



## CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

September 8, 2005

The Honorable City Council  
Attn: Policy and Services Committee (September 13, 2005)  
Finance Committee (September 20, 2005)  
Palo Alto, California

### **REPORT ON THE STATUS OF AUDIT RECOMMENDATIONS**

#### **Recommendation**

We recommend the Finance Committee and the Policy and Services Committee review and accept the attached report. As noted in the attached summary, the Policy and Services Committee is asked to review the status of recommendations from the audits of code enforcement, and the development review process. The Finance Committee is asked to review the status of recommendations from the audits of travel, purchase orders, accounts payable, payroll, utility risk management, overtime expenditures, restructuring efforts, contract contingencies, workers' compensation, and the reviews of the long range financial plan and the environmental services center proposal.

#### **Background**

The Municipal Code requires the City Auditor to issue an annual report on the implementation status of recommendations from recently completed audits. This report summarizes the status of 134 recommendations from 13 different audit reports and reviews. This includes 85 recommendations that were outstanding after our last status report as of June 30, 2004, and 49 new recommendations that were adopted this year. The report shows recommendations that have been completed since our last report and an agreed upon course of action for implementing other recommendations. We compiled this report based on interviews with appropriate City staff and reviewed its contents with them.

#### **Summary of Results**

Since our last report, City staff completed 37 recommendations, and worked on or partly implemented 80 recommendations. A total of 17 recommendations are not started.

Staff's cooperation in implementing audit recommendations demonstrates a commitment to improving the City's administrative processes. I would like to thank the City Manager's Office, the City Attorney's Office, and the Administrative Services, Community Services, Fire, Human Resources, Planning and Community Environment, Police, and Utilities Departments for their assistance in compiling this report.

Respectfully submitted,

Sharon W. Erickson  
City Auditor

# SUMMARY

## STATUS OF AUDIT RECOMMENDATIONS AS OF JUNE 30, 2005

The Municipal Code requires the City Auditor to issue an annual report on the status of recommendations from completed audits. This report summarizes the status of all open audit recommendations since our last review as of June 30, 2004. It shows those recommendations that have been completed or resolved, are in process, or should be dropped, and provides an agreed course of action to implement remaining recommendations.

Page Number	Report Title	Date Issued	Completed or resolved since last report	In process or partly completed	Not started	Council Committee
3	Audit of Travel Expense	4/27/98	8			Finance
8	Audit of Purchase Orders	11/9/98	2			Finance
11	Audit of Accounts Payable	3/27/00	1			Finance
11	Audit of Payroll	7/2/01		1		Finance
12	Assessment of Utility Risk Management Procedures	7/3/02	3	2		Finance
15	Analysis of the Long Range Financial Plan	12/3/02	1	1		Finance
17	Audit of Code Enforcement	3/11/03		10	1	Policy & Services
21	Audit of the Development Review Process	11/15/03	12	3		Policy & Services
30	Audit of Overtime Expenditures	11/18/03	1	14	8	Finance
40	Audit of Restructuring Efforts and Management Span of Control	4/20/04	2	15		Finance
AUDITS ISSUED SINCE LAST RECOMMENDATION STATUS REPORT:						
47	Review of Environmental Services Center Proposal	11/15/04	4	8		Finance

Page Number	Report Title	Date Issued	Completed or resolved since last report	In process or partly completed	Not started	Council Committee
50	Audit of Contract Contingencies	3/15/05	1	12	2	Finance
55	Audit of the Workers' Compensation Program	4/19/05	2	14	6	Finance
<b>TOTAL</b>			<b>37</b>	<b>80</b>	<b>17</b>	<b>134</b>

Audit report and recommendation	Department	Current status	Comments
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<h2 style="margin: 0;">AUDIT OF TRAVEL EXPENSE (Issued 4/27/98)</h2> <p style="margin: 0;">The objective of this audit was to evaluate internal controls over travel expenses paid by the City. All of the original 15 recommendations are now completed/resolved.</p>	<p style="margin: 0;">Finance Committee</p>
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<p>#1: Distribute copies of the City's travel policies and procedures to all department managers, highlighting authorization, approval, and documentation requirements. This distribution should be accompanied by a transmittal letter to be signed by department managers as evidence of their review and understanding of these procedures. Signed letters should be returned to the Director of Administrative Services Department.</p>	<p>ASD</p>	<p>Completed</p>	<p>Nov-2001: In process. The update of the travel policy has been delayed due to staff turnover in the Accounting Division. Staff has met with the new City Auditor to review proposed changes to both the travel and petty cash policies. Staff will complete changes by the end of 2001-02.</p> <p>Sep-2002: In process. Staff has advised Executive Staff of planned changes to travel procedures, and is beginning a 6-month pilot program on 9/1/02. Written policies and procedures will be revised after completion of a 6-month pilot program and in conjunction with ERP implementation. Target date: Jul-2003.</p> <p>Oct-2003: In process. The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p> <p>Sep-2004: In process. The travel policy has been rewritten, and is currently under City Attorney and City Manager review. When the policy is approved, a memo highlighting significant policy changes and authorization requirements will be sent to all department heads and management employees with an email "voting block" indication for receipt and understanding. Target date: Sep-2004.</p> <p><b>Current status:</b> Completed. The revised policy, procedure, and forms were sent to employees and are posted on the intranet where they are easily accessible.</p>
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<p>#2: Provide signature blocks on the travel authorization forms and travel expense reports which require the signature of the department head or designee. The signature block should indicate that the approving party certifies that the employee's payment request complies with the City's travel policies and procedures.</p>	<p>ASD</p>	<p>Completed</p>	<p>Nov-2001: In process. To be completed as part of the updated policies and procedures in 2001-02.</p> <p>Sep-2002: In process. Revised forms are a component of the 6-month pilot program beginning Sep-2002. Forms will be finalized along with policies and procedures after completion of the 6-month pilot program and in conjunction with ERP implementation. Target date: Jul-2003.</p>
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Audit report and recommendation	Department	Current status	Comments
<p>#3: Develop a comprehensive list of travel expenses which will not be paid by the City. This list should include hotel/meal charges for extended travel stays, hotel charges at double occupancy rates, and fees for social events, such as golf tournaments and sightseeing tours. This list should be distributed to all department heads and incorporated into the City's travel policies and procedures. Exceptions should be justified in writing by the traveler (in advance when possible) and should include supporting documentation. All exceptions should be approved by the City Manager.</p>	ASD	Completed	<p>Oct-2003: In process. The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p>
			<p>Sep-2004: In process. Staff has revised the Pre-Travel Authorization and Travel Expense Report forms to include a signed statement from the department head or designee that certifies that the employee's request complies with the City's travel policies and procedures. However the Travel Policy and Procedures that is posted on the intranet has not been revised and contains the out-dated travel forms. A revised policy is being reviewed and will be posted (along with accompanying new forms) once finalized. Target date: Sep-2004.</p>
			<p><b>Current status:</b> Completed. The revised policy, procedure, and forms were sent to employees and are posted on the intranet where they are easily accessible.</p>
<p>Nov-2001: In process. Staff developed a list of disallowed expenses that were included in the Accounts Payable Quick Reference Guide. Staff will include the list in the 2001-02 update of the travel policy.</p>	<p>Sep-2002: In process. Staff is addressing the issue of allowable expenses in the revised pilot program procedures. Pre-authorization forms will include an "Other" category requiring pre-approval of unusual items (e.g. special events) by the department head, and documenting cost savings and pre-approval for an "Unrelated Weekend Stay-over". Policies and procedures will be finalized after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Target date: Jul-2003.</p>		
<p>Oct-2003: In process. The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p>	<p>Sep-2004: In process. Staff has drafted a revised travel policy that clearly states expenses that are reimbursable (such as meeting registration, lodging for conference dates, transportation and meals), and provides specific examples of expenses that would <i>not</i> be reimbursable. Drafted pre-travel authorization and travel expense report forms require the employee to provide an</p>		

Audit report and recommendation	Department	Current status	Comments
#7: The City could save money if employees request government discount rates for hotels. Provide a block on both the Travel Expense Report and Request for Travel Authorization form requiring employees to indicate whether discounted government hotel rates were obtained. Employees should provide justification when such rates are not obtained.	ASD	Completed	<p>explanation and supporting documents for any expenses outside of the normally reimbursable items. The forms will also require the department head or designee to certify that the employee's request complies with the City's travel policies and procedures. he revised policy is being reviewed and will be posted (along with accompanying forms) once finalized. Target date: Sep-2004.</p> <p><b>Current status:</b> Completed. The revised policy, procedure, and forms were sent to employees and are posted on the intranet where they are easily accessible.</p>
			<p>Nov-2001: In process. Few transactions occur that do not have group rates set, and not all hotels offer government rates. However the form will be updated and language will be included in the revised travel policies and procedures to be completed in 2001-02.</p> <p>Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Pre-travel authorization forms will include "Conference or government rate" confirmation. Target date: Jul-2003.</p> <p>Oct-2003: In process. The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p> <p>Sep-2004: In process. The revised travel policy will require departments to <i>request</i> government rates for conference registrations and hotel reservations (note that not all local governments waive the TOT for other local government employees). The revised Pre-Travel Authorization and Travel Expense Report require the employee to indicate if government or conference rates were obtained for the hotel or conference, and requires department head approval. These forms are available online, and are in use by departments. However the Travel Policy and Procedures that is posted on the intranet has not been revised and contains the out-dated travel forms. A revised policy is being reviewed and will be posted (along with accompanying forms) once finalized. In addition, a standard letter stating that the employee is on City business and should not be required to pay TOT tax will be available on the City's online system for employees to take when they travel. Target</p>

Audit report and recommendation	Department	Current status	Comments
#8: Update the City's travel policies and procedures relating to obtaining discounted government rates and providing documentation requirements when discounted rates cannot be obtained.	ASD	Completed	<p>date: Sep-2004.</p> <p><b>Current status:</b> Completed. The revised policy, procedure, and forms were sent to employees and are posted on the intranet where they are easily accessible.</p>
#10: Ensure that the signature block for the travel authorization form (see recommendation #2) also states that the employee certifies that the expense report will be filed within the time frame established by the City's travel policies and procedures.	ASD	Completed	<p>Nov-2001: In process. To be completed in 2001-02.</p> <p>Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Pre-travel authorization forms will include "Conference or government rate" confirmation and department head approval. Target date: Jul-2003.</p> <p>Oct-2003: In process. The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p> <p>Sep-2004: In process. See recommendation #7.</p> <p><b>Current status:</b> Completed. The revised policy, procedure, and forms were sent to employees and are posted on the intranet where they are easily accessible.</p> <p>Nov-2001: In process. The form will be revised and this change will be included in the revised travel policies and procedures to be completed in 2001-02.</p> <p>Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Revised forms are a component of the pilot program and will specify that reports must be completed within 30 days of travel. Target date: Jul-2003.</p> <p>Oct-2003: In process. The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p> <p>Sep-2004: In process. On the revised Pre-Travel Authorization form, the employee will check a box certifying agreement to submit the expense report within 30 days as established in the</p>

Audit report and recommendation	Department	Current status	Comments
#12: Update the City's travel policies and procedures relating to obtaining and submitting evidence of attendance.	ASD	Completed	<p>Travel Policy and Procedures. These forms are available online and are in use by City staff. However the Travel Policy and Procedures that is posted on the intranet has not been revised and contains the out-dated travel forms. A revised policy is being reviewed and will be posted (along with accompanying forms) once finalized. Target date: Sep-2004.</p> <p><b>Current status:</b> Completed. The revised policy, procedure, and forms were sent to employees and are posted on the intranet where they are easily accessible.</p>
			<p>Nov-2001: In process. A list of required documentation was included in the Accounts Payable Quick Guide, and will be added to the revised travel policies and procedures update in 2001-02.</p> <p>Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. A copy of the agenda will satisfy as evidence of attendance. Target date: Jul-2003.</p> <p>Oct-2003: In process. The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p> <p>Sep-2004: In process. The revised travel policy will require that a copy of the meeting or conference agenda (if available) is attached to the Travel Expense Report as confirmation of employee attendance. The employee also must check a box on the Travel Expense Report certifying that all information and indicated expenses are correct, and that no part of compensation claimed was of a personal nature. The revised policy is being reviewed, and will be posted (along with accompanying forms) once finalized. Target date: Sep-2004.</p> <p><b>Current status:</b> Completed. The revised policy, procedure, and forms were sent to employees and are posted on the intranet where they are easily accessible.</p>
#15: Review and update current written procedures to provide clear direction in processing travel advances and expense reimbursements. Departments could also benefit from more user-friendly procedures which provide step-by-step guidance in completing travel authorizations and	ASD	Completed	<p>Nov-2001: In process. Updated procedures were included in the Accounts Payable Quick Reference Guide and will also be included in the revised travel policies and procedures manual to</p>



Audit report and recommendation	Department	Current status	Comments
expense reports. A bullet format or use of flowcharts could be very helpful. The procedures should also include a list of allowable expenses.			<p>be completed in 2001-02.</p> <p>Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Target date: Jul-2003.</p> <p>Oct-2003: In process. The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p> <p>Sep-2004: In process. The pilot program covering changes to the Travel Policy and Procedures was completed and well received. Revisions to the policy and the associated forms provide clear directions for processing travel advances and expense reimbursements. Bullet points for the procedures are included in Quick Reference Guides incorporated into the new policy and procedures. The revised policy is being reviewed, and will be posted (along with accompanying forms) once finalized. Target date: Sep-2004.</p> <p><b>Current status:</b> Completed. The revised policy, procedure, and forms were sent to employees and are posted on the intranet where they are easily accessible.</p>

## AUDIT OF PURCHASE ORDERS (Issued 11/9/98)

Finance Committee

The objective of the audit was to evaluate internal controls and operating procedures surrounding blanket purchase orders and purchases under \$25,000. All of the original 25 recommendations are now completed/resolved.

