auditor's update as of June 2012:** Staff has been working on formalizing key system administration procedures. These procedures are centrally stored and accessible. The draft Information Security Policy addresses principles of least privilege and acceptable use of computer equipment and is expected to be presented to the City Council for approval in October 2012. Target date: 10-12.
#7: In order to ensure that the City's critical data is protected ITD should: a) Ensure that backups are done and tapes are sent off-site at the pre-determined intervals; b) Get end-user input to determine if the current back-up process meets individual departments' business needs and City Council-approved document retention schedules; and c) Formalize, document and implement these processes.	IT	Partly Implemented	**Auditor's update as of June 2012:** Since January 2012, ITD has begun following pre-determined schedules of vaulting tapes. In addition, on September 4' 2012, ITD released an RFP for data storage which will automatically vault backups to the cloud. This will minimize the reliance on tapes, manual processes and staff intervention. Following the procurement of the new storage system, ITD will work with end-users to ensure business needs and adopted retention policies are met. Target date: 3-13.

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#8: ITD take the lead to develop (and test) a Disaster Data Recovery Plan and ensure that end-user business needs are included in the final plan.	IT	Partly Implemented	**Auditor's update as of June 2012:** ITD has developed a draft framework of requirements for disaster recovery for key systems. Although ITD plans to take the lead in facilitating coordination of the responses, technical solutions will be driven by business requirements developed by the system owners in individual departments. Target date: 12-13.
#9: ITD should collect, maintain and periodically update a central inventory of computer equipment and software, and should use its inventory management system and records of technology purchases to: a) better evaluate purchasing needs, b) identify opportunities to redistribute and/or share equipment and software, and c) to the extent possible, ITD should pursue opportunities to centrally-install packages, rather than installing packages at individual workstations.	IT	Partly Implemented	**Auditor's update as of June 2012:** ITD is creating a process to leverage the current asset management system, and to track asset management lifecycles. Staff is also working with current vendors to implement electronic order processing and inventory management. Further, the 2012-13 Adopted Operating Budget provided ITD with funding for purchasing the tools necessary for software centralization, and reports that it met with software vendors to begin planning for the project. Target date: 1-13. **POTENTIAL BUDGET IMPACT:** We estimate that using centrally managed software and subscription based model could potentially save the City $800,000 in labor and equipment costs.
#10: Because computer equipment may contain personal identifiable information and other sensitive information, ITD should develop, distribute, and implement a Citywide policy for decommissioning computer equipment, and include it in the citywide surplus inventory policy.	IT	Partly Implemented	**Auditor's update as of June 2012:** The draft Information Security Policy addresses some aspects of protecting personal identifiable information and other sensitive information. However, ITD still needs to address decommissioning computer equipment and including it in the Citywide surplus inventory policy. Target date: 1-13.
#11: Review the life expectancies of critical computer systems and determine a replacement schedule and budget for the highest-priority systems and hardware.	IT and Budget	Partly Implemented	**Auditor's update as of June 2012:** ITD and user departments are in the process of reviewing life expectancies and usefulness of various critical computer systems. These include FMS, Payroll system, Budgeting system, the Business Tax system and Integrated Billing System. As part of the approval of the 2012-2013 Adopted Budget, the City Council allocated funds for mapping the FMS system. Further, Finance has completed Phase I of the HR/Payroll RFP. In addition, ITD has mapped the "as is" state of the budget process and the Budget Office plans to release an RFI for a budget system in 2012-2013. Finally, options for the Integrated Billing System (IBS) are currently under evaluation including the replacement of the existing system, alternative service delivery for the Recycle Plus billings, and the migration of remaining systems such as the Business Tax to a new platform. Funding for the Business Tax replacement was included in the 2011-2012 and 2012-13 Adopted Operating Budget. Target date: 1-13.

