



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

November 7, 2006

The Honorable City Council
Attn: Policy and Services Committee (November 7, 2006)
Finance Committee (November 8, 2006)
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, and the recommendation related to the Police Community Survey. The Finance Committee is asked to review the status of recommendations from the audits of payroll, utility risk management, overtime expenditures, restructuring efforts, contract contingencies, workers' compensation, parks maintenance, street maintenance, and the reviews of the long range financial plan, the environmental services center proposal, and the Palo Alto Airport.

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 143 recommendations from 14 different audit reports and reviews. This includes 98 recommendations that were outstanding after our last status report as of June 30, 2005, and 45 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 77 recommendations, and worked on or partly implemented an additional 51 recommendations. A total of 15 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, the City Clerk's Office, and the Administrative Services, Community Services, Fire, Human Resources, Planning and Community Environment, Police, Public Works, and Utilities Departments for their assistance in compiling this report.

Respectfully submitted,

Sharon W. Erickson
City Auditor

STATUS OF AUDIT RECOMMENDATIONS (6/30/06)

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, 2005. It shows those recommendations that have been completed or resolved, are in process or not started, 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 Payroll	7/2/01		1		Finance
4	Assessment of Utility Risk Management Procedures	7/3/02	2			Finance
6	Analysis of the Long Range Financial Plan	12/3/02	1			Finance
7	Audit of Code Enforcement	3/11/03	8	2	1	Policy & Services
13	Audit of the Development Review Process	11/15/03	3			Policy & Services
15	Audit of Overtime Expenditures	11/18/03	7	12	3	Finance
27	Audit of Restructuring Efforts and Management Span of Control	4/20/04	14	1		Finance
36	Review of Environmental Services Center Proposal	11/15/04		8		Finance
40	Audit of Contract Contingencies	3/15/05	10	3	1	Finance
46	Audit of the Workers' Compensation Program	4/19/05	21			Finance

AUDITS ISSUED SINCE LAST RECOMMENDATION STATUS REPORT:

52	Audit of Parks Maintenance	12/13/05	5	6	11	Finance
59	Police Community Survey Results	2/6/06	1			Policy & Services

Page Number	Report Title	Date Issued	Completed or resolved since last report	In process or partly completed	Not started	Council Committee
60	Audit of Street Maintenance	3/7/06	4	17		Finance
68	Review of Palo Alto Airport's Financial Condition and Comments on Santa Clara County's Proposed Business Plan for the Airport	6/6/06	1			Finance
TOTAL			77	51	15	143

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 complete HR and Payroll replacement, then HR management should work with the Administrative Services Division to install an interim self-service module.

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 expending resources on a temporary solution at this time. Target date: TBD.

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.

Oct-2003: In process. ASD is considering a soft roll-out of some ESS functions. Target date: Jan-2004.

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.

Sep-2005: 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.

Current status: In process. An RFP will be issued in FY 2006-07 to obtain consulting services to assist in the preparation of scope of service for an upgrade of the SAP system. This will include the employee self service component. Target date: TBD.

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. All of the original 24 recommendations are now completed.

#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

Completed

Original response: See recommendation 14.

Sep-2002: In process.

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.

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.

Sep-2005: 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.

Current status: Completed. The Back Office bookkeeping and accounting functions have been segregated to the extent possible without requiring additional staff resources. The Utilities Department (settlement function) now produces a separate quarterly report which summarizes all payments and billings made during that quarter. The ASD Accounting function carries out on-going reviews of Utilities settlement function procedures and produces a quarterly report summarizing those reviews. These two reports are reviewed in detail by the ASD Middle Office Risk Manager, ASD Deputy Director, the Assistant Director of Utilities Resource Management, and the Assistant

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	Completed	<p>Director of Utilities Customer Service. The two reports are compared with each other to ensure accuracy and both are also compared with the Quarterly Reports from the ASD Middle Office and the Utilities Front Office. All four reports are also presented to the Utilities Risk Oversight and Coordinating Committee each quarter.</p> <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>Sep-2005: 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> <p>Current status: Completed. ASD Accounting staff received six hours of one-on-one training from Utilities Resource Management Division (RMD) staff. Training included explanation of deal sheets, the RMD transaction database, and commodity purchase invoices. Training was sufficient for ASD Accounting staff to perform monthly back office reviews.</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, all are now completed.

#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.

ASD

Completed

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.

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.

Sep-2005: 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.

Current status: Completed. During the FY 2006-07 budget process staff provided a complete updated list of IMP projects with updated budget and actual costs to the Finance Committee. This information will be provided on a regular basis as part of the annual budget process.

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, 8 were completed/resolved this year, 2 are in process, and 1 is not started.

#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.

Planning

Completed

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.

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.

Sep-2005: 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.

Current status: Completed. The call back system is working well from staff's perspective. An automated response card may be considered in the future.

#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.

Planning

In process

Original response: Planning staff has begun to clarify written guidelines and procedures and will be continuing that effort over the next several months.

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).

Sep-2004: In process. Draft of written policies is being prepared.