#23: Current price quote requirements for small dollar purchases are too restrictive.	ASD	Completed	<p>Nov-2001: In process. Staff eliminated the requirement to obtain three price quotes for purchases under \$3,000. According to the 1999-2001 Purchasing Guide, purchases of \$3,000 and below require "only a sufficient number of bids... to insure the economic advantage of the City." Written quotes are now only required for purchases over \$5,000. The Purchasing Guide is being changed to reflect this policy. Target date: TBD.</p> <p>Sep-2002: In process. Staff is incorporating the change regarding the requirements for quotes for purchases over \$5,000 into the revision to the Purchasing Manual. Staff will implement</p>
<ul style="list-style-type: none"> <li>a. Purchasing should eliminate the requirement to obtain three price quotes for purchases under \$3,000, effective immediately.</li> <li>b. Purchasing should develop procedures which allow departments to handle purchases under \$3,000.</li> <li>c. Purchasing should incorporate these changes into the Purchasing Manual.</li> </ul>			

Audit report and recommendation	Department	Current status	Comments
			<p>the recommendation that allows for department to handle purchases under \$3,000 as part of the ERP implementation. Staff will work with the Auditor's Office to ensure safeguards are set in place. In addition, training will be required, as well as an update of the purchasing manual. Target date: Mar-2003.</p> <p>Oct-2003: In process. The SAP system was configured to allow for the decentralization of purchases under \$5,000. Staff will work with the Attorney and Auditor's Office to ensure safeguards are set in place. Training will be required, as well as an update of the purchasing manual. Target date: April-2004.</p> <p>Sep-2004: Partly completed. With staff focused on implementing SAP, the proposed decentralization has been delayed. Meanwhile, though, the expansion of the procurement card program is having a similar effect. In fiscal year 2003-04, as a result of the SAP conversion blackout period, ASD encouraged staff to request and use procurement cards, and use of procurement cards doubled. Staff is implementing a new online State of California Procurement Card program that will enhance review, authorization, accounting and tracking of activity. With better online controls and increase use, staff will concentrate on the new procurement card effort, prior to focusing on decentralizing the remaining items under \$5,000 that cannot be procured through a credit card. Part a is completed. Parts b and c are pending. The purchasing manual is being updated to include the purchasing ordinance changes that were approved by Council in May-2004. Target date: Spring 2005 (part b) and Sep-2004 (part c).</p> <p><b>Current status:</b> Completed. Departments now use procurement cards to handle many low dollar purchases, and the Purchasing Manual has been updated to incorporate the 2004 changes to the Purchasing Ordinance that exempts purchases under \$5,000 from the competitive solicitation process while encouraging solicitation of pricing from several vendors to obtain the lowest price.</p>
<p>#24: Purchasing should expand and expedite the testing of procurement cards.</p> <p>a. The pilot program should be expanded to include issuance of cards to operating departments.</p> <p>b. A timetable for completion of the pilot program should be</p>	ASD	Completed	<p>Nov-2001: In process. The Procurement Card pilot project will be completed by December 31, 2001.</p> <p>Sep-2002: In process. The Pilot Program has been completed and has been expanded to the operating departments. The expansion includes the use of P-cards for travel-related</p>

Audit report and recommendation	Department	Current status	Comments
<p>established. We found that other municipalities have completed the pilot program and subsequent evaluation in six to nine months.</p> <p>c. The City Auditor's Office should assist with evaluating the effectiveness and adequacy of internal controls of the program as part of the pilot program.</p>			<p>expenses. Staff has worked with the City Auditor in reviewing the expansion of the program and will implement changes based on the result of experiences of the pilot project. Target date: Mar-2003.</p> <p>Oct-2003: In process. The current program has approximately 135 cardholders with combine current monthly expenditures of over \$200,000. The City will be transitioning to a new Cal-Card program to automate the review, approval and reconciliation using the SAP system. The new system will be more efficient and flexible in terms of vendor acceptance. It will be available to a limited number of users beginning in September 2003, with a full roll out in Spring 2004. This will provide staff time to verify and adjust the configuration. Staff has conferred with the Auditor's Office on the adequacy of internal controls, but testing will be required once the system is in place. Target date: Jul-2004.</p> <p>Sep-2004: Partly completed. The existing Bank of America procurement card program, although successful, is not compatible with SAP. A number of California jurisdictions use the State of California's CAL-Card Procurement Card program. The City of Richmond has designed and built a software program that transmits CAL-Card transaction information to SAP on a weekly basis. In August, Purchasing will begin a pilot CAL-Card program with selected volunteers who are current procurement card users. The pilot program will allow Purchasing to fully test citywide control procedures for the Auditor's review before issuing CAL-Cards to all departments. Target date: Sep-2004.</p> <p><b>Current status:</b> Completed. The City's transition to the CAL-Card program is fully underway. Trainings in the new program are occurring monthly, and 200 employee cardholders are anticipated to be in the new program by the summer of 2006.</p>

Audit report and recommendation

Department

Current status

Comments

**AUDIT OF ACCOUNTS PAYABLE – TOOLS FOR IMPROVEMENT (Issued 3/27/00)**

Finance Committee

The objective of this audit was to evaluate internal controls and operating procedures and practices surrounding the City's accounts payable process. All of the original 11 recommendations are now completed.

#11: Comprehensive written procedures should be developed immediately.	ASD	Completed	<p>Nov-2001: In process. Staff is in the process of reviewing procedures and making several revisions to accounts payable and purchasing procedures. Travel and petty cash procedures are being addressed this fall. Revisions of the remaining procedures will be completed before the end of 2001-02.</p> <p>Sep-2002. In process. Policies and procedures will be revised in conjunction with ERP implementation. Target date: Jul-2003.</p> <p>Oct-2003: In process. Staff has developed training manuals and internal business process procedures. Since we have new business processes, it is too soon to develop final policies and procedures as some "best business practices" are still being revised based on actual experience. Target date: Jul-2004.</p> <p>Sep-2004: In process. Staff has drafted procedures, but will not be finalizing them until after year-end, after staff has direct experience with year-end processing. That way, findings during year-end that warrant changes to the business process, can be incorporated. Target date: Dec-2004.</p> <p><b>Current status:</b> Completed. Accounting procedures have been developed and reflect current SAP processing requirements.</p>
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**AUDIT OF PAYROLL (Issued 7/2/01)**

Finance Committee

The objective of this audit was to evaluate internal controls, operating procedures and practices related to the City's payroll process. Of the original 7 recommendations: 5 were previously completed/resolved, 1 was previously dropped, and 1 is in process (deferred until SAP upgrade).

#1: Collect Human Resource (HR) and payroll data electronically. HR management should complete an evaluation of the net benefits and adequacy of controls of self-service software and prepare a timetable for implementation by the end of the third quarter 2001. If a significant new benefit or cost savings is realized before the projected installation of a	ASD	In process (deferred until SAP upgrade)	Nov-2001: In process. Staff fully supports the concept of employee self-service for human resource, payroll and timecard self-service through a web browser interface. Such applications are components of the ERP system that is expected to be procured in 2002-03. Therefore, staff does not recommend
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Audit report and recommendation	Department	Current status	Comments
complete HR and Payroll replacement, then HR management should work with the Administrative Services Division to install an interim self-service module.			<p>expending resources on a temporary solution at this time. Target date: TBD.</p> <p>Sep-2002: In process. Phase 2 of the City's ERP project, which is scheduled to begin May 2003, fully supports employee self-service. The City's selected vendor, SAP, has a fully integrated HRIS system that will provide employee self-service through a web browser interface. Target date: Jan-2004.</p> <p>Oct-2003: In process. ASD is considering a soft roll-out of some ESS functions. Target date: Jan-2004.</p> <p>Sep-2004: In process. A pilot program was implemented with ASD employees to evaluate the Employee Self Service module. Areas of concern have been identified and staff is working on solutions prior to a wider group roll out. Target date: Fall 2004.</p> <p><b>Current status:</b> Delayed until next SAP upgrade. Due to configuration problems that would require a significant amount of staff time to resolve, and due to changes and work load issues in HR and the reduction of ASD staff available to address SAP enhancements, it is recommended that this recommendation be revisited with the next SAP upgrade, which includes a re-tooled self-service package. It is anticipated this would happen within the next 3 years.</p>

## ASSESSMENT OF UTILITY RISK MANAGEMENT PROCEDURES (Issued 7/3/02)

Finance Committee

The purpose of our review was to assess the adequacy of utility risk management procedures, the appropriateness of designated scopes of authority and levels of management oversight, and the adequacy of management reporting. Of the original 24 recommendations, 19 are completed, 3 were completed since the last report, and 2 are in process.

#1: City of Palo Alto Utilities (CPAU) should continue to implement the Deloitte & Touche consultant recommendations and establish target dates for completing each recommendation.

Utilities

Completed

Original response: Most consultant recommendations to be completed by end of 2002. Some longer-term tasks to be completed by end of Spring 2003 and some are ongoing.

Sep-2002: In process.

Oct-2003: In process. The front and middle offices are implementing the recommendations, and the Risk Manager is

Audit report and recommendation	Department	Current status	Comments
#2: CPAU should provide written justification and obtain approval from the Risk Oversight Committee (ROC) for any recommendations that are not implemented and provide written progress reports to the ROC and other oversight levels that detail the status and target date for implementing each Deloitte & Touche recommendation.	Utilities	Completed	<p>monitoring the status of those recommendations. Target date: Dec-2003.</p> <p>Sep-2004: In process. Most consultant recommendations have been completed. Staff is preparing new procedures to address the recommendation to separate back office and front office operations. Target date: Oct-2004.</p> <p><b>Current status:</b> Completed. Consultant recommendations have been addressed subject to final separation of the front and back office functions (see recommendation #15).</p>
#13: The ROC and CPAU should segregate and clearly detail the roles, responsibilities and authorities for the front, middle, and back office personnel.	Utilities	Completed	<p>Original response: Comprehensive work plan schedule was submitted to the ROC in June 2002. Monthly progress reporting begins July 2002.</p> <p>Sep-2002: In process.</p> <p>Oct-2003: In process. The front and middle offices are implementing the recommendations, and the Risk Manager is monitoring the status of those recommendations. Target date: Dec-2003.</p> <p>Sep-2004: In process. Most consultant recommendations have been completed with input from and discussions with the ROC. Staff is preparing new procedures to address the recommendation to separate back office and front office operations. Target date: Oct-2004.</p> <p><b>Current status:</b> Completed. Consultant recommendations have been addressed subject to final separation of the front and back office functions (see recommendation #15).</p> <p>Original response: Oversight roles described in ERM Policies and roles, responsibilities and authorities will be detailed in ERM Guidelines and Procedures Manual. ERM Guidelines to be approved by ROC by end of 2002. Complete ERM Procedures Manual by Spring 2003.</p> <p>Sep-2002: Same.</p> <p>Oct-2003: In process. The front and middle offices are functioning independently. Back office functions are still shared</p>

Audit report and recommendation	Department	Current status	Comments
#15: The back office bookkeeping and accounting functions should be segregated from the front office to the extent possible and, where feasible, report to the Administrative Services Department.	Utilities	In process	<p>with the front office, however SAP will strengthen internal controls over transactions and ensure transactions are transparent to front, middle, and back offices.</p> <p>Sep-2004: In process. Oversight roles and responsibilities for the front and middle offices are described in ERM Policies, Guidelines and Procedures Manuals. The front and middle offices are functioning independently. However, back office roles, responsibilities, and functions are still shared with the front office. Staff is developing procedures that will ensure that adequate ASD back office review of the billing and payment cycle is carried out at a minimal cost to the City. Target date: Oct-2004.</p> <p><b>Current status:</b> Completed. Back office procedures and flowcharts have been developed subject to final separation of the front and back office functions (see recommendation #15).</p>
			<p>Original response: See recommendation 14.</p> <p>Sep-2002: In process.</p> <p>Oct-2003: In process. Separation, where feasible and appropriate, is identified in Guidelines and Procedures. Staff is exploring opportunities to streamline bookkeeping and accounting functions and make them more transparent by utilizing functions of the new SAP system.</p> <p>Sep-2004: In process. Roles and responsibilities are identified in the ERM Policies, Guidelines and Procedures manuals. The staff is exploring opportunities to make transactions more transparent (including regular, detailed reporting on payments). Staff is developing procedures that will ensure that adequate ASD back office review of the billing and payment cycle is carried out at a minimal cost to the City. Target date: Oct-2004.</p> <p><b>Current status:</b> In process. Critical accounting functions are being moved from the Utilities front office to the ASD back office in Accounting. The ASD back office will review all bills for wholesale purchases prior to paying the bills, maintain the transaction database, ensure transaction compliance, and prepare quarterly reports. Target date: Apr-2006.</p>

Audit report and recommendation	Department	Current status	Comments
#16: CPAU should provide additional training in accounting for energy transactions to staff performing middle and back office functions.	Utilities	In process	<p>Original response: Staff is developing a comprehensive education and training plan. Training plan in place by end of Summer 2002. First round of training complete by end of Fall 2002. Training is ongoing.</p> <p>Sep-2002: In process.</p> <p>Oct-2003: In process. Staff has attended settlements training, and the back office is being trained in conjunction with moving energy transaction accounting onto SAP. Ongoing training being carried out as required.</p> <p>Sep-2004: In process. Staff implemented an education and training plan for the ASD accounting staff in June 2003. However, one person has since left the City and the remaining person only attended one half-day training session. Staff is preparing new procedures to address the recommendation to separate back office and front office operations, and clarify the role of ASD back office staff. Additional training will be provided to ASD back office staff. Target date: Sep-2004.</p> <p><b>Current status:</b> In process. ASD is preparing a transition plan for transferring the bill review functions to the ASD back office. The plan will include training the ASD staff in accounting for energy transactions. Target date: Apr-2006.</p>

## ANALYSIS OF THE LONG RANGE FINANCIAL PLAN (Issued 12/3/02)

Finance Committee

The purpose of this review was to provide an independent assessment of the feasibility and completeness of the long range financial plan. Of the 3 recommendations, 1 was previously completed, 1 was completed this year, and 1 is in process.

#2: To simplify tracking infrastructure funds, we recommend staff assess the feasibility of (1) moving the Infrastructure Reserve from the General Fund to the Capital Projects Fund, and (2) retaining unspent project funds in the Capital Projects Fund.	ASD	Completed	<p>Oct-2003: In process. Staff estimates the General Fund will accrue about \$2 million per year in interest on Infrastructure Reserve balances. Because of the financial condition of the General Fund, staff did not propose moving the Infrastructure Reserve during the 2003-05 budget process. Unspent project funds will continue to return to the Infrastructure Reserve in the General Fund. Staff will re-evaluate the feasibility of this recommendation during the interim 2004-05 budget process (Jun-2004).</p>
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Audit report and recommendation	Department	Current status	Comments
<p>#3: To facilitate City Council discussion of long-term infrastructure priorities, we recommend that during the upcoming budget process staff provides the City Council with a list of the identified infrastructure Management Plan (IMP) projects including estimated, budgeted, and actual costs for each project.</p>	ASD	In process	<p>Sep-2004: In process. The proposed 2004-05 budget moves the Infrastructure Reserve (and associated interest earnings) from the General Fund to the Capital Projects Fund. Actual results will be reflected at the completion of the fiscal year. Target date: Jun-2005.</p>
			<p><b>Current status:</b> Completed. In Dec-2004, the City Council approved a budget amendment ordinance to move the Infrastructure Reserve to the Capital Projects Fund (CMR:511:04).</p>
			<p>Oct-2003: In process. On September 16, 2003, the Finance Committee reviewed an Infrastructure Management Plan (IMP) budget summary spreadsheet and a detailed listing of all IMP projects (budgeted expenditures, actual expenditures and encumbrances, and planned and estimated future project expenditure amounts). As part of the 2004-05 budget process, staff will distribute an updated listing of proposed IMP projects in Jan-2004. The IMP summary will be incorporated into the CIP document in Jun-2004. Staff will also distribute to the City Council, on a quarterly basis, a City Works Project Snapshot that is a graphical chart depicting each of the IMP projects and the current phase of the project (i.e. pre-design, design, bid and contract, construction, and post construction). Target date: Jun-2004.</p>
<p>Sep-2004: In process. Staff has provided periodic reports to Council and is planning to update the original Adamson study to ensure that the infrastructure plan reflects current cost estimates for renovation and repair. The Auditor's Office continues to recommend that a complete list of identified projects be provided at budget time. Target date: Jun-2005.</p>			
<p><b>Current status:</b> In process. The 2005-06 capital budget document included new information on IMP projects including City Council policy criteria, project phase status, project completion indicators, and discussion of operating costs. Staff is planning to update the original Adamson study, and will provide that information to the City Council. Target date: Jun-2006.</p>			

Audit report and recommendation	Department	Current status	Comments
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**AUDIT OF CODE ENFORCEMENT (Issued 3/11/03)** **Policy & Services Committee**

The objective of this audit was to assess the program's timeliness, responsiveness, and consistency of enforcement. Of the 17 recommendations, 6 were previously completed, 10 are in process, and 1 is not started.