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2010-11 ANNUAL PERFORMANCE AUDIT OF TEAM SAN JOSE'S MANAGEMENT OF THE CITY'S CONVENTION AND CULTURAL FACILITIES (Issued 1/18/12)

The objective of our audit was to determine whether Team San Jose (TSJ) met its performance measures as specified in the Management Agreement for FY 2010-11. We also assessed the costs and services of TSJ's Convention and Visitor Bureau efforts. The 4 recommendations, 1 is partly implemented, and 3 are not implemented.

#1: To ensure consistency from year to year in how the TSJ computes its gross operating profit, we recommend that the City and TSJ work together on clarifying the conflicting language in the management agreement.	Economic Development	Partly Implemented	**Auditor's update as of June 2012:** The City and Team San Jose agreed how gross operating profit is to be calculated, and will clarify this calculation when it combines the Team San Jose management agreement and CVB services agreement. Target date: 9-13.
#2: To make its reporting of its results more meaningful to readers, we recommend that Team San Jose reformat its monthly report so that CVB's accomplishments for the month covered are shown next to the Team San Jose's performance targets.	TSJ	Not Implemented	**Auditor's update as of June 2012:** TSJ plans to reformat its monthly report to City staff in the coming months. Target date: 12-12.
#3: In recognition of the shared strategic direction of the convention and cultural facilities and the CVB, we recommend that the City consolidate the two operating agreements with the Team San Jose and the CVB into one agreement. The best time to consolidate the two agreements will be June 2014, when both agreements expire. We recommend that the City adopt a single agreement that covers both the convention and cultural facilities and the CVB and that establishes one set of performance measures for Team San Jose. Also, a new single agreement should eliminate the requirement for a separate set of accounts and separate financial audits for each of the two organizations.	Economic Development and City Attorney	Not Implemented	**Auditor's update as of June 2012:** The City and Team San Jose have begun discussions to combine the agreements. Target date: 9-13.
#4: In the future, to ensure that Team San Jose receives proper credit for the economic impact that its activities generate for the City and its hotels, the City and Team San Jose should evaluate how other CVBs across the country incorporate the value of subsides in their calculation of economic impact.	Economic Development	Not Implemented	**Auditor's update as of June 2012:** The City plans to clarify this calculation in its next agreement with Team San Jose, and to use its hospitality industry advisor to ensure Team San Jose is held to a national standard for performance. Target date: 9-13.

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POLICE DEPARTMENT SECONDARY EMPLOYMENT: URGENT REFORM AND A CULTURAL CHANGE NEEDED TO GAIN CONTROL OF OFF-DUTY POLICE WORK (Issued 3/07/12)			
The objective of the audit was to assess the cost and effectiveness of the San José Police Department's program allowing sworn personnel to work second jobs in uniform in addition to their City work. The 30 recommendations, 1 was implemented during this period, 22 are partly implemented, and 7 are not implemented.			
#1: The Police Department should develop and immediately implement a written procedure for periodic review of off-duty employment timecards including comparisons of: (a) City timecards to off-duty timecards, and (b) timecards for multiple off-duty jobs to each other to test for fraud, and (c) hours taken for administrative/disability/sick leave to hours worked off-duty. The Department should also hold supervisors accountable for paying attention to on-duty and secondary employment time keeping.	Police	Partly Implemented	**Auditor's update as of June 2012:** The Police Department updated procedures for the Secondary Employment Unit (SEU) to include audits of timecards to test for fraud/overlapping hours as well as secondary employment worked simultaneously with disability or other leaves. However, SEU management advises that the SEU does not currently have the staff to conduct the audits. The Department advises that there are sections of the Duty Manual that hold supervisors accountable. Target date: TBD.
#2: The Police Department should develop a system to compile real-time data regarding the number of hours worked and pay earned from off-duty work.	Police	Partly Implemented	**Auditor's update as of June 2012:** Department management advises that they are exploring the potential for real-time tracking of hours worked. The Department has recently submitted a Request for Proposal (RFP 10-12-10) to implement a shift bidding and workplace scheduling software/technology-based solution. The system would potentially allow real time data regarding the number of regular and secondary employment hours worked by an individual employee. Secondary Employment Unit staff continues to work with the Department's Bureau of Technical Services (BTS) and Bureau of Administration (BOA) to identify key components specific to secondary employment. Target date: TBD.
#3: The Police Department should: (a) keep lists of work permits and employers updated and be able to provide summary data, (b) include tests in periodic reviews to ensure the completeness of pay job hours that are reported to the City, (c) specify in the Duty Manual the disciplinary consequences for both employees and supervisors for failure to consistently report off-duty hours worked, (d) develop a way to track enforcement actions taken at pay jobs; one possibility is a special code or call sign in CAD to designate calls from those working secondary employment.	Police	Partly Implemented	**Auditor's update as of June 2012:** (a) With the assistance of temporary employees, the SEU has developed detailed spreadsheets of updated work permit and employer lists. However, SEU management advises that the unit does not have sufficient staffing to keep the lists current. (b) The SEU Procedures Manual has been revised to require verification of hours worked based on secondary employers' records. However, SEU management advises that the unit does not have sufficient staffing to conduct the verifications. (c) SEU management advises that several sections of the Duty Manual document policy and discipline as it relates to secondary employment. Specific disciplinary consequences cannot be listed as discipline can vary based on an employees past history. (d) SEU management advises that this has been accomplished through the use of specific call signs dedicated to secondary employment officers. Any enforcement action is captured under this call sign specific to the date, time, and officer. Duty Manual Section C1548 (Secondary Employment Logs) also requires officers to log their time and hours worked, call sign, and any enforcement action taken. Target date: TBD.