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	Completed	Target date: Dec-2004.
			Sep-2005: In process. The written procedures for code enforcement guidelines and procedures is in preliminary draft 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.
			Current status: In process. Procedures have been drafted but have not been approved by management due to staffing changes and departures. Target date: Jan-2007.
#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	Completed	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.
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.			
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.	Sep-2005: In process. Target date: Sep-2005.	Current status: Completed. The City Attorney's Office meets weekly with Code Enforcement Officers to update them on the status of cases and to provide legal and technical advice. The Attorney's Office also provides a monthly report on open cases. Cases are further discussed through e-mails.	
Oct-2003: In process. The Attorney's Office provides case status reports at regular weekly meetings.			

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<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>Sep-2005: In process. Target date: TBD.</p> <p>Current status: Completed. The City Attorney's Office provides a written monthly report on case status to Code Enforcement, as well as meeting with Code Enforcement Officers weekly.</p>
#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	Completed	<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> <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>Sep-2005: 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 track penalties and collections. Target date: TBD.</p> <p>Current status: Completed. ASD has updated procedures for invoicing, tracking delinquent invoices, assessing penalties, and referring unpaid invoices to collection agencies and/or the City Attorney's Office; and the City Attorney's Office updates the Administrative Penalty Schedule annually.</p> <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</p>

Audit report and recommendation	Department	Current status	Comments
<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 or use other means to collect amounts that are outstanding over six months. [Language in bold added at the Policy and Services Committee meeting March 11, 2003.]</p>	<p>ASD and Attorney</p>	<p>Completed/resolved</p>	<p>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>Sep-2005: 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>Current status: Completed. The City Attorney's Office meets weekly with Code Enforcement Officers to discuss the status of cases, including penalties and administrative costs where appropriate. If a case goes to hearing, attorney and administrative costs are requested. In addition, ASD now routinely refers unpaid accounts over \$5,000 to the Attorney's Office for review and recommendation. The City Attorney uses prosecutorial discretion to decide the appropriate action for each case.</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 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>Sep-2005: 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>

Audit report and recommendation	Department	Current status	Comments
#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>Current status: Completed/resolved. ASD has incorporated "Referral Procedures" into its collection procedures for delinquent invoices (see recommendation #9). Because of the cost of imposing liens or taking other legal action, amounts less than \$5,000 are referred to the Attorney's Office after 12 months (instead of 6 months as recommended). However, unpaid invoices over \$5,000 are now referred to the Attorney's Office after 90 days. The City Attorney uses prosecutorial discretion to decide the appropriate action for each case. The process for imposing liens is outlined in Municipal Code Chapter 1.12. The imposition of a lien would be considered the next step after an administrative hearing.</p> <hr/> <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>Sep-2005: Not started. Due to budget constraints no action has been taken on this recommendation. Target date: TBD.</p> <p>Current status: Not started. For budgetary reasons, consolidation of responsibilities was dropped from consideration. A cross-departmental team of code enforcement staff was meeting monthly to coordinate and discuss their enforcement cases, but there have been a number of staffing changes, and the group is no longer meeting. As a result, the various departments with various code enforcement responsibilities are still operating independently.</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	Completed	<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>Sep-2005: In process. The City Manager and City Attorney are</p>

Audit report and recommendation	Department	Current status	Comments
#16: The Planning Division's code enforcement program, in conjunction with other offices and departments, should continue to develop proactive products such as web pages, leaflets, and brochures that will help residents to comply with Municipal Code requirements.	Planning	Completed	<p>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> <p>Current status: Completed. In Dec-2005, the City Council confirmed the City Manager's approach to the prioritization of staff resources to focus limited staff resources on individuals who repeatedly violate code requirements or refuse to comply with direction from code enforcement staff, and confirmed the City Attorney's strategy for addressing violations of the City's Municipal Code through use of the City's administrative enforcement process (Palo Alto Municipal Code Chapters 1.12 and 1.16) which is designed as a non-judicial penalty process for achieving compliance. The goal is to have more than 95% of all enforcement matters resolved prior to any administrative enforcement.</p> <p>Oct-2003: In process. Draft web page and brochures are being reviewed internally. Target date: January 31, 2004.</p> <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>Sep-2005: 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> <p>Current status: Completed. Code enforcement information and requirements are incorporated into the City's website. The website provides code enforcement information related to property maintenance, land use, dangerous buildings, vehicle abatement, signs and fences, protected trees, and the City's visibility project. Code enforcement complaints and violations can be reported on-line through the website and contact information for the code enforcement officers is listed on the</p>

Audit report and recommendation	Department	Current status	Comments
#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>website.</p> <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>Sep-2005: 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> <p>Current status: In process. 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. All 34 recommendations are now completed or resolved.

#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	Completed	<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 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>
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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	Completed	<p>Sep-2005: 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>Current status: Completed. Workload reports have been developed and are being distributed.</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	Completed/ resolved	<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>Sep-2005: 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> <p>Current status: Completed. Workload reports have been developed and are being distributed.</p> <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</p>

Audit report and recommendation	Department	Current status	Comments
			<p>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>Sep-2005: 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> <p>Current status: Completed/resolved. The new Chief Planning and Transportation Official is fulfilling the functions of Zoning Administrator (i.e. is responsible for ensuring consistency in technical interpretations of zoning issues), and the Advance Planning Manager is acting as the independent hearing officer.</p>

AUDIT OF OVERTIME EXPENDITURES (Issued 11/18/03)

Finance Committee

The purpose of our review was to audit actual overtime usage, and identify opportunities to better control overtime expenditures. Of the 32 recommendations, 10 were previously completed, 7 were completed this year, 13 are in process, and 2 are not started.