<p>#1: In accordance with Planning Division guidelines, the code enforcement officers should provide feedback to complainants regarding the status or results of their complaints through phone calls or other communications.</p>	<p>Planning</p>	<p>In process</p>	<p>Oct-2003: In process. Code Enforcement officers are making follow-up phone calls to complainants. The Division will revise its procedures to prescribe follow-up calls, and will note follow-up phone calls in the code enforcement database (ACCELA) once it becomes operational. Target date: Jun-2004.</p> <p>Sep-2004: In process. According to Code Enforcement staff, follow-up phone calls are being made for all cases that are closed even when the call does not result in an official complaint. These phone calls are input into the Accela database. The goal is for Accela to produce a letter or post card to complainants when cases are closed notifying them of the outcome. The department is considering assigning clerical support in the meantime. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. The current policy in place is that at the time a complaint is filed, the code enforcement staff asks if the complainant would like a follow-up call after the investigation or action is concluded. Staff follows up when it is requested. Staff is working with IT on the Accela program to provide a response card. Target date: Jan-2006.</p>
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<p>#3: Code Enforcement should clarify its written guidelines and procedures regarding the prioritization of complaints (e.g. level of risk to the health and safety of occupants and/or the public), timeliness requirements for compliance, circumstances under which alternative procedures and personal letters are appropriate, and guidelines for escalating from warning to citation and/or to compliance order.</p>	<p>Planning</p>	<p>In process</p>	<p>Original response: Planning staff has begun to clarify written guidelines and procedures and will be continuing that effort over the next several months.</p> <p>Oct-2003: Not started. Staff plans to begin work on guidelines and procedures once the second Code Enforcement Officer position is filled in Nov-03 (the position has been vacant during summer 2003 due to the resignation of a code enforcement officer).</p> <p>Sep-2004: In process. Draft of written policies is being prepared. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. The written procedures for code enforcement guidelines and procedures is in preliminary draft</p>
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Audit report and recommendation	Department	Current status	Comments
#5: The City Attorney's Office should, to the extent possible, expedite processing of cases referred by Code Enforcement so that code enforcement officers can properly handle repeat complaints and monitor the status of these cases during their re-inspections.	Attorney	In process	<p>form for management review. Due to changes in management staff and new code enforcement staff, a new target date for final draft procedures is November-2005. The current target times for responding are to investigate a complaint within two days and first response within five days.</p> <p>Original response: The City Attorney's Office recently received additional funding to increase the FTEs devoted to code prosecution. Most recent cases have been handled much more quickly due to these additional resources.</p> <p>Oct-2003: In process. The Attorney's Office is working with Code Enforcement on an on-going basis. The Attorney's Office is revising its referral system to allow better tracking of open code enforcement cases.</p> <p>Sep-2004: In process. According to the Code Enforcement staff, the City Attorney's Office adopted a performance measure to <i>assign</i> all referred cases within 48 hours. The Auditor's Office notes that improvements are still needed in <i>resolving</i> problem cases. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. Target date: Sep-2005.</p>
#6: The City Attorney's Office should provide copies of its case status reports to Code Enforcement so that they can stay informed as to the current status of cases referred to the City Attorney's Office.	Attorney	In process	<p>Original response: The Attorney's Office will make its case status reports available to Code Enforcement on a regular basis.</p> <p>Oct-2003: In process. The Attorney's Office provides case status reports at regular weekly meetings.</p> <p>Sep-2004: In process. The City Attorney's Office provides some case reports and e-mails to the Code Enforcement Officer involved. Coordination would be improved through use of the Accela database to track contacts and case status. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. Target date: TBD.</p>
#9: Using the information provided here, the City Manager should review departmental policies regarding assessment and collection of penalties to ensure appropriate penalties are being assessed and collected.	Planning and Attorney	In process	<p>Oct-2003: In process. The City Attorney and Code Enforcement staffs are developing standard procedures for assigning fees and penalties, and will coordinate collection procedures with ASD. Target date: Mar-2004.</p>

Audit report and recommendation	Department	Current status	Comments
#10: Code Enforcement and the City Attorney should consider additional strategies to encourage the assessment of all appropriate penalties and administrative costs.	Planning and Attorney	In process	<p>Sep-2004: In process. The citywide penalty schedule was updated and distributed to all departments/divisions responsible for code enforcement. All citations are routed to ASD for collections, and problem cases are discussed at the citywide Code Enforcement Coordinating Committee meetings. Written policies are being developed to ensure consistency. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. Written procedures will include steps for coordinating with ASD revenue collections and providing status on past due collections. Code Enforcement staff and ASD will use Accela to provide ASD/code enforcement tracking of penalties and collections. Target date: TBD.</p>
#11: The Administrative Services Department should notify the City Attorney of amounts past due, and the City Attorney should file liens against real properties <b>or use other means to collect</b> amounts that are outstanding over six months. [Language in bold added at the Policy and Services Committee meeting March 11, 2003.]	ASD and Attorney	In process	<p>Original response: The City Attorney's Office will work with Code Enforcement to document and provide to the hearing officer additional justification for its recommendations regarding the assessment of administrative penalties and costs.</p> <p>Oct-2003: In process. The City Attorney and Code Enforcement staffs are developing standard procedures for code enforcement to assessing penalties and fees. Some changes may be incorporated into the proposed fee schedule. In addition, the Attorney's Office will develop a standard protocol for imposing liens. Target date: January 31, 2004.</p> <p>Sep-2004: In process. According to the Code Enforcement staff, the City Attorney and Code Enforcement Office prepare an hourly cost report for the Hearing Officer to consider as part of each penalty assessment. Development of a standard protocol for imposing liens is in process. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. Changes in staffing and budget constraints have necessitated that the hourly cost report and development of a standard protocol be delayed until January 2006. Target date: Jan-2006.</p> <p>Original response: The Attorney's Office will use a variety of means to collect amounts due, including liens, small-claims court, and criminal complaints.</p> <p>Oct-2003: In process. The Administrative Services Department is working with the Attorney's Office to coordinate collection</p>

Audit report and recommendation	Department	Current status	Comments
			<p>procedures. Target date: TBD.</p> <p>Sep-2004: In process. Written procedures are being drafted. The City is in the process of imposing one lien, and will be developing a standard protocol for imposing liens. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. Code Enforcement is preparing written procedures and exploring how Accela can improve tracking and provide for more efficient collections. Target date: TBD.</p>
#14: Using the information provided in this report, the City Manager should consider consolidating as many code enforcement responsibilities under one department as is feasible.	City Manager	Not started	<p>Oct-2003: In process. The Planning and Police Departments have initiated discussion about possible restructuring or consolidations of code enforcement responsibilities. Target date: Spr-2004.</p> <p>Sep-2004: In process. Restructuring has been proposed whereby Code Enforcement Officers would move from Planning to the Police Department. Target date: Jun-2005.</p> <p><b>Current status:</b> Not started. Due to budget constraints no action has been taken on this recommendation. Target date: TBD.</p>
#15: Code Enforcement should clarify and formalize its strategy, mission, priorities, and policies for ensuring the effectiveness of the City's code enforcement function.	City Manager	In process	<p>Oct-2003: In process. This is being done through the Citywide committee. Mission statement to be completed by Dec. 2003.</p> <p>Sep-2004: In process. The cross-departmental Code Enforcement Coordinating Committee will be developing formal code enforcement strategies, policies, and procedures. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. The City Manager and City Attorney are rethinking code enforcement strategy and are presenting a report to the City Council in Sep-2005. In addition, the Code Enforcement website has been updated and will continue to provide new information as it is developed. Staff resources, including new staff, have limited this item from moving forward. Target date: TBD.</p>
#16: The Planning Division's code enforcement program, in conjunction with other offices and departments, should continue to develop proactive	Planning	In process	<p>Oct-2003: In process. Draft web page and brochures are being reviewed internally. Target date: January 31, 2004.</p>

Audit report and recommendation	Department	Current status	Comments
products such as web pages, leaflets, and brochures that will help residents to comply with Municipal Code requirements.			<p>Sep-2004: In process. According to Code Enforcement staff, draft leaflets and brochures have been completed and are being reviewed internally before being published on the web. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. The Website has been updated. Handouts have been developed for fences, abandoned vehicles and home occupations. For the Tree Ordinance code enforcement, a FAQ for trees, a new tree disclosure statement, and a Tree Technical Manual summary have been prepared. Code Enforcement staff is developing an FAQ and "What is Code Enforcement?" handout. Target date: Dec-2005.</p>
#17: The ACCELA project manager should involve all code enforcement staff from various departments, particularly in the Planning Division, and the City Attorney's Office in the activation of the ACCELA code enforcement module.	ASD	In process	<p>Oct-2003: In process. "Go Live" target date for ACCELA in Code Enforcement is November 1, 2003. The Police, Fire, and Public Works Departments are also interested in obtaining access to the system once it is operational.</p> <p>Sep-2004: In process. Accela software is up and running for code enforcement staff. Report writing capabilities are being developed, and other departments with code enforcement responsibilities will be added later. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. All code enforcement staff, including new staff, have received training on Accela. The City Attorney's Office has also received a session on how to use Accela. The next step is to explore Accela use by ASD staff for collection of penalties. Target date: TBD.</p>

**AUDIT OF THE DEVELOPMENT REVIEW PROCESS (Issued 11/15/03)** Policy & Services Committee

The objective of this audit was to determine if development review processes were effective and efficient; actions were timely, responsive, and consistent; and processes could be improved. Of the 34 recommendations, 19 were completed/resolved previously, 12 were completed or resolved this year, 2 are partly implemented, and 1 is in process.

#3: The Planning Department should establish performance standards for the timeliness of development reviews, monitor the timelines, and alert management if timelines are not being met.	Planning	Partly implemented	<p>Original response: Department agrees and will begin to develop performance measures and tracking timelines.</p> <p>Sep-2004: Partly implemented. The Chief Planning Official established new performance standards for the Planning</p>
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Audit report and recommendation	Department	Current status	Comments
#6: Revise the zoning ordinance for single family residential to address massing and scale, streetscape, and privacy subject to the same administrative/ministerial approval process as other minor projects.	Planning	Resolved/ Dropped	<p>Division including specific timeframes for turning around planning applications. Turnaround times are improving. Our review of current Planning Division statistics reveals that some planners have shortened processing times by as much as 30 percent. However, preliminary workload reports from the IPT database contain errors and reveal some delays. Revised reporting facilitates identification of old cases. The Planning Division is converting its records to the Accela database. Accela reporting formats will need to be established to facilitate monitoring of timeliness standards. Target date: TBD.</p> <p><b>Current status:</b> Partly implemented. Standards have been established, and data shows that turnaround times for finalized decisions continue to improve. In addition, the Planning Division has completed converting its records to the Accela database. Workload reports have been developed that provide the tools for monitoring timelines. Planning managers should use these tools to prepare periodic reports that allow them to monitor timeliness and compliance with their new performance standards. The Auditor's Office will follow-up in six months to verify that workload reports are being used. Target date: Mar-2006.</p> <p>Original response: Staff preparing second annual status report of Individual Review Processes for the Planning and Transportation Commission and City Council and will consider ministerial changes.</p> <p>Sep-2004: In process. The Planning Commission reviewed IR process in Dec-03, and did <i>not</i> recommend pursuing a ministerial process for Individual Review at that time. The Zoning Ordinance Update for single family residential including individual review and home improvement exceptions has been reviewed by the Planning Commission, and will be presented to the City Council in the Fall. Target date: Fall-2004.</p> <p><b>Current status:</b> Resolved/dropped. The Planning Commission rejected staff's proposal to pursue a ministerial process. The Planning Department has instead simplified the IR Guidelines as of Jun-2005. An ordinance revising the single-family residential zone district was adopted in Apr-2005. Among other things, this ordinance aligned the Home Improvement Exception process with the Individual Review process, streamlining review for single family homes.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#7: The Planning Director should reform the Development Review Committee membership to include everyone who will be making decisions related to the project, and should consider including all planners (even when their assigned projects are not being discussed) in order to promote consistency.</p>	Planning	Completed/resolved	<p>Original response: Staff will evaluate the best use of Development Review Committee and other regular staff meetings.</p> <p>Sep-2004: Partly implemented (subject to review in one year). Weekly development review committee (DRC) meetings have been implemented, including expanded department and applicant representation, and advance routing of plans. Agendas are distributed in advance; the planners assigned on those projects are required to attend. The DRC clarified its mission (“to coordinate the review of development proposals, to ensure interdepartmental coordination, and facilitate project review in a timely and consistent manner”) and objectives. The department considered, but does not recommend that all planners attend the meetings. However, only projects with obvious cross-departmental implications are being referred to the DRC (not all projects, as we recommended), and that only those planners who are assigned to projects on the agenda are required to attend (not all planners, which we had recommended for purposes of promoting consistency). The Auditor’s Office will review the effectiveness of the partial implementation in one year. Target date: TBD.</p> <p><b>Current status:</b> Completed/resolved. According to the Planning Director, staffing shortages preclude everyone from attending the DRC meetings. The DRC is being used to reduce processing times for projects with cross-departmental implications. Planners attend the DRC for their own projects, and are encouraged to attend additional meetings as time permits. In order to promote consistency, the Planning Division has implemented a monthly training schedule, and staff meetings are used to clarify code interpretations, policies, and procedures. Documentation of interpretations and clarifications is distributed to planners and maintained online. In August 2005, the Division adopted its Policies and Procedures Manual (see recommendation #29), which will also promote consistency.</p>
<p>#8: The Development Review Committee should meet weekly and should review all projects that are submitted for approval. After the meeting, staff should consolidate and prioritize staff’s comments, and send a written communication to the applicant outlining what steps will be required to get the project processed and completed.</p>	Planning, Public Works, Fire, and Utilities	Completed/resolved	<p>Original response: Staff agrees and will evaluate expanded use of Development Review Committee.</p> <p>Sep-2004: Partly implemented (subject to review in one year). Weekly development review committee (DRC) meetings have been implemented, including expanded department and applicant representation, and advance routing of plans. DRC</p>



Audit report and recommendation	Department	Current status	Comments
			<p>meeting results are communicated to applicants in the form of letters that (1) indicate the application is complete, or (2) include all relevant department comments that tell the applicant what is needed to complete the application. The letters are sent out within 2 weeks of the DRC meetings. However, only a limited number of projects (those with obvious cross-departmental implications) are being referred to the DRC – not <i>all</i> projects, as we recommended. The Auditor’s Office will review the effectiveness of the partial implementation in one year. Target date: TBD.</p> <p><b>Current status:</b> Completed/resolved. The Planning Division continues to provide advance routing of plans and send DRC meeting results letters to applicants according to the timelines above. Additionally, see response #7 above.</p>
<p>#9: The Planning Department should use the Development Review Committee meetings to ensure the applications are handled consistently and correctly, and that decisions are consistent with past precedents and decisions.</p>	<p>Planning</p>	<p>Completed/resolved</p>	<p>Original response: See responses #7 and #8 above.</p> <p>Sep-2004: Partly implemented (subject to review in one year). Planners are using the DRC meetings to ensure applications are handled consistently, correctly, and that decisions are consistent with past decisions. However, only a limited number of projects (those with cross-departmental implications) are being referred to the DRC, and only the planners working on those projects are attending. The Auditor’s Office will review the effectiveness of the partial implementation in one year. Target date: TBD.</p> <p><b>Current status:</b> Completed/resolved. The Planning Division continues to provide advance routing of plans and send DRC meeting results letters to applicants according to the timelines above. Additionally, see response #7 above.</p>
<p>#10: For each new application received, as appropriate, assign a single point of contact from the Planning or Building Division.</p>	<p>Planning</p>	<p>Completed/resolved</p>	<p>Original response: Staff agrees and will expand use of project managers.</p> <p>Sep-2004: Partly implemented (subject to review in one year). Applications are assigned to specific planners in the Planning Division who serve as the applicant’s single point of contact with the Planning Division (the first stage of the development review process). Also, planners have been assigned to planning districts, with district maps published on the website, facilitating assignment and routing of projects.</p> <p>In addition, the Building Division assigns a single point of contact for building plan checks (the first stage of the permitting</p>