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#4: The SEU should report to the Police Chief at least annually on the following data about the secondary employment program: (a) the number of hours worked, (b) the amount of pay earned by employee from each off-duty employer, (c) the number of employees who have off-duty work permits, (d) the total number of permits, and (e) the number of employers participating in the program. The report should also note major changes or challenges with program during the prior year.	Police	Partly Implemented	**Auditor's update as of June 2012:** Regarding (a) and (b), the Department has recently submitted an RFP for a shift bidding system that may potentially allow for tracking of hours worked and pay earned (see description in Recommendation #2). Regarding (c),(d), and (e) while the SEU has updated the list of employees who have work permits, SEU management advises that the unit lacks sufficient staffing to keep the lists updated going forward. Target date: TBD.
#5: To promote transparency and accountability, the Police Department should know and post annually, on the City's web site, total compensation earned by Police Department employees working secondary employment in SJPD uniform. The Department should know and post information for each employee by name, each employer where that employee worked, and the amount earned from each employer during the year as reported by the employee to the Police Department.	Police	Not Implemented	**Auditor's update as of June 2012:** Department management advises that if the Chief of Police were to comply with this recommendation, an increase in SEU staff would be needed and that the current decentralized structure of secondary employment would make it a labor-intensive task. task. Department management anticipates that the new staffing and scheduling software-based solution (see Recommendation #2) would assist with the implementation of this recommendation. Target date: TBD.
#6: The SEU should provide information in the secondary employer application or contract about the process to file complaints (from secondary employers or others) through the Internal Affairs Unit or the Independent Police Auditor's Office about officers working secondary employment.	Police	Partly Implemented	**Auditor's update as of June 2012:** Department management advises that the SEU has begun work on a new public webpage that will be accessible through the City's home page. The SEU page will include Frequently Asked Questions (FAQs) (including the procedure for filing complaints). The page will also include a link to Internal Affairs and the Independent Police Auditor's Office. Target date: TBD.
#7: The Police Department should prohibit work at any off-duty job during the hours of an employee's scheduled shift. Such a policy should also prohibit the use of flexible time to accommodate off-duty jobs. The Department should also implement limitations on working pay jobs immediately before or after a shift, similar to the limitations on specialized overtime assignments. The Police Chief should periodically remind employees, in writing, that their City job is their primary employment and should be treated as such.	Police	Partly Implemented	**Auditor's update as of June 2012:** The Duty Manual was revised to prohibit employees from taking time off at the beginning of their shift or from adjusting their schedule to accommodate a secondary employment assignment. Limitations have not been placed, however, on being able to work a pay job immediately before or after an on-duty shift. Department management advises that management and supervisory personnel continually remind employees (through briefings, unit meetings, and the SEU) that their City job is their primary function. Target date: TBD.
#8: The Police Department should enforce rules from the Duty Manual that have been ignored in the past including: (a) reporting of secondary employment hours, (b) CAD log-on from off-duty jobs, (c) approvals for use of City vehicles and equipment (d) prohibitions against working secondary employment while on disability, sick, or administrative leave, and (e) pay rates. The Department should inform employees that failure to comply could result in the suspension or revocation of an employee's secondary employment permit.	Police	Partly Implemented	**Auditor's update as of June 2012:** Parts of the Duty Manual have been revised to better address some of these provisions, but Department management advises that additional SEU staffing will be needed to sufficiently monitor and enforce these rules. Target date: TBD.