#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.	Fire	In process	<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 4th quarter of the fiscal year with outside assistance.</p> <p>Sep-2004: 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>Sep-2005: Not started. Target date: TBD.</p> <p>Current status: In process. A contractor has been selected to begin a standards of coverage study in November following the end of the wildland fire season. Target date: TBD.</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	Fire	In process	<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</p>

Audit report and recommendation	Department	Current status	Comments
work the relief or the overtime.			<p>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>Sep-2005: In process. Target date: TBD.</p> <p>Current status: In process. Target date: TBD.</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.	HR	In process	<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 recently renegotiated. Target date: 2006.</p> <p>Sep-2005: Not started. This recommendation will be addressed during future negotiations with the Palo Alto Professional Firefighters. Target date: Jul-2006.</p> <p>Current status: In process. The city is in negotiations and has proposed contract language that would reduce the frequency of higher rank employees working overtime in lower ranking positions. Target date: Fall 2006.</p>
#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>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</p>

Audit report and recommendation	Department	Current status	Comments
	Police	Completed	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.
			Sep-2005: In process. The Department is investigating the possibility of determining these costs through the SAP payroll system. Target date: Jan-2006.
			Current status: In process. Target date: TBD.
#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	Completed	Original response: Staff concurs and will continue to closely monitor the 4/11 schedule in Patrol and its impact on overtime expenditures.
			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.
			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.
			Sep-2005: 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.
			Current status: Completed. According to the Police Department, the five-year average number of overtime hours was 27,766 prior to adoption of the 4/11 schedule. After the adoption of the schedule, the average number of overtime hours (for FY 2002-03 through FY 2005-06) dropped to 21,469. SAP

Audit report and recommendation	Department	Current status	Comments
#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.	ASD and Police	In process	<p>notations will assist the Department in identifying underlying reasons for the overtime (illness, vacation, etc.) as Department continues to monitor overtime.</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 review 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>Sep-2005: In process. Immediate supervisors now review all submitted training bank hours before they are submitted to the timekeeper. Department timekeeper continues to review 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>Current status: In process. ASD is in the final stage of</p>

Audit report and recommendation	Department	Current status	Comments
			<p>reconfiguration of the paycheck stub to correctly reflect the training bank. Payroll and the Police Department are working collaboratively to ensure training bank hours are not exceeded. Payroll will also look into the following:</p> <ul style="list-style-type: none"> (1) Payroll will explore the possibilities of setting up a timecard user exit which will not allow employees to exceed their 17-hour training allotment in a 28-day FLSA pay period. The employee would have to correct his timecard before it could be saved or approved. (2) Payroll will also explore an automated report that will be automatically sent to personnel in the police department for review and, if necessary, action. <p>Target date: Dec-2006.</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 Police Department employees will indicate which criteria were met when documenting overtime hours.</p>	Police	In process	<p>Original response: Staff concurs and will update the overtime documentation to conform to the revised overtime policy.</p> <p>Sep-2004: In process. The overtime documentation form will be revised following the implementation of recommendation #8. Target date: Dec-2004.</p> <p>Sep-2005: 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> <p>Current status: In process. All officers enter their time in SAP. In addition to completing the forms on detailed information on the reasons for overtime, officers are now required to enter the information in the comments section in the SAP timekeeping system. The Department is working with ASD on retrieving the data in a reportable format. Target date: Dec-2006.</p>
<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.</p>	HR	Completed	<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>

Audit report and recommendation	Department	Current status	Comments
<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.</p>	HR	Completed	<p>Sep-2005: Not started. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006.</p> <p>Current status: Completed. The recently negotiated SEIU contract clarifies when double time is paid.</p>
			<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>Sep-2005: In process. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006.</p> <p>Current status: Completed. The 2006-09 SEIU MOU clarifies the requirements for overtime meals. Specifically, overtime meals will be paid: (1) when an employee is called back and is on duty for a period of three consecutive hours, and thereafter at intervals of five hours, but not more than six hours, until the continuous overtime assignment ends, or (2) when an employee is held over on duty so that his/her overtime assignment extends two hours after shift end, and thereafter at intervals of five hours, but not more than six hours, until the continuous overtime assignment ends, or (3) when an employee is called out more than two hours or more before a regularly scheduled day shift and works the regularly scheduled shift, he/she will be entitled to breakfast and lunch with lunch to be consumed on the employee's own time with no in-lieu pay for meals not taken, or (4) when recalled two hours or less after the end of a regular shift, unless assigned to standby.</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"> • 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; • 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 • The intent of the in-lieu meal provision and its relationship to the rest period. <p>Such clarification should be communicated to employees who are affected by the provisions as well as to timekeepers.</p>	HR	In process	<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>Sep-2005: Not started. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006.</p> <p>Current status: In process. The City has hired a consultant to assist with the revision of the Merit System Rules and Regulations to reflect call-out pay. In addition, 2006-09 SEIU MOA clarifies the meal relationship to rest periods. The City had proposed new language for hours of work and overtime, but was only successful with clarification for meals, overtime, and rest periods. Target date: TBD.</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	Completed	<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>