Audit report and recommendation	Department	Current status	Comments
#18: The Planning Department should lower the current building permit due dates for regular plan checks from 8 weeks to 4 weeks, reduce the turnaround time for rechecks, and establish progressively shorter timelines for second, third, and fourth rechecks.	Planning	Completed	<p>process), and applicants can track the status of their permit application at any time via the City's website. Applicants are advised to contact the Chief Building Official directly regarding any problems with permit processing.</p> <p>Applicants are advised to contact the approving department directly regarding any problems with approvals by the Utilities, Public Works, or Fire Departments. So depending on the complexity of the project, an applicant may still have a number of reviewers that are not, to date, coordinated by a single project manager. The implementation of the Accela database and the "virtual development center" should help improve communications between departments and with applicants. The Auditor's Office will review the effectiveness of the partial implementation in one year. Target date: TBD.</p> <p><b>Current status:</b> Completed/resolved. This has been implemented in the Planning Division. Due to budget cuts, the Building Division no longer has a single point of contact for building permits. Instead, applicants are encouraged to use the virtual development center to track the status of their applications and obtain contact information for their application. Applicants can contact the individual plan checker or the Chief Building Official directly regarding problems with building permit processing.</p> <p>Original response: Staff agrees and will prepare implementation plans. Staff will also work with other Development Center Departments to improve turnaround times.</p> <p>Sep-2004: Implemented (subject to review in one year). Effective November 2003, the Chief Building Official lowered plan check building permit due dates to 4 weeks. Turnaround times for rechecks and follow-on rechecks were lowered to 2 weeks, and major projects were set at 8 weeks. Our analysis of building permit data shows that the Building Division has improved its 4-week plan check processing from 58% (June 2003) to 98% (June 2004), and the Planning Division has improved its 4-week plan check for building permits from 44% (June 2003) to 76% (June 2004). Our analysis also showed that Building Division 2-week rechecks also improved from 69% in Jun-2003 to 88% in Jun-2004. Planning Division 2-week rechecks also improved from 86% in Jun-2003 to 93% in Jun-2004.</p> <p>But other departments (i.e. Fire, Electric, WGW, and</p>

Audit report and recommendation	Department	Current status	Comments
#21: To the extent feasible, consolidate staff at the Development Center under the supervision of the Director of the Development Center.	City Manager and Planning	Resolved/dropped	<p>Water Quality) are taking longer to complete plan checks. For example: Electric Utilities 4-week plan checks has declined from 86% to 62%; WGW Utilities 4 week plan checks have improved slightly from 35% to 40%, but still has a long way to improve; Water Quality 4 week plan checks improved slightly from 60% to 63%; and Fire Department 4-week plan checks have declined from 100% to 65%.</p> <p>As a result, in spite of improvement in the Planning Department, the time for issuing building permits may not have significantly improved from the customer's perspective. Thus, although the Planning Department has implemented its part of this recommendation, more work remains to be done. This data is a snapshot, month-to-month comparison. The Auditor's Office will hold this recommendation open and review timeliness in one year.</p> <p><b>Current status:</b> Completed. In spite of recent staffing reductions, current processing times are running just slightly above the established turnaround times.</p> <p>Original response: Staff agrees. The recommendation will be pursued with all affected departments.</p> <p>Sep-2004: Partly implemented (subject to review in one year). A cross-departmental team reviewed and clarified each department's respective roles in the development review process, and recommended establishing a "virtual development center" instead of changing the reporting structure. The goal of the "virtual development center" is to provide residents and businesses a centralized location to obtain information regarding all aspects of services the Development Center provides. This required staff to think of the Development Center in terms of the services it provides, not necessarily the Department that provides them.</p> <p>While the "virtual development center" will provide a coordinated source of information, it does not address the lack of supervisory coordination of staff from various departments at the Development Center. Given that the timeliness of reviews is apparently not yet resolved (see recommendations 18 and 19), we will hold this recommendation open and review its status one year from now.</p> <p><b>Current status:</b> Resolved/dropped. The virtual development center is providing a level of coordination, and timeliness of</p>

Audit report and recommendation	Department	Current status	Comments
#24: The Planning Division should compile statistics and develop management reports to quantify and summarize workloads and activities weekly and monthly that quantify the time and costs planners expend on various types of projects.	Planning	Partly implemented	<p>reviews generally has improved.</p> <p>Original response: See response #22.</p> <p>Sep-2004: In process. A variety of workload reports were developed in IPT including project status and timeliness by planner, lapsed time by project, open applications, and the status of projects where at least one component had been finalized. However, as of Aug-2004, IPT database listings of current projects showed projects assigned to former employees and inactive contract planners, and applications that may have lapsed. The Division went live with the Accela database on August 30, 2004. New reports are being developed. Target date: TBD.</p> <p><b>Current status:</b> Partly implemented. Staff recently developed reports that can quantify and summarize workloads and timeliness for each planner. Planning managers should use these reports to monitor timeliness and compliance with performance standards. Target date: TBD.</p>
#25: The Planning Division should work with the Administrative Services Department to replace BODS with an electronic filing system that works.	Planning and ASD	Completed	<p>Original response: See response #22.</p> <p>Sep-2004: In process. ASD and Planning have decided that information can be more easily stored in the City's GIS system, than in the BODS system. Staff has developed a new scanning and indexing system (DOX) that utilizes GIS parcel information as an index. According to staff, scanned documents in the new system will be viewed via GIS or Windows. Staff expects to use DOX for both Planning and Building documents. Testing of the new system began in Jul-2004. Target date: TBD.</p> <p><b>Current status:</b> Completed. The DOX system has replaced BODS and has been implemented. The completed applications and document backlogs are being scanned into DOX.</p>
#26: Pending replacement of BODS, the Planning Division should invest resources in properly indexing BODS records for easy retrieval, or discontinuing the BODS system and requiring that all documents in the official files and administrative records be microfilmed or digitized on CDs so that documents in the official files, administrative records, and conditions of approval will be available for future use.	Planning	Drop (no longer necessary)	<p>Original response: See response #22.</p> <p>Sep-2004: Not started. According to staff, if the GIS pilot program cited above is successful, this may not be necessary. Target date: TBD.</p> <p><b>Current status:</b> Drop (no longer necessary). The DOX system</p>

Audit report and recommendation	Department	Current status	Comments
#29: The Planning Division should develop written policies and procedures for staff handling of the development review process.	Planning	Completed	<p>has replaced BODS and has been implemented. The completed applications and document backlogs are being scanned into DOX.</p> <p>Original response: Staff will update existing policies and procedures, including ongoing changes.</p> <p>Sep-2004: In process. After a number of discussions with the Planning Commission and the City Council, and much hard work on the part of staff in the Planning Department and City Attorney's Office, the City Council adopted streamlined procedures that became effective July 7, 2004. The Planning Division is currently developing new internal policies and procedures that incorporate the newly revised Code requirements. Target date for completing new policy and procedures: Aug-2004.</p> <p><b>Current status:</b> Completed. In Aug-2005, the Planning Division adopted a policies and procedures manual governing processing of planning entitlements.</p>
#30: Re-establish a single Zoning Administrator position to ensure consistency in decision-making. Consider making the position independent of supervisory responsibilities in order to function as a hearing officer.	Planning	In process	<p>Original response: Staff will evaluate personnel options to implement.</p> <p>Sep-2004: Not implemented (subject to follow-up review in one year). Funding for a Zoning Administrator was included in the FY 04-05 budget request, but the request was not approved for inclusion in the final budget. The Auditor's Office will hold this recommendation open for another year to assess the effect of all the other changes that the Planning Department is making. Target date: TBD.</p> <p><b>Current status:</b> In process. Creation of a Deputy Director position was approved as part of the FY 2005-07 budget process. The Deputy Director position will function as the Chief Planning Official and Zoning Administrator. The Department is currently recruiting for this position. Target date: Dec-2005.</p>
#33: The Planning Department should provide customer service training for staff in the Planning and Building Divisions.	Planning	Completed	<p>Original response: Staff will continue to provide regular customer service training.</p> <p>Sep-2004: In process. The Building Division has established a generic training program for plan checkers and inspectors that provides technical and customer service training. The Planning</p>

Audit report and recommendation	Department	Current status	Comments
<p>#34: The Planning Department should develop a clear statement of its customer service performance standards, including specific goals and objectives for timely processing of applications, meeting set schedules for approving projects, responding to inquiries within 24 hours, monitoring the completeness of first reviews, and holding staff accountable for their actions and decisions.</p>	Planning	Completed	<p>Division has also developed a detailed, specific technical training program. The Auditor's Office continues to recommend additional emphasis be placed on customer service training. Target date: TBD.</p> <p><b>Current status:</b> Completed. Planning and Building Divisions are providing regular technical and customer service training, and will continue to do so.</p> <p>Original response: Staff agrees and will include in its development of new performance measures.</p> <p>Sep-2004: In process. In Feb-2004, the Chief Planning Official established new performance standards for the Planning Division that require determining whether an application is complete within 30 days of submittal, scheduling public hearings within 30 to 45 days, and making Director decisions within 60 days of the notice of completion for ARB applications.</p> <p>Limitations on the number of continuances and re-hearings were included in the revised zoning code that was submitted to the City Council on 5/24/04 (CMR: 261:04). A one-continuance policy was discussed with the planning staff and the ARB (at its Oct-2003 and Feb-2004 retreats). The planning director formalized the policy in Feb-2004 and incorporated the policy in the application submittal checklists.</p> <p>Customer service and other recommended standards are under development in both the Planning and Building Divisions. Target date: TBD.</p> <p><b>Current status:</b> Completed. Performance and customer service standards (e.g. all phone calls must be answered within 24 hours) were integrated into the Planning Division policies and procedures manual. The Department has collaboratively developed mission statements for the overall department, as well as various divisions.</p>

Audit report and recommendation	Department	Current status	Comments
<p><b>AUDIT OF OVERTIME EXPENDITURES (Issued 11/18/03)</b> <span style="float: right;"><b>Finance Committee</b></span></p> <p>The purpose of our review was to audit actual overtime usage, and identify opportunities to better control overtime expenditures. Of the 32 recommendations, 9 were completed previously, 1 was completed this year, 14 are in process, and 8 are not started.</p>			
<p>#2: The City should conduct a staffing study to assess the appropriateness of current Fire Department minimum staffing levels in the context of call volume, response times, and employee safety.</p>	<p>Fire</p>	<p>Not started</p>	<p>Original response: Staff concurs and will conduct a “standards of coverage” study to determine the appropriateness of current staffing levels. Staff expects to complete the study by the end of the 4<sup>th</sup> quarter of the fiscal year with outside assistance.</p> <p><b>Sep-2004:</b> In process. The Department has received a proposal for a study from a consultant and is reviewing it. Action on it may be postponed pending the appointment of a new Fire Chief. Target date: Jan-2005.</p> <p><b>Current status:</b> Not started. Target date: TBD.</p>
<p>#3: The Fire Department should closely monitor whether overfill relief or regular overtime is less expensive. The Department should use a formula that considers the classification and step of employees who are expected to work the relief or the overtime.</p>	<p>Fire</p>	<p>In process</p>	<p>Original response: Staff concurs and will work closely with ASD and the Auditor’s Office to evaluate the annual variance between overtime costs and overfill relief. Staff will utilize whichever is less expensive to the degree that it does not compromise firefighter safety.</p> <p>Sep-2004: In process. The Department is waiting for a full year’s data from FY 2003-04 to analyze the costs of overfill relief versus regular overtime. Target date: Oct-2004.</p> <p><b>Current status:</b> In process. Target date: TBD.</p>
<p>#4: The City should propose a revision to the Palo Alto Professional Firefighters contract that minimizes the frequency in which higher rank employees work overtime in lower rank positions.</p>	<p>HR</p>	<p>Not started</p>	<p>Original response: Staff concurs and will propose a revision to the Palo Alto Professional Firefighters contract that minimizes the frequency in which higher rank employees work overtime in lower rank positions.</p> <p>Sep-2004: Not started. The Palo Alto Professional Firefighters’ contract was recently renegotiated and the current terms extended until June 30, 2006. Human Resources decided that it was not in the best interest of the City to try to negotiate the recommended changes during these recent negotiations because of need to settle the contract quickly and amicably so that the City could focus on the SEIU contract, which was also</p>

Audit report and recommendation	Department	Current status	Comments
#5: The Fire Department should track the daily instances of a higher rank employee working for a lower rank, and use this information to assess the cost of this practice.	Fire	In process	<p>recently renegotiated. Target date: 2006.</p> <p><b>Current status:</b> Not started. This recommendation will be addressed during future negotiations with the Palo Alto Professional Firefighters. Target date: Jul-2006.</p> <p>Original response: Staff concurs and will track the daily instances of higher-ranking employees working at a lower rank to assess the cost. Staff will work with Human Resources to negotiate changes, as appropriate.</p> <p>Sep-2004: In process. As part of daily staffing data, the Fire Department keeps information on higher rank working for lower. This information, however, does not have cost data attached and is not in a format easily conducive to compilation and cost assessment. The Department will begin later in FY 2004-05 to compile data in such a format. Department will also retrospectively compile data for FY 2003-04. Target date: Oct-2004.</p> <p><b>Current status:</b> In process. The Department is investigating the possibility of determining these costs through the SAP payroll system. Target date: Jan-2006.</p>
#6: The Police Department should continue to closely monitor the impact of the 4/11 schedule to determine the impact of the schedule change and ensure that overtime does not increase. In addition to FLSA and training considerations, the Department should monitor overtime hours in the context of staffing levels, call volume, disabilities, and sick leave.	Police	In process	<p>Original response: Staff concurs and will continue to closely monitor the 4/11 schedule in Patrol and its impact on overtime expenditures.</p> <p>Sep-2004: In process. The Police Department compiles data on the reasons for overtime usage (sickness, disabilities, etc.) in the Field Services and Investigations divisions. SAP reports have recently become available that will allow the Department to review overtime hours worked by employee. These two data sources combined will assist the Department in monitoring and managing overtime. The Department will use this data to analyze FY 2003-04 overtime usage to determine if the 4/11 schedule continues to result in less overtime than the 4/10 schedule.</p> <p>The Department also plans to implement a 2-year pilot 4/11 schedule for its Communications employees in Jul-2005. The Department will assess the impact of the schedule change on overtime usage throughout the pilot project. Target date: Jul-2007.</p>