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#9: The Police Department should enforce its procedure for periodic inspections of secondary employers. As specified in the procedure, such inspections should include reviews of: (a) current business license and proper regulatory permits, (b) other required licenses or professional certificates, (c) employer logs of officer work hours, (d) consistency of job with description on work permit and employer approval form, (e) whether officers at site have current/authorized work permits on file. Inspections of a sample of employers should occur at least quarterly, be documented, and notes maintained on the resolution of problems. The Police Department should inform employers and employees that such reviews will occur.	Police	Partly Implemented	**Auditor's update as of June 2012:** SEU management advises that additional SEU staffing will be needed to conduct inspections of secondary employers. Target date: TBD.
#10: The Police Department should clarify (in writing) the City's limited liability with regard to workers' compensation in the context of secondary employment.	Police	Not Implemented	**Auditor's update as of June 2012:** Police Department Management advises that the Department's Research and Development Unit and SEU should work with Office of Employee Relations, the City Attorney's Office and City Risk Management to determine the feasibility of this recommendation. Target date: TBD.
#11: The Police Department should immediately eliminate the practices of allowing Department employees to solicit off-duty work and allowing them to be paid in cash. The Department should develop and implement a written procedure that includes a business card SJPD employees can provide to businesses or individuals who inquire about hiring off-duty police. The card could include contact information for SEU and inform businesses that calling SEU is the only way to arrange the hiring of SJPD employees. A provision should also be added to secondary-employer agreements to prohibit cash payments to SJPD employees for off-duty work and to require employers to issue appropriate tax documents to pay job employees.	Police	Partly Implemented	**Auditor's update as of June 2012:** The Duty Manual has been revised to prohibit Department members from soliciting secondary employment and from being paid in cash (with exceptions allowed if approved by SEU commander or the Chief of Police). In addition, Department management advises that the Secondary Employer application has been removed from the intranet and all applications must now be processed through SEU (in the past they could be handled by individual officers). A tax document provision has not yet been added to the Secondary Employer application. Target date: TBD.
#12: Assuming that the City continues to offer uniformed off-duty employment to private employers, then the Department should contact local business organizations as well as existing approved employers and inform them of (a) revisions to the secondary employment program, and (b) new procedures that prohibit officers from soliciting jobs or accepting cash payments or gratuities, and (c) how to contact the Department if they are interested in secondary employment, (d) pay rates for secondary employment and prohibitions on gratuities or other forms of compensation, and (e) how to lodge a complaint or suggestion, and (f) the requirement that SJPD employees may only enforce the law and may not enforce employer rules. The Department should also provide guidance, in writing, about how employees should address potential situations in which there is a conflict between what a private employer requests of them and their role as a City employee.	Police	Not Implemented	**Auditor's update as of June 2012:** The Police Department is considering options for the future structure of the secondary employment program. Target date: TBD.