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>Sep-2005: 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> <p>Current status: Completed. The 2006-09 SEIU MOU may reduce time tracking by modifying procedures and clarifying some paycodes, but those codes may still be needed for other purposes. This process is ongoing and In the future, Human Resources will consider opportunities to simplify paycodes through union negotiations. Meanwhile, Payroll has reviewed the paycodes and verified that current paycodes are directly related to IRS regulations (taxable/non-taxable), MOUs, and/or management requests.</p> <hr/> <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>Sep-2005: 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> <p>Current status: Project delayed. Target date: TBD.</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	HR	In process	<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>

Audit report and recommendation	Department	Current status	Comments
<p>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.</p>			<p>Sep-2004: Not started. Human Resources plans to implement this recommendation when funds become available. Target date: Dec-2005.</p> <p>Sep-2005: 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> <p>Current status: The management classification study will result in new job descriptions. An FLSA audit will follow. Target date: TBD.</p>
<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.</p>	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>Sep-2005: Not started. Target date: TBD.</p> <p>Current status: Project delayed. Target date: TBD.</p>
<p>#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.</p>	HR	Not started	<p>Original response: HR will review and confer with management employees.</p> <p>Sep-2004: Not started. Human Resources plans to implement this recommendation when funds become available. Target date: Dec-2005.</p> <p>Sep-2005: Not started. Target date: TBD.</p> <p>Current status: Project delayed. Target date: TBD.</p>
<p>#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.</p>	HR	In process	<p>Original response: Staff concurs and will prepare additional language which will address administrative leave in future compensation plans.</p> <p>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.</p>

Audit report and recommendation	Department	Current status	Comments
#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	<p>Sep-2005: Not started. Target date: Jun-2006.</p> <p>Current status: In process. The Merit Rules are being revised and will address this issue. Target date: TBD.</p>
#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	<p>Original response: Staff concurs and will compile the data in an electronic format to allow for subsequent analysis and use by managers.</p> <p>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.</p> <p>Sep-2005: In process. Target date: TBD.</p> <p>Current status: In process. The Department continues to keep overtime data manually, but is exploring the purchase of electronic software staffing systems that would automatically compile this type of data. As an alternative, the Auditor's Office provided a simple spreadsheet that could be used to compile the information. Target date: TBD.</p> <p>Original response: Staff concurs. See item #26.</p> <p>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.</p> <p>Sep-2005: In process. The department's current focus is on training field staff complete their own SAP timecards (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>Current status: Project delayed. Target date: TBD.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#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.</p>	Utilities and ASD	Completed	<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>Sep-2005: 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> <p>Current status: Completed. Payroll reviewed the paycodes and determined that the paycodes are directly related to IRS regulations (taxable/non-taxable), MOUs, and/or management requests. The tentative 2006-09 SEIU MOU may reduce time tracking by modifying procedures and clarifying some paycodes, but those codes still may be needed for other purposes. This process is ongoing and in the future, Human Resources will continue to consider opportunities to simplify paycodes through union negotiations.</p>
<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.</p>	ASD	Completed	<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>Sep-2005: 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>

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<p>Current status: Completed. Policy and Procedure 2-29/ASD ("Roles and Responsibilities of Timekeepers") was distributed and posted on the Intranet in February 2006.</p> <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> <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>Sep-2005: 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>Current status: Completed. Policy and Procedure 2-29/ASD ("Roles and Responsibilities of Timekeepers") was posted on the Intranet in February 2006. The policy specifies that departments with centralized timekeepers keep copies of timecards for one year, and that ASD retains original copies of all timecards for 7 years plus the current year.</p>
#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>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</p>

Audit report and recommendation	Department	Current status	Comments
			<p>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>Sep-2005: In process. Target date: TBD.</p> <p>Current status: Under consideration. 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 previously completed/resolved, 14 were completed this year, and 1 is in process.

#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

Completed

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 levels.

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.

Sep-2005: 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.

Jan-2006 (CMR:118:06): In process. During the upcoming budget process each department will be asked to review their

Audit report and recommendation	Department	Current status	Comments
			<p>departmental organization charts and business operations. Departments will analyze short-term, medium-term, and long-term opportunities to expand the span of control and reduce layers of management through restructuring. This review will also look at streamlining processes and functions as they relate to the departments restructuring objectives. In addition, potential alternative service delivery means will be considered such as outsourcing and public-private partnerships.</p> <p>Current status: Completed. During the FY 2006-07 budget process departments updated their organizational charts and reviewed opportunities for restructuring (e.g. the Planning Department reorganization and Attorney's Office contracting for litigation). During FY 2006-07, departments will continue to review staffing decisions for opportunities to restructure and to streamline processes as part of the newly revised position requisition process, which asks specific questions related to these areas every time a position is requested to be filled. Also in FY 2006-07, during the review of options for increasing funding for infrastructure, the City will continue to look at alternative service delivery options. This will be an ongoing process.</p>
<p>#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.</p>	<p>City Manager</p>	<p>Completed</p>	<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>Sep-2005: 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>Jan-2006 (CMR:118:06): In process. Staff will establish guidelines along with a process through which department span of control is reviewed on a regular basis to identify opportunities</p>