Audit report and recommendation	Department	Current status	Comments
<p>#7: The Police Department should prepare policies and procedures for monitoring training bank hours to ensure all of the 78 training hours are worked, and that total hours do not exceed 171 in an FLSA work period (triggering additional overtime costs). In addition, Payroll should alert the Police Department when training bank hours exceed 171 for employees with training bank hours.</p>	<p>ASD and Police</p>	<p>In process</p>	<p><b>Current status:</b> In process. The Department believes the 4/11 schedule has reduced overtime, and continues to monitor overtime expenditures. The Department continues to collect detailed information on reasons for overtime, however, due to staffing reductions, the Department no longer compiles that data into summary reports. The Auditor's Office will work with the Department to assess the impact of the 4/11 schedules. Target date: TBD.</p> <p>Original response: General guidelines in the use of training bank hours for mandated training and flexible training are outlined in the current Memorandum of Agreement (MOA) with the Police Officers Association (POA). Staff concurs with this recommendation and has begun preparing policies and procedures for monitoring training bank hours. The Police Department has initiated a process that requires the supervisor to check a log of remaining training bank hours prior to approving an employee's request for a training class to ensure the minimum use of overtime. Once the SAP Payroll module is implemented, employees and their supervisors will have online real-time access to training bank balances, which will further ensure that all training hours are worked and that overtime costs are not incurred for non-essential training courses.</p> <p>Sep-2004: In process. The draft of the revised Overtime Authorization Policy for Patrol employees (see Recommendation #8) includes procedures for monitoring training bank hours. Patrol Lieutenants review all submitted training bank request forms to ensure employees do not submit more than 17 hours of training bank usage in any 28-day cycle. Department timekeepers reviews each form prior to entering time into SAP and notifies the supervisor of any discrepancies. In addition, Lieutenants evaluate training bank folders on a weekly basis to ensure employees are meeting their required flexible training hours and training balances are listed on employees' pay stubs. ASD staff started tracking the training balances in SAP in the first pay period of fiscal year 2004-05 (July 2004). Supervisors and employees can run reports to view training balances at any time as long as they have access to the system. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. Immediate supervisors now review all submitted training bank hours before they are submitted to the timekeeper. Department timekeeper continues to review</p>

Audit report and recommendation	Department	Current status	Comments
<p>#8: The Police Department should update the Field Services Division overtime policy to reflect the 4/11 schedule, and implement an overtime policy in the Investigative Services Division. Both policies should establish clear criteria about when it is appropriate to work overtime for:</p> <ul style="list-style-type: none"> <li>• Shift related issues such as follow-up/investigative work and writing casework/reports.</li> <li>• Training and the appropriate use of overtime for training; the policy should identify state and Federal mandated training as opposed to Department-mandated training and stipulate the criteria for allowing them on overtime.</li> <li>• Field officer training and the determining criteria of when overtime should be worked for such training</li> <li>• Holding meetings on overtime</li> <li>• Officers working overtime in Communications.</li> </ul>	HR and Police	Completed	<p>each form prior to entering time into SAP and notifies the supervisor of any discrepancies. ASD staff is working to reconfigure the training bank to match the business process. Target date: Fall 2005.</p> <p>Original response: Staff concurs that written overtime policies in the Field Services and Investigative Services Divisions need to be updated to reflect the 4/11 schedule and current practices in the Investigative Division for the identified tasks in the recommendation. It is important to note that Communications has updated and implemented an overtime policy to provide full staffing for the safety of the public and to control overtime costs. In an effort to further minimize overtime costs, limitations on worn officers working overtime in the Dispatch Center have been put into practice and will be included in the updated overtime policy in Communications. Additionally, Human Resources will work in conjunction with Police Executive Management to prepare overtime recommendations based on FLSA requirements and update policies. This change will require a meet and confer process, but the new policy will address the criteria to be used in determining when it is appropriate for employees to work overtime.</p> <p>Sep-2004: In process. The Department has revised and is reviewing draft overtime policies for the Field Services Division and the Investigative Division. The new policies will reflect the 4/11 schedule and will provide specific guidance to employees regarding the use of overtime for shift-related work, training (including field officer training), meetings and working in Communications. In addition, Watch Commanders are now required to sign off on overtime forms at the conclusion of the shift as well as the preauthorization of the overtime. Target date: Dec-2004.</p>
<p>#9: The Police Department should update the overtime documentation form to conform to the criteria specified in the revised overtime policy so that</p>	Police	In process	<p>Original response: Staff concurs and will update the overtime documentation to conform to the revised overtime policy.</p>

Audit report and recommendation	Department	Current status	Comments
Police Department employees will indicate which criteria were met when documenting overtime hours.			<p>Sep-2004: In process. The overtime documentation form will be revised following the implementation of recommendation #8. Target date: Dec-2004.</p> <p><b>Current status:</b> In process. The Department has revised its policy, and the Auditor's Office will work with the Department to revise the documentation form, if needed. Target date: TBD</p>
#11: Clarify in the SEIU agreement that four hours or more of overtime work beyond the regular shift is paid at the double-time rate.	HR	Not started	<p>Original response: Staff concurs and Human Resources will clarify in the SEIU agreement commencing with 2004, all overtime provisions including the provision that four hours or more of overtime work beyond the regular shift is paid at the double time rate.</p> <p>Sep-2004: Not started. The revised SEIU agreement does not include wording any different from the prior agreement with regard to when double time pay begins. The next opportunity to address this will be in Feb-2005 when contract negotiations reopen for the current contract that expires in 2006.</p> <p><b>Current status:</b> Not started. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006.</p>
#12: The City should confer with SEIU with the goal of clarifying and simplifying meal provisions, promoting consistency between departments and reducing administrative paperwork. Consideration should be given to simplifying the circumstances under which an employee is entitled to a meal (e.g. after working overtime a fixed number of hours whether held over or called back) and establishing standard reimbursement rates for meals. Considerations should be given to combining provisions for meals for Public Safety Dispatchers with provisions for all employees.	HR	In process	<p>Original response: Staff concurs and Human Resources will confer with SEIU in 2004 to clarify and simplify meal provisions during the next contract negotiations to provide for consistency between departments and the reduction of administrative paperwork.</p> <p>Sep-2004: In process. During the 2004 SEIU contract negotiations, standard reimbursement rates for meals were established (\$10 for breakfast; \$15 for lunch and \$20 for dinner). However, no other changes were made to clarify the meal provisions. The next opportunity to address this will be in Feb-2005 when negotiations begin for the current contract that expires in 2006. Target date: 2006.</p> <p><b>Current status:</b> In process. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#13: Clarify the following contract provisions through use of specific examples:</p> <ul style="list-style-type: none"> <li>• That call-out pay begins from the time of the call out and specify how much time the employee is allowed for travel. The Merit Rules should be revised to reflect the SEIU call-out provision;</li> <li>• The intent of the rest period provision and how an employee is paid: (a) for the eight-hour rest period, and (b) if the rest period overlaps the regular work schedule; and</li> <li>• The intent of the in-lieu meal provision and its relationship to the rest period.</li> </ul> <p>Such clarification should be communicated to employees who are affected by the provisions as well as to timekeepers.</p>	HR	Not started	<p>Original response: Staff concurs and Human Resources will update the Merit System Rules and Regulations to correspond with the SEIU Memorandum of Understanding (MOU) provisions following contract negotiations in 2004 to clarify and remedy any inconsistencies between the two documents.</p> <p>Sep-2004: Not started. During the 2004 SEIU contract negotiations, no changes were made to nor examples added to the contract regarding call-out pay, the rest period, or the in-lieu meal provisions. The next opportunity to address this will be Feb-2005 when negotiations reopen for the current contract that expires in 2006. Target date: 2006.</p> <p><b>Current status:</b> Not started. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006.</p>
<p>#14: Consider the value of the level of detail currently tracked with regard to SEIU overtime and whether it is justified given the administrative work it creates. If it is not justified, management should work with Payroll and SEIU to identify opportunities to simplify tracking and timekeeping.</p>	HR and ASD	In process	<p>Original response: Human Resources will work with ASD to clarify FLSA documentation requirements for SEIU overtime and look for opportunities to simplify tracking and timekeeping records.</p> <p>Sep-2004: In process. The SAP system is now implemented and operational for timekeeping. While this has centralized and, in some respects, simplified timekeeping, the Auditor's Office still has concerns about the complexity of overtime timekeeping for SEIU, particularly in the Utilities department. The significant number of paycodes and the lack of clarification for staff about the meaning of those paycodes creates opportunity for error and inconsistencies. We believe ASD needs to work with Utilities to clarify the understanding of certain paycodes and to determine if such detailed timekeeping and such a large number of paycodes are truly necessary. If not, the next opportunity to address this will be Feb-2005, when negotiations reopen for the current contract that expires in 2005. Target date: 2006.</p> <p><b>Current status:</b> In process. There is still a concern about the number of different paycodes specified in the SEIU MOA. Staff will determine if that number can be reduced, and will attempt to negotiate changes to gain any efficiency possible. Staff has also noted that there are at least 200 pay codes related to the Police and Fire MOAs, and also plans to work on negotiating changes to those pay codes. Target date: Jun-2006.</p>

Audit report and recommendation	Department	Current status	Comments
#15: The City should conduct a review of the FLSA designation of all positions. The review should consider the impact of proposed revisions to FLSA regulations.	HR	In process	<p>Original response: Staff concurs. Human Resources began a formal review of FLSA descriptions for all management positions in March 2003 when the proposed FLSA revisions were published. The review has been expanded to include job descriptions and related Human Resources policies and procedures. It is anticipated that the analysis with recommendations including updated job descriptions and policy and procedures will be completed in April 2004. The audit and subsequent recommendations will address all FLSA designations and any exceptions in current practice.</p> <p>Sep-2004: In process. Human Resources' review of the FLSA designations of all City employees is in process. Target date: Jul-2005.</p> <p><b>Current status:</b> In process. Work on updating FLSA designations has been delayed due to budget and staffing constraints. Resources are now being identified to commence work in Jan-2006.</p>
#16: Human Resources should revise job descriptions and overtime policies and procedures to appropriately reflect the FLSA designation of each position. If within a single job classification, it is determined that some employees are exempt while others are non-exempt, then separate job descriptions/ classifications should be written. If the City determines that a particular employee meets the criteria to be deemed exempt for FLSA purposes but the City decides to pay that employee overtime, the job description, policies and procedures, other documentation, and the Lawson computer system should all clearly indicate that the position is exempt but that the City is paying overtime for the position.	HR	Not started	<p>Original response: Staff concurs. Following the completion of the citywide FLSA review, HR will update job descriptions, policies and procedures, and other documentation as necessary.</p> <p>Sep-2004: Not started. Human Resources plans to implement this recommendation when funds become available. Target date: Dec-2005.</p> <p><b>Current status:</b> Not started. Work on revising job descriptions has been delayed due to budget and staffing constraints. Resources are now being identified to commence work in Jan-2006.</p>
#17: After a citywide review of the FLSA status of positions is completed, HR should work with employee representatives to update union contracts and compensation plans so that they are consistent with other documentation. The Management Compensation Plan should list the positions it covers. Both the Management Compensation Plan and the SEIU contract should distinguish between exempt and non-exempt positions and indicate whether any exempt positions may receive overtime pay.	HR	Not started	<p>Original response: Staff concurs and upon completion of the FLSA study, HR will update compensation plans to include exempt/non-exempt status.</p> <p>Sep-2004: Not started. Human Resources plans to implement this recommendation when funds become available. Target date: Dec-2005.</p> <p><b>Current status:</b> Not started. Target date: TBD.</p>

Audit report and recommendation	Department	Current status	Comments
#18: Human Resources should establish a policy that management leave is granted "in lieu" of overtime pay, and include the policy in the Management Compensation Plan. After conducting a citywide FLSA review, HR should determine how to fairly treat employees who currently receive both management leave and overtime pay.	HR	Not started	Original response: HR will review and confer with management employees.  Sep-2004: Not started. Human Resources plans to implement this recommendation when funds become available. Target date: Dec-2005.  <b>Current status:</b> Not started. Target date: TBD.
#19: Human Resources should clarify, through a policy, union contracts and compensation plans, the appropriate uses of administrative leave and other additional paid time off that may be granted to employees.	HR	Not started	Original response: Staff concurs and will prepare additional language which will address administrative leave in future compensation plans.  Sep-2004: Not started. Human Resources plans to develop a new policy to clarify administrative leave and update all Union contracts and compensation plans. Target date: Dec-2005.  <b>Current status:</b> Not started. Target date: Jun-2006.
#22: As part of daily log preparation, the Fire Department should compile data on minimum staffing overtime hours and leave hours into a spreadsheet so that this data is easily available for subsequent analysis. The Fire Department should use this data to proactively manage overtime costs.	Fire	In process	Original response: Staff concurs and will compile the data in an electronic format to allow for subsequent analysis and use by managers.  Sep-2004: In process. As part of daily staffing data, the Fire Department keeps information on minimum staffing overtime hours and leave hours. This information, however, does not have cost data attached and is not in a format easily conducive to compilation and cost assessment. Department will begin later in FY 2004-05 to compile data in such a format. Department will also retrospectively compile data for FY 2003-04. Target date: Oct-2004.  <b>Current status:</b> In process. Target date: TBD.
#23. The Utilities Department should develop and implement timekeeping procedures to improve controls over overtime documentation and ensure consistent application of timekeeping practices and accuracy in completion of timecards.	Utilities	In process	Original response: Staff concurs. See item #26.  Sep-2004: In process. The Department is in the process of developing timekeeping procedures based on the new SAP system. They estimate that their work is about 90% complete. Target date: Dec-2004.  <b>Current status:</b> In process. The department's current focus is on training field staff complete their own SAP timecards

Audit report and recommendation	Department	Current status	Comments
#25: Utilities management should determine whether the current additional paycodes for tracking overtime are a necessary management tool. If so determined, they should be added to the SAP Payroll module so that the Department does not create an internal system in addition to SAP to capture this data.	Utilities and ASD	In process	<p>(previously timekeepers completed the timecards). All WGW overtime must now be reported to the WGW Manager the day the OT is worked. Written policies and procedures have yet to be developed. Target date: TBD.</p> <p>Original response: Staff concurs. All paycodes have been reviewed as part of the SAP Payroll module implementation.</p> <p>Sep-2004: Implemented subject to review in one year. During the SAP conversion, the necessary Utilities paycodes were added to the SAP Payroll module. However, the Auditor's Office notes that SAP has required the creation of additional, new paycodes to compensate for the inability of SAP to accept certain timecard entries. As noted previously in Recommendation #14, the Auditor's Office continues to be concerned about the complexity of Utilities overtime tracking, and will review the status of this recommendation in one year.</p> <p><b>Current status:</b> In process. There still is concern about the number of paycodes, and staff will investigate to determine if the number can be reduced. Target date: TBD.</p>
#27: Management should use the SAP Payroll module roll-out as an opportunity to promote consistency citywide with regard to the roles and responsibilities of timekeepers.	ASD	In process	<p>Original response: Staff concurs. See item #26.</p> <p>Sep-2004: In process. During SAP implementation, centralized timekeeper roles have been created throughout the organization with specific system roles, controls and authorizations. ASD should write and distribute a policy and procedures that clearly stipulate the responsibilities of the timekeepers under the new SAP system. Target date: TBD.</p> <p><b>Current status:</b> In process. Staff has drafted a policy that has been reviewed by the Attorney's Office and is currently being reviewed by HR staff. It will be sent to all timekeepers once it is approved. Target date: Sep-2005.</p>
#30: The Administrative Services Department, in conjunction with the Attorney's Office, should write a policy on timecard and overtime documentation records retention that clearly identifies the roles and retention periods for Payroll and for Departments.	ASD	In process	<p>Original response: There is current retention schedule for timecards. As part of the conversion to the SAP Payroll module, all timecards will be completed by the individual staff member and routed to the appropriate person for supervisor approval. This will be completed in an electronic paperless environment. These electronic records will be maintained according to the current retention schedule.</p>