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#13: The Police Department should prohibit employees from having a financial interest or management role in businesses that are secondary employers.	Police	Partly Implemented	**Auditor's update as of June 2012:** The Duty Manual was revised to prohibit officers from working a "uniformed secondary employment assignment for a private employer in which the officer has a monetary interest, family interest, is part owner, or is employed in any capacity other than the secondary employment role." The Auditor's Office notes that the intent of the recommendation was for it to apply to all sworn Department members. While this may be the intent of the revised Duty Manual language, a strict interpretation of it means it applies only to officers. Target date: TBD.
#14: The Police Department should clarify the Duty Manual to ensure that careful consideration is given to the potential for the appearance of a conflict with an on-duty assignment. The Department should further specify in the Duty Manual the criteria upon which the Police Chief will determine whether a pay job conflicts with an on-duty assignment.	Police	Not Implemented	**Auditor's update as of June 2012:** Neither the Duty Manual nor SEU procedures specify the criteria upon which the Police Chief determines whether a pay job conflicts with an on-duty assignment. Target date: TBD.
#15: The Department should: (a) reinstate its prohibition against employees working as private investigators and (b) write and implement a procedure for periodic review for appropriateness of access to criminal databases by sworn employees working secondary employment.	Police	Not Implemented	**Auditor's update as of June 2012:** Department management has stated that employees should be allowed to continue working as private investigators and that the prohibition should not be reinstated. While the Department does have written policies in place regarding the use of criminal information and other City/Departmental databases, there is not a specific procedure for periodic review of the accessing of such data by employees working secondary employment. Target date: TBD.
#16: The Police Department should develop and implement written guidelines that include criteria for how pay jobs are assigned by SEU and by coordinators. The Department should also prohibit employees who work in the Secondary Employment Unit from working pay jobs, even if they were working such jobs before being assigned to the unit. Reasonable exceptions should be included related to oversight of special events.	Police	Partly Implemented	**Auditor's update as of June 2012:** The Duty Manual has been revised to prohibit employees who work in the SEU from working pay jobs. SEU management advises that in order to assign jobs based on criteria, software would be required. Management advises that the RFP described in Recommendation #2 could potentially assist with assigning jobs. Target date: TBD.
#17: The Police Department should revise its written guidelines for the exercise of discretionary judgment in determining the number of police employees the Department requires event organizers to hire for special events. The guidelines should specify the criteria upon which the decisions will be made and should also address how the Department determines an appropriate mix of private security and police.	Police	Partly Implemented	**Auditor's update as of June 2012:** SEU management advises that the SEU is currently working with the Office of Cultural Affairs to find an appropriate mix of security, non-sworn personnel, and police. SEU advises that it is also exploring alternative methods to police staffing and is establishing criteria for special events and an appropriate staffing model. Target date: TBD.