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<p>to expand the span of control and to establish a baseline target for the ratio of supervisors to line staff and layers of management. A part of this process will include the ongoing review and updating of department organization charts showing reporting relations. Review of organization charts will be incorporated into the 2006-07 budget process and will also occur when staff is replaced.</p> <p>Current status: Completed. Departments are now asked specific questions during the position requisition process as to how they are addressing span of control and decreasing the ratio of supervisors to line staff. Targets are based on the needs of the department. Also in FY 2006-07, during the review of options for increasing funding for infrastructure, the City will continue to look at alternative service delivery options, as well as ongoing restructuring efforts that may result in expanding supervisory span of control. This will be an ongoing process.</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>Sep-2005: 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> <p>Current status: Completed. The SAP identifier is now mapped to the employee directory so that the employee directory on the City's intranet correctly reflects reporting relationships and aids supervisors in monitoring and analyzing restructuring efforts. HR also monitors promotions that are supervisory in nature upon receipt of the Personal Action Form. In addition, an SAP report (ZHRR47) has been created that shows supervisory relationships. The report is available to budget coordinators and division heads. Tracking supervisory spans of control will be an ongoing process.</p>
#5: The City Manager should establish guidelines, goals and targets for reducing the layers of management.	City Manager	Completed	Original response: See response #3.

Audit report and recommendation	Department	Current status	Comments
#6: The City Manager should assign responsibility for maintaining and updating organizational charts.	City Manager	Completed	Sep-2004: same as #3 above. Target date: TBD.
			Sep-2005: 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.
			Jan-2006 (CMR:118:06): In process. See recommendation #3.
Current status: Completed. Departments are required to address span of control through the position requisition process. Specific questions are asked requiring departments to report on their review of span of control including reducing layers of management. The management classification study, currently underway, will provide additional information pertaining to layers of management. This will be an ongoing process.	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.		
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.	Sep-2005: 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.		
Current status: Completed. Departments are required to update organizational charts as part of the budget process and as part of the newly reconfigured position requisition process (i.e. every time they put in a request to fill a position). A revised position requisition justification form was put in place to assist with this process.			

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<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>Sep-2005: 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 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>Current status: Completed. Departments are now required to actively review their organization structure with every position requisition and to look at increasing span of control and reducing layers of management on an ongoing basis. Departments send updated organizational charts to HR and Budget with every position requisition (i.e. every time they put in a request to fill a position).</p>
#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	Completed	<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>Sep-2005: In process. Target date: TBD.</p> <p>Current status: Completed. Reviews are conducted on a yearly basis in conjunction with the Budget process. ASD (Budget) notifies HR when there will be an overfill situation. HR, ASD, and the department discuss and agree on length of time</p>

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<p>the position may be overfilled. Positions filled by lower- and higher-level job codes (i.e. overfills and underfills) are identified in the SAP personnel module.</p> <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>Sep-2005: 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> <p>Current status: Completed. Guidelines for underfills, overfills and overstrength positions are complete and posted on the intranet for staff's use. The guidelines specify that these situations must be approved by Budget and HR, and are monitored to ensure they don't exceed a period of 12 months and to ensure that staffing at that level is justified.</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	Completed	<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, 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>Sep-2005: In process. Target date: Jul-2006.</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	Completed	<p>Current status: Completed. The Budget Office reviews all position requests including those where underfills and overfills are requested. Exceptions will be reviewed by the HR and ASD Directors. The City Council approved up to five temporary, short-term overfill positions as part of the FY 2006-07 Operating Budget. Guidelines for underfills, overfills and overstrength positions are complete and posted on the intranet for staff's use.</p> <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>Sep-2005: 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> <p>Current status: Completed. The City Council approved 5 positions in the FY 2006-07 table of organization that can be used for temporary overstrength needs.</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: 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 (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>

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	Completed	<p>Sep-2005: In process. A comprehensive reconciliation of job titles will be completed by the end of the year. Target date: Dec-2006.</p> <p>Current status: In process. The review is in process and will be completed by the end of the year. The management classification study, currently underway, will also contribute to this effort.</p>
#15: The Administrative Services Department should closely monitor temporary salary budgets and require departments to stay within those budgets.	ASD	Completed	<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>Sep-2005: 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>Current status: Completed. Temporary positions are loaded and tracked in the SAP position control system based on anticipated hours worked per employee. In the FY 2006-07 budget, temporary employee full-time equivalents were calculated based on the position control system and hours worked.</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>

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	Completed	<p>Sep-2005: 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 salaries. This alignment will enable departments to accurately monitor their department's budget. Target date: Jun-2006.</p> <p>Current status: Completed. The Budget Division in ASD regularly monitors temporary salary budgets and positions in SAP and position control to ensure that departments stay within those budgets.</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	Completed	<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>Sep-2005: In process. This recommendation will be implemented subsequent to the conclusion of current hourly negotiations. Target date: Feb- 2006.</p> <p>Current status: Completed. New requisition forms, position justification forms, and hiring policies and procedures for SEIU-hourly positions and limited hourly positions have been completed and are posted on the intranet.</p>

Audit report and recommendation	Department	Current status	Comments
			<p>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>Sep-2005: In process. HR is continuing to monitor temporary employment hours and length of assignment on a quarterly basis. Target date: Feb-2006.</p> <p>Current status: Completed. HR is monitoring employee hours quarterly and sending regular status reports to departments.</p>