Audit report and recommendation	Department	Current status	Comments
#31: The Utilities Department should reanalyze the rates charges for contractor-caused damage to determine if costs are fully recovered given lost productivity, direct and indirect overtime that may be incurred. The Department should also consider whether it is appropriate to charge an overtime rate during regular business hours if overtime can reasonably be expected to occur as a result of work delayed by the contractor-caused damage.	Utilities	In process	<p>Sep-2004: In process. This is part of the financial document retention schedule and in addition, most records are now stored in the SAP system. ASD needs to prepare a written policy that defines roles and retention periods for electronic payroll records and the supporting records that departments retain. Target date: TBD.</p> <p><b>Current status:</b> In process. Staff has drafted a policy that has been reviewed by the Attorney's Office and is currently being reviewed by HR staff. It will be sent to all employees once it is approved. Target date: Sep-2005.</p> <p>Original response: Staff agrees with the recommendation. The current fees were increased 16% last year to recover all direct labor, material, vehicle, and indirect overhead costs. The auditor has suggested some additional cost components such as lost productivity that should be considered for inclusion in the fee. Utilities staff will move forward to ascertain the legality of including such costs. If such indirect costs meets applicable legal and accounting standards and can be reasonably calculated, staff will include these additional fees as part of the 2004-05 budget.</p> <p>Sep-2004: In process. Utilities staff is pursuing additional study that may further identify costs related to contractor damage that can be quantified, billed and recovered. These may include Fire safety services, Utilities dispatch services, and invoice processing. The Utilities Department will review these areas and, if appropriate, propose revisions for cost recovery of contractor damage. Target date: Jan-2005.</p> <p><b>Current status:</b> In process. Target date: TBD.</p>



**AUDIT OF RESTRUCTURING EFFORTS AND MANAGEMENT SPAN OF CONTROL  
(Issued 4/20/04)**

Finance Committee

The purpose of our review was to conduct an independent review of staffing changes and restructuring over the last two years, assess the feasibility of additional reductions through attrition, evaluate supervisory span of control, the ratio of managers to line staff, and the number of levels of management review. Of the 17 recommendations, 2 were completed/resolved this year, and 15 are in process.

#1: The City Manager should provide additional guidance to ESAC including targets for reducing personnel costs so that the ESAC is better able to take full advantage of vacancies.

City  
Manager

Completed/  
dropped

Original response: Staff concurs with this recommendation. More formal guidelines will be established to clearly provide the ESAC the authority to approve/disapprove positions to achieve organizational restructuring efforts.

Sep-2004: In process. The ESAC Committee established guidelines and has expanded the review to include hourly position requests. In addition, request forms were revised to include more detailed justifications and a summary report was created for the City Manager to review. To our knowledge, overall reduction targets have not been determined to be necessary and have not been established for the current budget year (the second year of a two year budget cycle). We suggest holding this recommendation open pending biennial budget discussions for FY 2005-07. Target date: Jun-2005.

**Current status:** Completed/dropped. ESAC was discontinued after the 2005-07 Budget was adopted by the City Council addressing the 2005-07 structural deficit. According to the City Manager's Office, ESAC was successful in making recommendations for organizational restructuring, as well as in ensuring that positions that were appropriate for filling were held vacant long enough to allow the majority of employees identified for layoffs to be transferred into those vacancies. Targets for additional reductions have not been established. Further restructuring efforts will be accomplished by the City Manager working directly with department heads. Should additional personnel reductions be necessary in the future, new targets would need to be set.

#2: Restructuring efforts should focus on identifying work that could be streamlined, and consolidating duplicative processes and functions. Restructuring proposals should carefully consider the full cost of staffing changes that may be involved, and the potential for alternative service delivery through outsourcing and public-private partnerships.

City  
Manager

In process

Original response: Staff concurs with this recommendation. Restructuring efforts are focused on reviewing pending retirements/vacancies as well as reviewing City processes and procedures that could be streamlined. In addition, staff will be reviewing city services by analyzing service delivery and service

Audit report and recommendation	Department	Current status	Comments
#3: The City Manager should set clear definitions, guidelines, goals and targets that result in expanding the supervisory span of control and decreasing the ratio of supervisors to line staff.	City Manager	In process	<p>levels.</p> <p>Sep-2004: This effort is ongoing. Current examples of restructuring efforts can be found in CSD and ASD. Staff will continue to look for opportunities through the ESAC process. Target date: TBD.</p> <p><b>Current status:</b> In process. The effort to identify restructuring opportunities and to streamline processes and procedures to reduce staffing is an ongoing effort. Alternative service delivery through contracting and other means will continue to be pursued, although the constraints imposed by union agreements will have to be considered. Target date: TBD.</p>
#4: The City Manager should establish an identifier in SAP for supervisors to improve its ability to monitor and analyze restructuring efforts, and track progress towards reducing supervisory spans of control.	HR and ASD	In process	<p>Original response: Staff concurs with the recommendation. However, there are several factors that must be considered when establishing definitions, guidelines, goals and targets for span of control. Consideration should be given to the type of function, safety, risk levels, and levels of authority. In certain positions, expanding the span of control may increase the risk of loss or liability that far exceed the savings generated by the reduced span of control.</p> <p>Sep-2004: This effort is ongoing. Examples can be found in CSD's recent restructuring that decreased the ratio of supervisors to line staff. Target date: TBD.</p> <p><b>Current status:</b> In process. Staff continues to pursue opportunities for restructuring, recognizing that function, safety, risk levels and appropriate levels of authority are different throughout the City organization. Target date: TBD.</p> <p>Original response: Staff concurs with this recommendation.</p> <p>Sep-2004: In process. Staff is working on expanding position control reports to include identifiers for reporting relationships. In the mean time, updated organizational charts can be used. Target date: Winter 2004.</p> <p><b>Current status:</b> In process. An identifier has been established in SAP, and is being used as part of the employee directory that shows current reporting relationships. But SAP reports are not yet available to users. Target date: TBD.</p>

Audit report and recommendation	Department	Current status	Comments
#5: The City Manager should establish guidelines, goals and targets for reducing the layers of management.	City Manager	In process	<p>Original response: See response #3.</p> <p>Sep-2004: same as #3 above. Target date: TBD.</p> <p><b>Current status:</b> In process. Staff continues to pursue opportunities for restructuring, recognizing that function, safety, risk levels and appropriate levels of authority are different throughout the City organization. Target date: TBD.</p>
#6: The City Manager should assign responsibility for maintaining and updating organizational charts.	City Manager	In process	<p>Original response: Staff concurs with this recommendation. This task has been assigned and staff is working towards establishing a uniform methodology for developing and maintaining organizational charts.</p> <p>Sep-2004: In process. The Auditor's Office posted the organization charts that we prepared as part of our report on a share drive for use by Administrative Assistants. In addition, Budget staff included organizational charts showing a personnel listing by division in the 2004-05 Adopted Budget. We will hold this recommendation open pending biennial budget discussion for FY 2005-07. Target date: Jun-2005.</p> <p><b>Current status:</b> In process. The 2005-07 budget document includes staffing lists that assisted in discussion of position reductions and resources available for the various services. However, these lists do not show reporting relationships. Target date: TBD.</p>
#7: The City Manager should use organization charts to actively manage the City's organizational structure, increase spans of control and reduce layers of management through on-going restructuring efforts.	City Manager	In process	<p>Original response: Staff concurs with this recommendation.</p> <p>Sep-2004: In process. Organizational charts listing positions by division were included in the budget document and are available to review organizational structure, span of control, and position requests. We suggest holding this recommendation open pending biennial budget discussions in 2005-07. Target date: Jun-2005.</p> <p><b>Current status:</b> In process. The 2005-07 adopted budget included the freezing, reduction or lay off of 30 positions. The reductions increased spans of control in areas such as CSD, Fire and ASD. Nonetheless, benefits as a percent of salaries</p>

Audit report and recommendation	Department	Current status	Comments
#8: Human Resources should conduct a position-by-position review of SAP and Lawson data to verify that positions filled by lower and higher level job codes (i.e. overfills and underfills) are correctly identified.	HR and ASD	In process	<p>and wages continues to increase, driving an on-going need to reduce expenditures. In the Auditor's opinion, organization charts would facilitate on-going analysis of organizational structure, spans of control, and layers of management. Target date: TBD.</p> <p>Original response: Staff concurs with this recommendation. As part of the SAP business process review, staff has begun developing detailed business procedures for this process.</p> <p>Sep-2004: In process. Staff completed a review and reconciliation as of June 30, 2004 and will perform at least regular review of positions compared to the table of organization. HR is reviewing underfills and overfills for regular positions within SAP to ensure they are properly identified. Target date: Nov-2004.</p> <p><b>Current status:</b> In process. Target date: TBD.</p>
#9: Human Resources, in consultation with Administrative Services, should establish a policy regarding underfills, and should propose reclassifying all positions that have been underfilled for more than one year, unless the department can justify retaining the higher-level classification.	HR and ASD	In process	<p>Original response: Staff concurs with this recommendation. As part of the budget process all underfills will be reviewed to determine if the job classification should be downgraded.</p> <p>Sep-2004: In process. According to staff, a policy has been established that positions can be underfilled, but not for consecutive budget years, unless approved by the City Manager. Review of underfilled positions will occur during the budget request process. HR is developing a written policy, and ASD staff will include direction on underfills in the budget guidelines and will conduct an analysis of underfills during the budget request review process. Target date: Winter 2004.</p> <p><b>Current status:</b> In process. Human Resources has developed a draft policy with regard to underfills. Once finalized, these guidelines will be incorporated into the FY 2006-07 budget process. Target date: Jul-2006.</p>
#10: Human Resources, in consultation with Administrative Services, should establish formal policies that address the allowability of overfills and their term. The policy should require Budget Office approval for all future overfills, and should require departments to annually justify each overfill.	HR and ASD	In process	<p>Original response: Staff concurs with this recommendation. However, the ASD Director does not believe that the current position control and budgetary system allow for overfills. This policy will be reviewed as part of the new SAP business process to determine if overfilling a position is acceptable.</p> <p>Sep-2004: In process. HR is also developing a written policy,</p>

Audit report and recommendation	Department	Current status	Comments
#11: Human Resources, in consultation with Administrative Services, should recommend to the City Council a formal policy regarding the allowability of overstrength positions.	HR and ASD	In process	<p>and ASD staff will include direction on overfills in the budget guidelines and will conduct an analysis during the budget request review process. Target date: Fall 2004.</p> <p><b>Current status:</b> In process. Target date: Jul-2006.</p>
#12: Human Resources and Administrative Services should conduct a comprehensive review of current positions to ensure they match the City Council approved Table of Organization.	HR and ASD	Completed	<p>Original response: Staff concurs with this recommendation. Any overstrength positions would need to be approved as part of the budget process. The positions would also need to be established in the table of organization and the position control file.</p> <p>Sep-2004: In process. According to staff, they have added five positions slots to address organizational needs in special circumstances for a short period of time. The additions are only administrative and not to be used for permanent staffing. Staff is working on a formal policy recommendation to present to Council. Target date: Fall 2004.</p> <p><b>Current status:</b> In process. Human Resources is continuing to work with ASD on modifying existing city policies that will address this concern. Target date: Feb-2006.</p>
#13: Human Resources should reconcile and correct discrepancies in job titles between the SAP and Lawson computer systems and the employees' job descriptions, position titles, compensation plans, the employee directory, organization charts, and the working titles that employees actually use.	HR	In process	<p>Original response: Staff concurs with this recommendation. This process is currently in progress.</p> <p>Sep-2004: In process. ASD has completed a review of SAP positions, and HR is conducting a comprehensive review of all positions in the Table of Organization. Target date: Fall 2004.</p> <p><b>Current status:</b> Completed. Position control is being maintained through SAP.</p> <p>Original response: See #12 above.</p> <p>Sep-2004: In process. As of Aug-2004, HR and ASD are reconciling all discrepancies as they are identified during the regular course of business. Discrepancies between SAP and Lawson were complicated by the fact that in Lawson, one position number was tied to multiple employees, whereas SAP requires a one-to-one relationship between positions and employees. This was a major shift in position control. With SAP position control, the city will have been reporting capabilities</p>

Audit report and recommendation	Department	Current status	Comments
#14: Human Resources and ASD should establish policies regarding position controls for temporary employees using the SAP system to track the total number of temporary employees, and estimated and actual hours worked. Temporary FTE reported in the Operating Budget should be based on actual hours worked.	HR and ASD	In process	<p>(vacancy reports and headcount reports). However, a comprehensive reconciliation of job titles has not been initiated. Discrepancies that are identified will be corrected in SAP and other documents on a go-forward basis. Target date: TBD.</p> <p><b>Current status:</b> In process. A comprehensive reconciliation of job titles will be completed by the end of the year. Target date: Dec-2006.</p>
#15: The Administrative Services Department should closely monitor temporary salary budgets and require departments to stay within those budgets.	ASD	In process	<p>Sep-2004: In process. A committee comprised of key Executive Staff is working on an updated policy for temporary employees and methodology for controlling the use of temporary personnel. Once these steps are completed, staff will redesign position control for temporary employees to comply with the recommendation and business needs. Target date: Jan-2005</p> <p><b>Current status:</b> In process. ASD is responsible for establishing positions for each temporary employee in SAP. The positions will be loaded based on the estimated hours assigned by departments and restricted to the hourly budget approved. Target date: Sep-2005.</p> <p>Original response: Staff concurs with this recommendation. However, as per the PAMC 2.28.050, budgetary control has been established at the category or classification of expenditure level. This means that budget monitoring is at the Salaries and Benefits total, not at the individual budget line item. Palo Alto does not have a line item budget. As part of the SAP system, it is much easier for management staff to monitor and report on individual expenditure items.</p> <p>Sep-2004: In process. ASD staff reviews temporary salaries on a regular basis and will make recommendation for changes during the midyear reporting or go directly to Council, if necessary. The Auditor's Office will monitor this recommendation through year-end. Target date: Jun-2005.</p> <p><b>Current status:</b> In process. Budget staff reviews temporary salary budgets on a periodic basis, with closer intervals for CSD and Library (largest budgets). Reviews are done at prior to midyear and yearend in case a budget amendment is necessary. In addition, in 2006-07, all departments will have the capability to use position control to budget for hourly employees. This will allow departments to align their budgeted to actual hourly</p>

Audit report and recommendation	Department	Current status	Comments
#16: Human Resources should clarify City policies regarding the appropriate uses of hourly employees, and establish standard definitions and procedures for hiring and monitoring temporary employees.	HR	In process	<p>salaries. This alignment will enable departments to accurately monitor their department's budget. Target date: Jun-2006.</p> <p>Original response: Staff concurs with this recommendation. This review is currently in progress.</p> <p>Sep-2004: In process. A committee was established with members of Executive Staff and Human Resources to establish standard definitions and procedures for hiring and monitoring temporary employees. Target date: Feb-2005.</p> <p><b>Current status:</b> In process. This recommendation will be implemented subsequent to the conclusion of current hourly negotiations. Target date: Feb- 2006.</p>
#17: The Human Resources Department should review the status of temporary hourly employees on a continuous basis to ensure that allowable terms of employment are not exceeded.	HR	In process	<p>Original response: Staff concurs with this recommendation. This review is currently in progress.</p> <p>Sep-2004: In process. After cross-referencing employee personnel records with SAP and Lawson, HR staff identified a number of technical field issues and data entry issues that caused errors in temporary employee reporting. Those issues are being resolved. HR also identified a number of temporary employees whose work status was dormant. In addition, HR is reviewing the status of all temporary personnel on the City's payroll list to ensure they are within their authorized employment hours. ESAC approval is now required for new temporary employees, and for temporary employees who exceed their estimated term of employment. HR will continue to monitor temporary employment hours and length of assignment on a quarterly basis. Target date: Jun-2005.</p> <p><b>Current status:</b> In process. HR is continuing to monitor temporary employment hours and length of assignment on a quarterly basis. Target date: Feb-2006.</p>

Audit report and recommendation	Department	Current status	Comments
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**REVIEW OF THE ENVIRONMENTAL SERVICES CENTER PROPOSAL (Issued 11/15/04)** Finance Committee

The purpose of this project was to independently review the assumptions and financial implications of the ESC proposal, and present that information to the City Council before additional monies were expended on the project. Of the 12 recommendations, 1 was completed, 3 were dropped, and 8 are in process.

