



Report Type: Action Items

Meeting Date: 10/13/2020

Summary Title: Status Update - CSD Fee Schedule Audit

Title: Staff Recommends the Policy and Services Committee Recommend the City Council Accept the Status Updates on Recommendations From the Community Services Department Fee Schedule Audit

From: City Manager

Lead Department: Community Services

Recommendation

Staff recommends the Policy and Services Committee recommend that the City Council accept the attached Status of Audit Recommendations resulting from the City Auditor's Community Services Department Fee Schedule Audit.

Background

The City Auditor's Office issued the Community Services Department (CSD) Fee Schedule Audit on February 14, 2017. The full audit report can be found [here](#).

The audit objective was to determine if department fees cover the cost of services to ensure:

- Financial sustainability of CSD programs;
- Customers pay the appropriate share of service costs, including direct costs and the indirect cost rate related to the service;
- City programs are subsidized in accordance with the City's cost recovery policy and that the financial impact of subsidies on total cost recovery is clear.

The City Auditor made three recommendations to strengthen the department's cost recovery procedures and processes for monitoring program costs. The key recommendations were:

1. The City Manager's Office should coordinate with the City Attorney's Office and the Administrative Services Department to revise the City's cost recovery policy and Questica budget system procedures to clarify which fees are not subject to laws limiting fees to cost recovery.
2. CSD should create a procedure to implement the City's User Fee Cost Recovery Level Policy and incorporate relevant and useful elements from its

existing "Class Cost Recovery Policy," which can then be rescinded.

3. CSD should work with the Administrative Services Department (ASD) and the Information Technology Department to configure SAP or include a requirement for the proposed new enterprise resource planning system to align cost centers with CSD programs.

Discussion

The final open audit recommendation (Recommendation #3) was completed in this review cycle. Details on its implementation are described in Attachment A. With City Council approval, this will be the final status report on this audit.

Attachments:

Attachment A: Status Update

Attachments:

- Attachment A: Status Update

**STATUS OF AUDIT RECOMMENDATIONS
FEE SCHEDULE AUDIT – ISSUED 2/4/17**

The City Manager has agreed to take the following actions in response to the audit recommendations in this report. The City Manager will report progress on implementation six months after the Council accepts the audit report, and every six months thereafter until all recommendations have been implemented.

Recommendation	Responsible Department(s)	Original Response and Target Date	Reviewed and Verified by the City Auditor's Office	
			Current Status (Complete, In Progress, or Not Started)	Implementation Update and Expected Completion Date
Finding: Most Community Services Department (CSD) programs recover costs consistent with City policy; however, CSD does not consistently apply its cost recovery policies and procedures				
3. CSD should work with ASD and the Information Technology Department to configure SAP or include a requirement for the proposed new enterprise resource planning system to align cost centers with CSD programs.	CSD	<p>Concurrence: Agree</p> <p>Target Date: 7/1/2018</p> <p>Action Plan: While we will begin working on this in earnest, realistically, we anticipate that we will not fully implement this recommendation for at least two budget cycles. We are currently working with ASD to better align CSD's Cost Centers in SAP with our individual lines of business. We expect we will complete much of this recommendation by 7/1/2017 but that there will be additional clean up in the next budget year.</p>	Complete	<p>November 2019 Management Update: CSD and the Budget Office have completed the clean up alignments that were identified in the FY 20 budget cycle, as described in the March 2019 update and now consider this recommendation complete. CSD staff also use the Base Budget Adjustment Period that the Budget Office delineates as a time to review cost centers and staff allocations to ensure that cost centers remain aligned with CSD Programs. This will be an ongoing, annual process for CSD.</p> <p>Expected Completion Date: July 1, 2019</p> <p>March 2019 Management Update: CSD and the Budget Office have completed cost center alignments to account for programs clearly under cost centers. CSD has proposed several additional budget clean up items that will take effect in SAP July 1, 2019.</p> <p>Expected Completion Date: July 1, 2019</p> <p>June 2018 Management Update:</p>

Recommendation	Responsible Department(s)	Original Response and Target Date	Reviewed and Verified by the City Auditor's Office	
			Current Status (Complete, In Progress, or Not Started)	Implementation Update and Expected Completion Date
				<p>No change. Staff have identified several clean-up items to further improve cost center alignment to programs. Staff will complete these clean-up actions over the next several months. Expected Completion Date: November 2018.</p> <p>November 2017 Management Update: CSD has worked with Budget Office staff to better align cost centers with CSD programs. Staff have already updated cost centers for the Children's Theatre and Human Services and are in the process of updating Recreation, Teen Programs, and Cubberley. Staff have also reviewed CSD staff assignments to ensure that positions are assigned to the appropriate cost centers. Staff anticipates that this review of staff and budget by program should be substantially complete this fall but will likely require clean-up at the beginning of FY 2019. Expected Completion date: 11/1/18</p>