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 previously completed, 3 were dropped because they were no longer relevant after the City Council terminated the ESC project, 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>Sep-2005: 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> <p>Current status: In process. Staff reviewed alternatives with the Finance Committee in Dec-2005. The Committee recommended that the City Council adopt a policy of charging rent on the unopened portions of the landfill, and asked staff to look into the possibility of recovering past-owed rents and reviewing the post-closure costing to include more than just grading but also park development. In Oct-2006, the Finance Committee recommended that the City Council establish a policy whereby the Refuse Fund should pay rent at less than full market value in consideration of the fact that the landfill area cannot be readily converted to the specified highest and best use. The Committee</p>
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Audit report and recommendation	Department	Current status	Comments
#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.	Public Works	In process	<p>also recommended that staff review the recent Army Corps of Engineers' land value estimates, and that the ASD Director should sign a tolling agreement consistent with the applicable statute of limitations for collecting back rent. Target date: TBD.</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>Sep-2005: 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> <p>Current status: In process. Staff presented its first and second annual updates of the Palo Alto Landfill capacity to the City Council in Sept-2005 (CMR:363:05) and Sept-2006 (CMR:377:06).</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.	Public Works	In process	<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>Sep-2005: Staff has contracted with an engineering consultant firm, Golder Associates, to develop a final landfill 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.</p> <p>Current status: In process. The Public Works Department is contracting with Hargreaves Associates for these services.</p>

Audit report and recommendation	Department	Current status	Comments
#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	<p>Target date: TBD.</p> <p>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.</p> <p>Sep-2005: 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.</p> <p>Current status: In process. A cross-departmental team has been assembled, and the City Council has approved a scope of work to obtain consultant services to assist and advise City staff during the procurement process. Staff anticipates a schedule that would potentially award a contract 1 full year prior to the end of the existing contract term in 2009.</p>
#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	<p>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.</p> <p>Sep-2005: 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.</p> <p>Current status: In process. Target date: Nov-2006.</p>
#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 design review and a park improvement ordinance.	Planning/ Public Works	In process	<p>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 subject to site and design review.</p> <p>Sep-2005: In process. 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</p>

Audit report and recommendation	Department	Current status	Comments
			<p>Council- approved landscape plan for Byxbee Park.</p> <p>Current status: In process. An agreement is being negotiated with Hargreaves Associates to conduct the review. Target date: TBD.</p>
#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>Sep-2005: The Baylands Masterplan update will be undertaken after the completion of the golf course preliminary feasibility study.</p> <p>Current status: In process. Hargreaves Associates has been engaged to do the review. Target date: TBD.</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>Sep-2005: 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> <p>Current status: In process. The consulting firm ESA has been hired to prepare a comprehensive Baylands Conservation Plan over the next two years. The consultants are gathering data on native and non-native plants at the Baylands, including the flood basin and along San Francisquito Creek. Staff plans to give the Parks and Recreation Commission an update on status-to-date of ESA's study in Nov-2006. Target date: Mar-2008.</p>

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 previously completed, 10 were completed/resolved this year, 3 are in process, and 1 is 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

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.

Sep-2005: 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.

Current status: Completed. A new change order form is now part of the Purchasing Manual. Public Works and Utilities have been advised to use the revised form. The revised form includes the underlying reason for contingency spending, the dollar amount of the change, and the cumulative total spent to date. The Purchasing Manual also includes the guidelines and a form for documenting the use of "additional services" funds and all department representatives have been trained in its use.

#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

Sep-2005: In process. ASD has met with the Attorney's office

Audit report and recommendation	Department	Current status	Comments
<p>#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 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>	ASD	In process	<p>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.</p> <p>Current status: In process. ASD is finalizing a procedure for the maintenance of customer complaint records for the Purchasing Manual. The procedure has been reviewed by the City Attorney's Office. Target date: Fall-2006.</p>
<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.</p>	ASD	Completed	<p>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 or designees will approve contingency spending based on the established criteria. Target Completion Date: Fall 2005</p> <p>Sep-2005: 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> <p>Current status: In process. Purchasing Manual changes are complete. Public Works will incorporate the necessary criteria into its Construction Manual. Target date: Spring 2007.</p> <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>Sep-2005: In process. Report separating contingency spending</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	Completed	<p>will be presented to Finance Committee as part of FY 2005-06 mid-year reporting, Target completion date: March 2006</p> <p>Current status: Completed. The mid-year report has been reformatted to include current fiscal year contingency amounts.</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>Sep-2005: Partly completed. The standard agreement has been updated. The Purchasing Manual is being updated. Target date: Sep-2005</p> <p>Current status: Completed. The standard professional services agreement now includes additional services provisions. The Purchasing Manual has also been updated to include information on additional services.</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 and Attorney	Completed	<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>Sep-2005: 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</p>

Audit report and recommendation	Department	Current status	Comments
			<p>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 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> <p>Current status: Completed. Standard language is in place for professional services, general services, and construction contract changes.</p>
<p>#8: The Purchasing Manual update should include:</p> <ul style="list-style-type: none"> • 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. • Definitions of key terms including contract contingency, change order, contract amendment, and additional services. • Information on how these terms are relevant for each category of contract (construction, professional services, general services). • Steps for documenting uses of contingency or additional services funds under each category of contract. • Instructions for encumbering additional services, and guidelines and forms for documenting uses of additional services. • 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. 	ASD	Completed	<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>Sep-2005: 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>Current status: Completed. The Purchasing Manual has been updated to include this information.</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, Public Works, and Utilities	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>Sep-2005: The update of Public Works Construction Contract Administration Manual has not yet started. Target completion</p>