<p>#1: Staff should determine whether the Refuse Fund should pay rent on the unopened portions of the landfill, or complete final closure and open them to the public.</p>	<p>Public Works/ ASD</p>	<p>In process</p>	<p>Original response: Staff disagreed with the audit recommendation but, given that this is a major policy decision by the Council, and given that implementation would double the rent currently paid by the Refuse Fund to the General Fund, staff and the Auditor agreed that further discussion of this issue could be referred to the Council Finance Committee, if desired.</p> <p><b>Current status:</b> There continues to be on-going research and discussion about this recommendation. Staff will present the results of their research to the City Council in Fall-2005.</p>
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<p>#2: Staff should consider potential effects of waste reduction in planning for needed landfill space, and assess whether those benefits could accrue to the future landfill park in the form of lower and/or smoother contours. Staff should inform the City Council of potential impacts on final landfill grading plans as landfill closure nears.</p>	<p>Public Works</p>	<p>In process</p>	<p>Original response: Closure of the landfill is dependent on the volume of material being landfilled. The estimated date for closure of the landfill is just that, an estimate. Any revisions to approved grading plans would require CEQA review, and approval by Council and other regulatory bodies. Staff estimates that the minimum time to accomplish these tasks would be over one and one-half years. While staff recommends staying with the original grading plan, staff agrees with the Auditor that providing the Council with regular reports on actual tonnages, remaining landfill capacity and updates as landfill closure nears is very appropriate.</p> <p><b>Current status:</b> In process. Staff recently completed an aerial flyover to determine remaining landfill capacities, and is preparing an informational CMR that will discuss the analysis including actual tonnages to date, remaining landfill capacity, and an update on the landfill closure date. Target date: TBD.</p>
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<p>#3: The Public Works Department should utilize the services of a landscape architect to review and help shape refined grading plans prior to landfill closure.</p>	<p>Public Works</p>	<p>In process</p>	<p>Original response: Services of a landscape architect would be utilized for any significant changes to the grading plan, which would also be subject to site and design review. These most likely would not be required unless an ESC project is approved.</p> <p><b>Current status:</b> Staff has contracted with an engineering consultant firm, Golder Associates, to develop a final landfill</p>
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Audit report and recommendation	Department	Current status	Comments
			grading plan. Golder is expected to develop a final grading plan using data from the recent aerial flyover, and based on the current State-approved grading plan and the original Council-approved Landscape Plan provided in the Byxbee Park Master Plan. Target date: TBD.
#4: If the Council decides to proceed with the project, consideration should be given to eliminating some component parts of the project where land rent reduces their economic benefit.	Public Works	Dropped	On February 14, 2005, the City Council voted to kill the ESC project. Recommendation no longer needed.
#5: Staff should begin planning a request for proposal process for curbside collection services beginning in 2009 that considers whether to continue offering City-owned land for contractor offices and storage.	Public Works	In process	Original response: Work has already begun planning for the 2009 request for proposal process. Any future contract will evaluate land for the contractor's offices and storage and will evaluate economic trade-offs to see which are the most cost effective.  <b>Current status:</b> Staff is preparing a multi-year schedule for a new contract. Staff anticipates a schedule that would potentially award a contract 1 full year prior to the end of the existing contract term in 2009.
#6: The City Council should request additional information about the benefits of a permanent household hazardous waste facility before committing to building a facility at the proposed ESC that increases annual additional operating costs.	Public Works	In process	On February 14, 2005, the City Council voted to kill the ESC project, however the proposal to build a permanent HHW facility was part of the 1991 household hazardous waste element that is still in effect.  <b>Current status:</b> In process. According to staff, the issue will be discussed by the Zero Waste Task Force which is scheduled to report back to the City Council in Fall-2005.
#7: The Planning Department and City Attorney's Office should research whether there are outstanding <i>agreements or commitments to other entities</i> from previous actions at the landfill and determine their legal standing.	City Attorney	Completed	In response to the report, the City Attorney's Office reviewed relevant documents and determined that there are no regulatory requirements or other agreements with outside agencies that precluded the City from using the landfill area for a use other than parkland, but that approvals would be required from state and local agencies, as well as a vote of the Palo Alto electorate (memorandum dated January 5, 2005).
#8: Planning staff should immediately review landfill grading plans for conformance to the approved Byxbee Park Plan. If necessary, staff should request the assistance of a landscape architect to make this determination. If Planning staff determine that the grading plan is different from the approved park plan, landfill staff should be directed to grade to levels indicated in the park plan or lower, while filing an application for site and	Planning/ Public Works	In process	Original response: Public Works staff will consult with the landscape architect, Hargreaves Associates, and an engineering firm to resolve the differences between the grading plan and the approved landscape plan in Phase IIC. If any changes are proposed to the Council-approved landscape plan, it will be

Audit report and recommendation	Department	Current status	Comments
design review and a park improvement ordinance.			<p>subject to site and design review.</p> <p><b>Current status:</b> Planning staff determined that the current landfill grading plan was not in conformance with the approved Byxbee Park Plan. Public Works staff is preparing a final landfill grading plan and will be sending final grading plan to the original landscape architect, Hargreaves Associates, in Sep/Oct-2005 for their review for conformance with the original Council- approved landscape plan for Byxbee Park.</p>
#9: Staff should provide photo simulations or other means to help visualize the final shape of the landfill and proposed ESC in the larger context of the larger park areas.	Public Works	Dropped	On February 14, 2005, the City Council voted to kill the ESC project. Recommendation no longer needed.
#10: As they compile an update to the Baylands Master Plan, the Planning Department should clearly spell out the existing boundaries, names, and acreages of dedicated parklands in the Baylands.	Planning	In process	<p>Original response: Staff agrees with the recommendation.</p> <p><b>Current status:</b> The Baylands Masterplan update will be undertaken after the completion of the golf course preliminary feasibility study.</p>
#11: The Community Services Department should develop a natural resources management plan.	Community Services	In process	<p>Original response: The Parks and Recreation Commission has made the development of a natural resources plan for the Baylands a priority for calendar year 2005. Staff and the Commission will determine the scope of the project and will provide the Council with the timeline and process details for implementing the plan's development.</p> <p><b>Current status:</b> In process. CSD has received a \$24,000 grant for this study from the US Fish And Wildlife Service, and has finalized the request for proposals with feedback from the Parks and Recreation Commission. CSD hopes to be able to award the contract this fall.</p>
#12: The economic feasibility of the project should be re-evaluated based on project medications and mitigation requirements imposed (or expected to be imposed) during the review and approval process.	Public Works	Dropped	On February 14, 2005, the City Council voted to kill the ESC project. Recommendation no longer needed.

**AUDIT OF CONTRACT CONTINGENCIES (Issued 3/15/05)**

Finance Committee

The purpose of this audit was to evaluate the appropriateness of contingency levels, the approval process for using contingencies, and actual contingency usage. Of the 15 recommendations, 1 was completed, 3 are partly completed, 9 are in process, and 2 are not started.

#1: The change order form included in the Purchasing Manual as well as the change order forms used by Public Works and Utilities should require departments to indicate the underlying reason for contingency spending based on categories for spending as determined by staff. Examples of possible categories are unforeseen, design-related, or upgrade. The Purchasing Manual form should be updated to include the dollar amount of the change and cumulative total spent to date. Guidelines and a form should be developed for documenting uses of "additional services" funds as well.

ASD

Partly completed

Original response: Staff agreed with the recommendation and revised the form to include the suggested categories and additional information requirements. The recently updated guidelines reflect the changes and are part of the revised Purchasing Manual. The Public Works and Utilities forms will be updated as well. Target Completion Date: Purchasing Manual form is completed. Target date for updating Public Works and Utilities forms is Fall 2005.

**Current status:** Partly completed. Categories have been established in SAP based on the audit recommendation. The Purchasing Manual and change order form have been updated. Target completion date: September 2005 for implementation of Purchasing Manual update and use of new change order form by Public Works; November 2005 for use of the new change order form across the rest of the organization.

#2: Purchasing should maintain records on valid complaints related to contractors for consideration in future contract awards.

ASD

In process

Original response: Staff will incorporate a process to maintain such information in SAP under the vendor's master file. If there are system limitations, staff will then keep a separate electronic file of valid complaints to review prior to awarding contracts. Purchasing and Department Project Management staff will communicate on ongoing basis to keep complaints current. Target Completion Date: Fall 2005

**Current status:** In process. ASD has met with the Attorney's office regarding this matter and it was agreed that certain documentation regarding vendor performance should be maintained as it relates to vendors. Determining what specific information can be retained while ensuring fairness to vendors requires additional research and discussion. Purchasing and the Attorney's Offices are continuing to work on it. Target completion date: June 2006

#3: Departments that receive resident requests for service should establish criteria for responding to such requests and incorporate those criteria into a Departmental construction manual (if applicable) and provide them to Purchasing for inclusion in the Purchasing Manual. The Purchasing Manual should also provide guidance on when it is appropriate to issue a change

ASD

In process

Original response: Staff will collaborate to incorporate in the Construction and Purchasing Manuals criteria on processing requests for services based on the scope of the capital project and the contract. The manuals will include examples on when to do a change order or a contract amendment. Department heads

Audit report and recommendation	Department	Current status	Comments
order to expand the scope of a contract versus amending the contract or issuing a new contract. Departments approving contingency spending should ensure that the work is within the scope of the original contract.			<p>or designees will approve contingency spending based on the established criteria. Target Completion Date: Fall 2005</p> <p><b>Current status:</b> In process. Infrastructure project managers have been trained regarding the type of changes and additional work that is compliant with the contract scope. Any deviation from these changes or additional services will require approval by the appropriate authority. The Purchasing Manager will work with the Public Works Department to incorporate the necessary criteria into the Department Construction Manual that is scheduled to be revised (see also recommendation #9). Target completion date: Dec-2005</p>
#4: Staff should determine if it is feasible to track and report on actual contingency and additional services spending using SAP.	ASD	Completed	<p>Original response: The contract contingency amounts are budgeted separately from the main contract amount. A change order moves and combines the contingency to the main contract line item. Staff is not separating the expense for the amount moved as a result of the change order in the SAP system since it would require separate accounting of such activities. It would require the vendor and City staff to separate all invoices and/or line items and pay from either the main contract or a new contingency account, the benefit of such information is minor compared to the amount of work required to keep and reconcile separate accounts. Staff will review the SAP system for other possible steps to track such information without making it labor intensive. Most project managers keep a separate electronic or hard copy file on the actual use of their contingency. Target Completion Date: Fall 2005</p> <p><b>Current status:</b> Completed. Staff determined that the recommendation is feasible. Tracking began July 1 through new general ledger accounts that have been added to SAP. See recommendation #5 for information on reporting.</p>
#5: The Administrative Services Department should include total project expenditures to date (including contingency) on the Year-end Capital Improvement Program Projects Status Report. If staff determines that Recommendation 4 is feasible, then actual contingency spending should also be included on the year end report. In addition, Management should assess the feasibility of requiring responsible Departments to present project completion reports to the City Council upon termination of major projects.	ASD	In process	<p>Original response: The current CIP report contains the components of the total project to date, but they are not summarized in a single column. Staff agrees with the recommendation and will add a summary column. In terms of the actual contingency spending, see response to 4. If an option is found and beneficial, staff will implement it in SAP. Staff will also assess the feasibility of project completion reports. Target Completion Date: December 2005</p> <p><b>Current status:</b> In process. Report separating contingency spending will be presented to Finance Committee as part of FY</p>

Audit report and recommendation	Department	Current status	Comments
#6: The standard professional services agreement should include optional standardized "additional services" provisions. The Purchasing Manual should include criteria for including "additional services" and setting "additional services" percentages (e.g. nature of project, complexity of project), and City Manager Reports should specify "additional services" where applicable.	ASD	Partly completed	<p>2005-06 mid-year reporting, Target completion date: March 2006</p> <p>Original response: Staff concurs with the recommendation and is in the process of implementing the changes. A new contract template with such provisions has been created and the purchasing manual has been updated with a set of criteria defined for including additional services. The CMR format will be amended to separate or identify the additional services being recommended for approval. Target Completion Date: Completed</p> <p><b>Current status:</b> Partly completed. The standard agreement has been updated. The Purchasing Manual is being updated. Target date: Sep-2005.</p>
#7: Purchasing and the City Attorney's Office should develop standard language regarding pricing for changes to contract work for construction contracts, professional services contracts and general service contracts. Departments should ensure that all contracts include the appropriate language. Guidelines on allowable costs should be incorporated into the Purchasing Manual, and cited or included in contracts.	ASD	In process	<p>Original response: The Attorney's office has drafted a new contract template for professional services that includes language regarding pricing for changes to contract work. Pricing for changes or additions shall be based upon defined hourly or other rates that have been established upon determination of the total compensation for the agreement. Standard language for general services work is currently being drafted and reviewed by the Attorney's office. A review of all construction procurement and contract documents is scheduled for later this year. This review will result in revision of all construction procurement and contract documents that will address these and other issues. Departmental staff will ensure that all contracts include the appropriate language. Target Completion Date: Professional services and guidelines on allowable cost have been completed. Remaining items: Fall 2005</p> <p><b>Current status:</b> In process. The Attorney's office has provided new contract templates for professional services that are now in use. Pricing for changes or additions must be based upon defined hourly or other rates that have been established in the contract or negotiated if no rate is established. Training covering the additional services provisions in the professional services contract was conducted for CIP and infrastructure project managers last spring. Other staff will be trained in the fall. Standard language for pricing of changes in general services contracts is currently being drafted and reviewed by the Attorney's office. The standard specifications for construction contracts contain pricing terms for changes to work. This language will be reviewed and revised if necessary. Project managers will be advised to consistently use the provisions in</p>