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#18: The City Administration (including the Office of Cultural Affairs, Department of Transportation, Public Works Department, and the Police Department) should ensure that special event organizers are informed about the option to hire Parking Traffic Control Officers (PTCOs) for traffic control at special events and that contractors are aware that civilian flaggers are allowed for construction work.	Police, Economic Development, DOT and Public Works	Partly Implemented	**Auditor's update as of June 2012:** SEU management advises that the SEU, Office of Cultural Affairs and the Department of Transportation already inform event organizers about the option of hiring PTCO's. This is done at pre-event meetings. SEU management advises that it is currently working with the Department of Pubic Works to change the criteria in which officers are requested and mandated at construction sites. Target date: TBD.
#19: The Police Department should document in writing the performance expectations of SJPD employees working special events and should ensure that information on the staffing history, security plans, and other information related to recurring events are passed on to subsequent SEU employees to ease transitions and provide consistency in decisions regarding special events.	Police	Implemented	**Auditor's update as of June 2012:** SEU management advises that the SEU Procedures Manual addresses specific employee performance problems. SEU management also advises that the SEU has maintained event files for the past two (2) years on all special events it staffs. These files contain staffing history, security plans, traffic plans, and any documented issues. These files are routinely screened when staffing similar or subsequent events. Past event histories play a large part in the Department's attempt to be fair and reasonable when staffing special events.
#20: The Police Department should fully implement the Independent Police Auditor's recommendation for ongoing ethics training and should try to do so as soon as possible.	Police	Partly Implemented	**Auditor's update as of June 2012:** Department management advises that the ethics training has begun and is expected to be completed within the next year. Target date: 6-13.
#21: If the Police Department retains the system of decentralized coordination, the SEU should be solely responsible for appointing coordinators and providing them with the lists of employees available to work pay jobs. The SEU should also maintain an up-to-date list of coordinators and the jobs they oversee. The Department should also establish and implement clear written guidelines regarding: (a) roles and responsibilities of coordinators and how they fit within the chain of command, (b) a prohibition against any form of compensation other than pay, (c) a fixed hourly rate for coordinators as well as not-to-exceed limits on coordinators pay, (d) clarify that coordinators can only be paid for actual hours of coordination rather than an agreed upon estimate or "plug", and (e) expressly prohibit coordination on City time.	Police	Partly Implemented	**Auditor's update as of June 2012:** SEU management advises that the SEU has an updated list of all coordinators. Additional work, though, is pending decisions regarding the future structure of the secondary employment program. Target date: TBD.
#22: The Police Department should: (a) calculate the cost of bringing all coordination into SEU and the related impact on employers' fees (b) assess the impact on the hourly rate charged to employers, as well employer fees, if coordination were brought into SEU and employees were paid at an overtime rate. Given that information, the Department should seriously consider three options moving forward: (1) phasing into SEU the coordination of additional pay jobs, (2) bringing all coordination into SEU, (3) bringing all coordination into SEU and also paying employees on overtime through the City.	Police	Partly Implemented	**Auditor's update as of June 2012:** SEU management advises that some cost-benefit analysis has been conducted and that the Department is exploring the options for the future structure of the secondary employment program. Target date: TBD.

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#23: The Police Department should: (a) immediately develop and enforce a reasonable daily hour limit and should consider a rest period prior to a regular shift; (one possibility is to reinstate the 14-hour daily limit previously in place), and (b) apply the 24-hour weekly limit for off-duty jobs even in weeks when employees have taken time off, and (c) develop a way to ensure sufficient days off per month.	Police	Partly Implemented	**Auditor's update as of June 2012:** The Duty Manual has been revised to limit to 16 the number of hours worked in a 24-hour period. Target date: TBD.
#24: The Police Department should train employees on the topic of police fatigue and the risks associated with it.	Police	Not Implemented	**Auditor's update as of June 2012:** SEU management advises that there is not currently any department curriculum that addresses police fatigue and the risks associated with it. Management further advises that it is not a POST-mandated topic and that any training in this topic would need to be researched. Target date: TBD.
#25: Because engaging in secondary employment may prolong the recovery of a member who has been injured, the Police Department should (a) ensure that the existing Duty Manual provision prohibiting secondary employment while on disability leave is enforced and (b) develop a process for identifying employees who are working secondary employment hours either concurrently or in the same time frame as taking disability leave hours.	Police	Partly Implemented	**Auditor's update as of June 2012:** The SEU Procedures Manual includes a provision for auditing employee timecards to check whether an employee was on disability leave while working secondary employment. However, SEU management has advised that it lacks sufficient staff to conduct such audits. Target date: TBD.
#26: The SEU should be housed in the Police Chief's office with the appropriate mix of civilian and sworn employees, with an emphasis on civilians to perform administrative duties and an emphasis on stable staffing and sufficient staffing to provide oversight. Sworn employees should be of sufficient rank to oversee all lower ranks that work secondary employment.	Police	Partly Implemented	**Auditor's update as of June 2012:** The Secondary Employment Unit has been moved to the Office of the Chief. The Department advises that it requested but did not receive additional civilian staffing. Target date: TBD.
#27: The Police Chief should set clear goals and a timetable for restructuring the secondary employment program and should propose a plan as soon as possible to the City Council for secondary employment going forward.	Police	Partly Implemented	**Auditor's update as of June 2012:** SEU management advises that the Department is currently exploring the possibilities for the future structure of the secondary employment program. Target date: 3-13.
#28: The Police Department should: (a) calculate the comprehensive cost of the secondary employment program (personnel, administrative costs, etc.), (b) compare those costs to the revenue generated by related fees, and (c) determine the fees that would be required to make the program 100% cost recovered and present this data to the City Council.	Police	Partly Implemented	**Auditor's update as of June 2012:** SEU management advises that some cost-benefit analysis has been conducted and that the Department is exploring the options for the future structure of the secondary employment program. Target date: TBD. **POTENTIAL BUDGET IMPACT:** The personnel costs of operating the SEU unit were estimated at $747,000 in the audit. Recovery of these costs through fees would reduce the subsidy by the General Fund.