Audit report and recommendation	Department	Current status	Comments
			<p>date: Winter 2005.</p> <p>Current status: The update of the Public Works Construction Contract Administration Manual has not yet started. Target completion date: Jun-2007.</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"> • 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. • Case studies based on actual experiences of Palo Alto project managers are included in the course. <p>Such training should be mandatory for project managers and Purchasing should maintain attendance records. Department heads should ensure that project managers meet mandatory training requirements.</p>	ASD	Completed	<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>Sep-2005: 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 completion date: Mar-2006</p> <p>Current status: Completed. Four training sessions covering this recommendation were held in March 2005, April 2005, October 2005 and March 2006.</p>
<p>#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.</p>	ASD	Completed	<p>Original response: Staff agrees with the recommendation and will provide instructions to implement steps. Target Completion Date: Spring 2005</p> <p>Sep-2005: 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> <p>Current status: Completed. This information is covered in Chapter 19 (Contract Signatures) of the Purchasing Manual.</p>
<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</p>	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>

Audit report and recommendation	Department	Current status	Comments
readily available while a contract is open.			<p>Sep-2005: 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> <p>Current status: In process. The City Attorney's Office is reviewing proposed records retention schedule changes. Target completion: Winter 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	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>Sep-2005: Partly completed. Processing timelines will be provided in the updated, draft Purchasing Manual. Target completion date: Sep-2005.</p> <p>Current status: Completed. Processing timelines are included in the Purchasing Manual and Purchasing Checklists.</p>
#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	Completed	<p>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</p> <p>Sep-2005: Not started. The update of the Public Works Construction Contract Administration manual will include this information. Target completion date: Winter 2005.</p> <p>Current status: Completed. The Purchasing Manual includes this requirement, and Purchasing will monitor to ensure</p>

Audit report and recommendation	Department	Current status	Comments
#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	Completed/ resolved	<p>compliance.</p> <p>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</p> <p>Sep-2005: 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</p> <p>Current status: Completed/resolved. The Purchasing Manual has been updated and new change order procedures are in place. Due to internal control concerns, Purchasing has determined it is not feasible to decentralize change order processing.</p>

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 was previously completed, and 21 were completed/resolved this year.

#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	Completed	<p>Original response: Risk Management staff recognizes the auditor's findings and will strive to communicate the importance of timely reporting.</p> <p>Sep-2005: 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.</p> <p>Current status: Completed. On-time reporting has improved. After the memo was issued, 132 of the 142 new claims (93%) were reported on time. HR continues to work with employees who submit claims late.</p>
#2: Because of the importance of timely processing, HR should strictly enforce the Athens contract provisions regarding the timely closure of claims.	HR	Completed	<p>Original response: The Risk and Benefits Manager will reiterate these contract provisions with Athens management at its next file review meeting.</p>

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<p>Sep-2005: 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>Current status: Completed. Athens Administrators met the goal of closing claims on time in April 2006. Athens has since been replaced with a new administrator, Bragg and Associates. HR takes timely closure of claims very seriously, and will continue to monitor contractor performance.</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	Completed/resolved	<p>Original response: HR will discuss with ASD during next six months.</p> <p>Sep-2005: Not started. Target date: Jan-2006.</p> <p>Current status: Completed. In the FY 2006-07 Adopted Operating Budget, the City Council approved 5 positions in the table of organization that can be used for temporary overstrength needs.</p> <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>Sep-2005: Not started. Target date: TBD.</p> <p>Current status: Completed/resolved. In lieu of a temporary employee category, backfilling for disabled employees will be done through contract employees or overstrength positions (see recommendation #4).</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	Completed	<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>Sep-2005: In process. Risk Management staff report they are reviewing the reports currently provided the department managers. Target date: Nov-2005.</p> <p>Current status: Completed. The new Workers' Compensation administrator, Bragg and Associates, is generating summary</p>

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<p>reports that are discussed with department heads and division managers during quarterly meetings.</p> <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>Sep-2005: In process. Target date: TBD.</p> <p>Current status: Completed. HR has issued revised policies and procedures related to modified and light duty assignments; continues to monitor the status of injured workers on a weekly basis; and follows up with supervisors to ensure modified light duty work is assigned to disabled workers who return to work.</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 the employee's home department if work is not available within the employee's home department.	HR	Completed	<p>Original response: Risk Management staff will amend Policy & Procedure 3-2 before June 30, 2005.</p> <p>Sep-2005: In process. Risk Management has prepared a draft policy. Once internal reviews are complete, it will be discussed with the unions. Target date: TBD.</p> <p>Current status: Completed. HR has issued revised policies and procedures related to modified and light duty assignments. The HR Director will continue to serve as the lead person on this initiative and will continue to work with the Executive Staff to ensure injured workers are assigned modified light duty across department lines.</p>
#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	Completed/ resolved	<p>Original response: HR currently has a short list of potential light duty positions within various City departments but will work on expanding this list.</p> <p>Sep-2005: In process. Target date: Feb-2006.</p> <p>Current status: Completed/resolved. HR has issued revised policies and procedures related to modified and light duty assignments. HR works with departments to find modified duty assignments. As of this date, all injured workers released back to work have been given modified duty assignments.</p>
#10: HR should explore the feasibility of using the Executive Staff Approval Committee (ESAC) to assign modified duty across departmental lines.	HR	Completed/ resolved	Original response: Staff concurs with this recommendation.