Audit report and recommendation	Department	Current status	Comments
			the standard specifications and to not use conflicting or different pricing terms unless approved in advance by the purchasing manager. Departmental staff will ensure that all contracts include the appropriate language. Target completion date: Mar-2006.
<p>#8: The Purchasing Manual update should include:</p> <ul style="list-style-type: none"> <li>• Policy statement that contingency spending should be to complete original scope of work and that, to the extent possible, work should be included in original bid to obtain most favorable price.</li> <li>• Definitions of key terms including contract contingency, change order, contract amendment, and additional services.</li> <li>• Information on how these terms are relevant for each category of contract (construction, professional services, general services).</li> <li>• Steps for documenting uses of contingency or additional services funds under each category of contract.</li> <li>• Instructions for encumbering additional services, and guidelines and forms for documenting uses of additional services.</li> <li>• Explanation of differences in rules (if Purchasing determines there are any) for documenting contingency or additional services for contracts below the threshold for City Council approval versus for contracts above the threshold for such approval.</li> </ul>	ASD	In process	<p>Original response: Staff agrees with the recommendations, some of which have been incorporated into the revised Purchasing Manual. The remaining recommendations will be included in the next revision in conjunction with the ongoing contract streamlining efforts. Change orders for construction are mostly for unforeseen items, but staff will continue look for opportunities to include all aspects in the original scope to the extent possible. Target Completion Date: Completed</p> <p><b>Current status:</b> In process. The Purchasing Manual has been updated to include these recommendations, and will be posted on the intranet. Target completion date: September 30, 2005.</p>
<p>#9: Departments should use the Public Works Construction Contract Administration Manual as a template for additional procedures regarding extra work authorizations, field orders, change orders, and authorization signatures, as needed. Departments should ensure that their procedures for contingency spending are consistent with the Purchasing Manual with regard to additional services spending. Departments should review their procedures with Purchasing to ensure conformance to citywide standards.</p>	ASD	Not started	<p>Original response: Public Works will update the Construction Contract Administration Manual in collaboration with the Utilities Department and Purchasing Division Staff to ensure consistency with the Purchasing Manual and citywide standards. Target Completion Date: Fall 2005</p> <p><b>Current status:</b> The update of Public Works Construction Contract Administration Manual has not yet started. Target completion date: Winter 2005.</p>
<p>#10: Either as part of the proposed training on contracting or separately, Purchasing should ensure that</p> <ul style="list-style-type: none"> <li>• Key topics related to contingencies and additional services are sufficiently covered. These include an overview of updated key terms and policies and procedures (i.e., Purchasing Manual revision), procedures for and documentation required for spending contingency or additional services funds, pricing of changes in contract work.</li> <li>• Case studies based on actual experiences of Palo Alto project managers are included in the course.</li> </ul> <p>Such training should be mandatory for project managers and Purchasing should maintain attendance records. Department heads should ensure that</p>	ASD	In process	<p>Original response: Purchasing staff will include the materials necessary to incorporate the above recommendations in the contract management classes that will be mandatory. Public Works and Utilities Department staff will assist in the training and provide valuable case studies and learning opportunities. In addition, department heads or designees will ensure attendance by staff involved in the process. Target Completion Date: Spring 2005</p> <p><b>Current status:</b> In process. Infrastructure project managers were trained in the Spring of 2005. Other project managers are scheduled to be trained the 2005-06 fiscal year. Target</p>

Audit report and recommendation	Department	Current status	Comments
project managers meet mandatory training requirements.			completion date: Mar-2006
#11: Departments should ensure that copies of documents related to ongoing contracts are forwarded to Purchasing. In our opinion, both Purchasing and the originating department should have a complete set of contract documents readily available while a contract is open.	ASD	In process	<p>Original response: Staff agrees with the recommendation and will provide instructions to implement steps. Target Completion Date: Spring 2005</p> <p><b>Current status:</b> In process. Purchasing is receiving and maintaining a copy of the fully executed contract and change order documents for all current contracts. Instructions regarding this matter have been incorporated into the updated draft Purchasing Manual. Target completion date: Sep-2005.</p>
#12: The City Clerk's Office, in consultation with the City Attorney's Office and the Administrative Services Department, should review the records retention schedule and update it to ensure that critical contract records (including scopes of work and bid submittals) are retained for appropriate lengths of time, accountability is clear, the schedule is easy to understand, and that duplication is minimized. In our opinion, both Purchasing and the originating department should have a complete set of contract documents readily available while a contract is open.	City Clerk, City Attorney, and ASD	In process	<p>Original response: Staff from the Office of the City Attorney, Clerk and Administrative Services will work together to update the records retention schedule. The current practice in Purchasing is to maintain a complete set of contract documentation while they are open. The Purchasing Manual and/or guidelines will be updated to include language that departments are responsible for keeping a complete set as well. Target Completion Date: Fall 2005</p> <p><b>Current status:</b> In process. Staff from the City Clerk's and City Attorney's Offices have met individually with several RIM coordinators to begin the process of updating retention schedules. Target date: Spring 2006.</p>
#13: The Contract Process Streamlining Committee should establish general guidelines for processing times for different kinds of contracts, including accountability and expectations.	ASD	Partly completed	<p>Original response: The Committee established general guidelines for contract processing times and will review the various contract types to establish more specific times now that the new purchasing ordinance is in place. Staff needs to experience the new processes since the major changes just went into affect in July 2004, before making specific recommendation for some of the contracts. In addition, some need contract templates developed and put into place so a processing time can be set. The Committee will review processing times next year to allow for the new process to settle and to gather historical information. After the results are reviewed, the Committee will adjust accordingly to ensure better accountability and clear expectations. Target Completion Date: Spring 2005</p> <p><b>Current status:</b> Partly completed. Processing timelines will be provided in the updated, draft Purchasing Manual. Target completion date: Sep-2005.</p>

Audit report and recommendation	Department	Current status	Comments
#14: The Purchasing Manual should specify that Departments should maximize efficiency and reduce the workload for both Purchasing and Departments by combining field changes into individual change orders.	ASD	Not started	Original response: Purchasing staff will include recommendations in the Purchasing Manual and work with the City Attorney's Office to revise construction process documentation to facilitate the combination of field change orders whenever possible. Target Completion Date: Spring 2005  <b>Current status:</b> Not started. The update of the Public Works Construction Contract Administration manual will include this information. Target completion date: Winter 2005.
#15: Departments should ensure that all change orders are submitted to Purchasing as soon as is reasonably practical. After the Purchasing Manual has been updated and training has occurred, Purchasing should explore the feasibility of a pilot program to decentralize change order processing for departments that have demonstrated adherence to procedures and submission of documentation.	ASD	In process	Original response: Department heads or designees will review internal processes and timeliness of change orders to ensure reasonable processing times. Staff will collaborate to explore possible areas to decentralize the change order process, where feasible and prudent. Target Completion Dates: Spring 2005; decentralization review Winter 2005  <b>Current status:</b> After the Purchasing Manual has been updated and training has occurred, Purchasing will explore the possibility of establishing a pilot program with Public Works to decentralize change order processing. Target completion date: June 2006

## AUDIT OF WORKERS' COMPENSATION (Issued 4/19/05)

Finance Committee

The objective of this audit was to identify opportunities to control Palo Alto claim costs in the face of rising medical costs. Of the 22 recommendations, 1 is completed, 15 are in process, and 6 are not started.

#1: To ensure compliance with City and State requirements, HR should re-emphasize to supervisors the importance of immediately reporting injuries to the HR Risk Manager and completing and forwarding forms to HR in a timely manner.	HR	In process	Original response: Risk Management staff recognizes the auditor's findings and will strive to communicate the importance of timely reporting.  <b>Current status:</b> In process. On August 23, 2005, HR issued a memo to all supervisors that injuries must be reported to HR within 5 days. The Auditor's Office has requested HR provide documentation that timeliness requirements are being met. Target date: TBD.
#2: Because of the importance of timely processing, HR should strictly enforce the Athens contract provisions regarding the timely closure of claims.	HR	In process	Original response: The Risk and Benefits Manager will reiterate these contract provisions with Athens management at its next file review meeting.



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#3: HR should document its review of disability leave on SAP bi-weekly payroll reports or timecards.	HR	Completed	<p><b>Current status:</b> In process. The Risk Manager states that she has notified Athens Administrators of the importance of closing claims in a timely manner. The Auditor's Office has requested HR provide documentation that timeliness has improved. Target date: TBD.</p> <p>Original response: Risk Management staff will create a method to document its review of SAP disability leave buckets by June 30, 2005.</p> <p><b>Current status:</b> Completed. Risk Management staff generate SAP payroll reports and review use of disability leave on a biweekly basis.</p>
#4: HR should work with ASD to determine if there are circumstances under which a position should be backfilled using an "over-strength" position.	HR and ASD	Not started	<p>Original response: HR will discuss with ASD during next six months.</p> <p><b>Current status:</b> Not started. Target date: Jan-2006.</p>
#5: HR should determine whether a temporary employee category, not subject to the 1,000-hour limitation, could be established to backfill for a disabled employee.	HR	Not started	<p>Original response: HR staff checked with CalPERS in June 2004 and determined that CalPERS does not allow exceptions to the 1,000-hour limitation.</p> <p><b>Current status:</b> Not started. Target date: TBD.</p>
#6: HR should require Athens to prepare disability reports that can be shared with department managers to monitor the work status of employees and their modified or alternative work assignments.	HR	In process	<p>Original response: Athens currently prepares quarterly reports that are shared with department managers to provide claim updates as well as work status.</p> <p><b>Current status:</b> In process. Risk Management staff report they are reviewing the reports currently provided the department managers. Target date: Nov-2005.</p>
#7: To the extent possible, HR, department managers and line supervisors should be looking for light duty assignments for their injured employees before the employee is released to work, at the same time ensuring the proposed work is compatible with restrictions that are expected to be imposed by the employee's physician.	HR	In process	<p>Original response: Risk Management staff will continue to remind department managers and line supervisors to proactively look for light duty assignments for injured employees.</p> <p><b>Current status:</b> In process. Target date: TBD.</p>
#8: To maximize the opportunities for modified or alternative work, HR should amend the Workers' Compensation Modified Duty Policy (Policy and Procedures 3-02/HRD) to encourage modified work assignments outside of	HR	In process	<p>Original response: Risk Management staff will amend Policy &amp; Procedure 3-2 before June 30, 2005.</p>

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the employee's home department if work is not available within the employee's home department.			<b>Current status:</b> In process. Risk Management has prepared a draft policy. Once internal reviews are complete, it will be discussed with the unions. Target date: TBD.
#9: HR should compile a listing of potential light duty positions across the City and should work with department managers and line supervisors to find modified or alternative work for injured employees outside their divisions when appropriate.	HR	In process	Original response: HR currently has a short list of potential light duty positions within various City departments but will work on expanding this list.  <b>Current status:</b> In process. Target date: Feb-2006.
#10: HR should explore the feasibility of using the Executive Staff Approval Committee (ESAC) to assign modified duty across departmental lines.	HR	Not started	Original response: Staff concurs with this recommendation.  <b>Current status:</b> Not started. ESAC has been dissolved. In the Auditor's opinion, an alternative is needed to assign light duty across department lines. Target date: TBD.
#11: HR should work with the Fire Chief to establish a pilot program that will bring injured Fire Department employees back to work on their regular shift and, to the extent possible, at their home fire station.	HR and Fire	In process	Original response: Staff highly supports the establishment of this pilot program. Risk Management staff will work with the Fire department to inform Fire department shift employees regarding this change immediately.  <b>Current status:</b> In process. Target date: Oct-2005.
#12: The HR Risk Management and Safety Manager should direct Athens to produce reports with workers' compensation data that can be shared with departmental managers, safety committees, and others to benchmark and evaluate their performance in improving safety programs, reducing injuries, and reducing workers' compensation costs.	HR	Completed	Original response: Athens currently prepares reports which include workers' compensation data identified and has shared it with department managers. Risk Management will begin to share these reports with the safety committees as well.  <b>Current status:</b> Completed. Risk Management staff prepare non-confidential reports that are distributed to department managers and safety committees.
#13: The HR Safety Officer should serve as an advisory member of each departmental safety committee, a resource to facilitate and coordinate departmental safety committee initiatives, and ensure compliance with the quarterly checklist he has drafted.	HR	In process	Original response: The City Safety Officer will draft a quarterly checklist by December 1, 2005.  <b>Current status:</b> In process. Target date: Dec-2005.
#14: The HR Director should revise the City's safety policy and procedures to include a system for issuing written citations, commendations, and warnings related to safety in the work place; to formalize safety inspections in the work place; for benchmarking, tracking, monitoring, and evaluating each department's success in implementing corrective actions and	HR	In process	Original response: Staff concurs with this recommendation. The HR Director will revise the City's safety policy and procedures by December 1, 2005.  <b>Current status:</b> In process. Risk Management is reviewing the

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improving safety in the work place.			City's safety policy and considering appropriate modifications. Target date: Dec-2005
#15: Department heads should refer to the written safety citations, commendations, and warnings in employee evaluations.	HR	Not started	Original response: HR staff highly supports this recommendation.  <b>Current status:</b> Not started. Target date: May-2006.
#16: HR should work with ASD to set aside funding for rectifying problems on the spot and/or providing seed money to correct situations that would improve safety program effectiveness.	HR and ASD	Not started	Original response: Staff concurs with this recommendation.  <b>Current status:</b> Not started. Budget shortfalls have delayed funding for this program. Target date: TBD.
#17: HR should direct Athens to issue periodic reports (via e-mail or in monthly reports) that identify employees who file 3 or more workers' compensation claims within a 3-year period.	HR	In process	Original response: The Risk and Benefits Manager will direct Athens to immediately produce such a report on a monthly basis.  <b>Current status:</b> In process. Target date: TBD.
#18: The City Manager should direct department heads and supervisors to interview employees who file 3 or more workers' compensation claims in a 3-year period, and to identify training issues and address shortcomings related to the implementation and maintenance of the City's Injury and Illness Prevention Program.	City Manager and HR	In process	Original response: Staff concurs with this recommendation.  <b>Current status:</b> In process. Target date: TBD.
#19: The City Manager should direct department heads to attend quarterly workers' compensation claims review meetings with Athens and the HR Risk Management staff. At these meetings, department heads and supervisors should be prepared to discuss current workers' compensation claims, as well as initiatives for reducing claims, corrective actions taken, light duty assignments, and actions taken to bring the employees back to work.	City Manager and HR	In process	Original response: Staff concurs with this recommendation.  <b>Current status:</b> In process. Target date: TBD.
#20: The HR Director should work with the Administrative Services Director to begin allocating workers' compensation costs to departments based on departmental experience factors, and showing those costs as a discrete line item in departmental financial reports so that each department will have incentives to reduce workers' compensation costs.	HR and ASD	Not started	Original response: HR will work with ASD to develop this allocation of workers' compensation costs in FY 06-07.  <b>Current status:</b> Not started. Target date: Jun-2006.
#21: HR should provide information and flyers to department managers, supervisors and employees that detail the new laws; the new workers' compensation requirements, caps and restrictions; the new incentives for offering light duty; and the penalties the City could incur for not offering	HR	In process	Original response: The new law information was provided at the "Essentials for Managing" sessions in 2004. The information will be posted on the HR Intranet site.

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opportunities to return to work.			<b>Current status:</b> In process. Handouts are being reviewed and should be distributed to employees citywide. Target date: Oct-2005.
#22: HR should use the flyers to familiarize department managers with the new laws; to show them the financial effects and penalties of not complying with the new laws such as the requirement to offer opportunities to return to work; and to show how to use the new laws to reduce workers' compensation costs.	HR	In process	Original response: The new law information was provided at the "Essentials for Managing" sessions in 2004. The information will be posted on the HR Intranet site.  <b>Current status:</b> In process. Handouts are being reviewed and should be distributed to employees citywide. Target date: Oct-2005.