Audit Report and Recommendation	Department	Current Status	Comments
#29: The Police Department should fully recover the cost of secondary employment liability policy either through increased employee contributions or by a fee charged to secondary employers.	Police	Not Implemented	**Auditor's update as of June 2012:** SEU management advises that the Department is currently exploring the possibilities for the future structure of the secondary employment program. Target date: TBD. **POTENTIAL BUDGET IMPACT:** The General Fund subsidy of the secondary employment liability policy was $59,000 at the time of the audit. If the program remains in its current format, requiring participating employees to pay the full cost of the insurance would eliminate the subsidy by the General Fund.
#30: Assuming that the City continues to offer uniformed off-duty employment to private employers, the City should assess the public and private benefits of the current provision of uniformed security services to a broad range of private and public entities. The Department should analyze the costs and benefits of continuing to provide this service on such a broad scale as well as the potential effects of limiting the program to certain types of jobs. The Department should propose a plan for the future of the program to the City Council that includes the results of this analysis.	Police	Partly Implemented	**Auditor's update as of June 2012:** SEU management advises that the Department is currently exploring the possibilities for the future structure of the secondary employment program. Target date: TBD.

REVIEW OF FIRE DEPARTMENT PERFORMANCE MEASURES: IMPROVING THE USEFULNESS OF DATA (Issued 5/10/12)

The objective of our review was to assess the appropriateness and accuracy of the Fire Department's publicly reported performance measures. The 3 recommendations are not implemented.

#1**:** For those performance measures that it will continue to track, the Fire Department should document methodologies for calculating measures. In particular, the Bureau of Fire Prevention should document its methodologies for calculating and reporting key performance measures, including but not limited to measures for internal day-to-day management and public reporting.	Fire	Not Implemented	**Auditor update as of June 2012:** The department is reviewing methodologies used for standard performance measures reporting related to Field Operations. Staff has begun working with Bureau of Fire Prevention and will continue to review methodologies and standardized reports during the first half of FY 2012-13. An audit of fire prevention efforts is currently in progress. Other divisions, such as, EMS, Training, Arson, and Haz-Mat will be evaluated using a similar consultative approach with Bureau and Division managers to create meaningful daily operational measures and identify opportunities to further automate their production and posting. Staff expects to complete a status report by June 2013. Target date: TBD.
#2: The Fire Department should continue to review—by core service—its performance measures and determine which are most important to monitor and track on an ongoing basis for internal use, management purposes, and for public reporting.	Fire	Not Implemented	**Auditor update as of June 2012:** The department intends to use a comprehensive review process to clarify terminology, methodology and relevance. Staff initiated the effort during the preparation of the proposed FY 2012-13 budget. Staff will continue to work with upper and middle management to obtain a more in-depth understanding of day-to-day reporting needs to create a process that addresses the daily informational

Audit Report and Recommendation	Department	Current Status	Comments
			needs of both internal and external customers. Target date: TBD.
#3: The Fire Department should assess—by core service—how performance data can be used by management and staff on an ongoing basis to help analyze past performance, establish next performance objectives, and examine overall performance strategies.	Fire	Not Implemented	**Auditor update as of June 2012:** It is anticipated that by December 2012, the Department will begin a review of department-wide performance measures. This review will assess and document the Fire Department's performance management practices, methodology, and supporting systems; and identify opportunities for improving the accuracy and reliability of performance measurement data. Initial analysis of current sources and methodologies for creating process and outcome data for the Bureau of Fire Prevention has already begun. Target date: TBD.