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<p>Sep-2005: 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.</p> <p>Current status: Completed/resolved. HR has issued revised policies and procedures related to modified and light duty assignments. Currently, all injured workers who have been released back to work have been placed in modified duty assignments. The HR Director will continue to serve as the lead for this initiative and will work directly with Executive Staff in assigning modified duty across department lines.</p>
#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	<p>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.</p> <p>Sep-2005: In process. Target date: Oct-2005.</p> <p>Current status: Completed. A pilot program is underway. Currently, one firefighter is working a modified duty assignment on a 24 hour shift. Another firefighter has returned to full duty with no restrictions after completing 16 weeks of shift work in the modified duty pilot program.</p> <p>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.</p> <p>Sep-2005: Completed. Risk Management staff prepare non-confidential reports that are distributed to department managers and safety committees.</p> <p>Current status: Completed. Bragg and Associates has replaced Athens as the program administrator. Reports generated by Bragg and Associates are shared with departmental managers, safety committees, and others to benchmark and evaluate safety program performance.</p>
#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	HR	Completed	Original response: The City Safety Officer will draft a quarterly checklist by December 1, 2005.

Audit report and recommendation	Department	Current status	Comments
quarterly checklist he has drafted.			<p>Sep-2005: In process. Target date: Dec-2005.</p> <p>Current status: Completed. The HR Safety Officer currently serves as an advisory member and resource to all departmental safety committees. All safety committees are required to complete the HR checklist which is used to monitor and ensure compliance with the program requirements.</p>
#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 improving safety in the work place.	HR	Completed	<p>Original response: Staff concurs with this recommendation. The HR Director will revise the City's safety policy and procedures by December 1, 2005.</p> <p>Sep-2005: In process. Risk Management is reviewing the City's safety policy and considering appropriate modifications. Target date: Dec-2005</p> <p>Current status: Completed. HR revised the Injury and Illness Prevention Manual to strengthen the safety program. Formal inspections are required each month and used to monitor and evaluate the department's corrective actions. Safety meetings are required every 30 days and tailgate meetings are required every 10 working days. The Safety Policy was revised to address responsibilities, training, safety committees, and disciplinary/remedial actions. The changes include a system for issuing written citations, commendations, and warnings. In addition, corrective actions are benchmarked, tracked, monitored, and evaluated.</p>
#15: Department heads should refer to the written safety citations, commendations, and warnings in employee evaluations.	HR	Completed	<p>Original response: HR staff highly supports this recommendation.</p> <p>Sep-2005: Not started. Target date: May-2006.</p> <p>Current status: Completed. The City Manager directed the Executive Staff to include safety as a component of employee appraisals and evaluations.</p>
#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	Completed/resolved	<p>Original response: Staff concurs with this recommendation.</p> <p>Sep-2005: Not started. Budget shortfalls have delayed funding for this program. Target date: TBD.</p> <p>Current status: Completed/resolved. Due to budget</p>

Audit report and recommendation	Department	Current status	Comments
#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	Completed	<p>considerations, there is no plan to make a request for additional funds at this time. Staff is not aware of an identified safety hazard going unresolved due to a lack of funding that exposed employees to injury. Alternatives include not using the equipment, or removing employees from the area to isolate or abate the hazard. Safety committees have been instructed to formulate their requests for funding and then approach their department's management for consideration. In extreme cases, citywide contingency funds are available, and if a safety need arose, a budget adjustment would be made.</p> <p>Original response: The Risk and Benefits Manager will direct Athens to immediately produce such a report on a monthly basis.</p> <p>Sep-2005: In process. Target date: TBD.</p> <p>Current status: Completed. Reports identifying employees who filed 3 or more workers' compensation claims within a 3-year period are available and being distributed to the appropriate personnel.</p>
#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	Completed	<p>Original response: Staff concurs with this recommendation.</p> <p>Sep-2005: In process. Target date: TBD.</p> <p>Current status: Completed. The City Manager directed department heads or their designee to interview employees who file 3 or more workers' compensation claims and to take corrective actions, including addressing training issues and injury and illness shortcomings. Interviews have been held.</p>
#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	Completed	<p>Original response: Staff concurs with this recommendation.</p> <p>Sep-2005: In process. Target date: TBD.</p> <p>Current status: Completed. The City Manager directed department heads (or the appropriate division heads) to personally attend quarterly claims review meetings, to discuss employee claims, and to discuss follow-up actions.</p>
#20: The HR Director should work with the Administrative Services Director to begin allocating workers' compensation costs to departments based on	HR and ASD	Completed	<p>Original response: HR will work with ASD to develop this allocation of workers' compensation costs in FY 06-07.</p>

Audit report and recommendation	Department	Current status	Comments
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.			<p>Sep-2005: Not started. Target date: Jun-2006.</p> <p>Current status: Completed. Workers' compensation costs are being allocated to each department effective July 1, 2006, and are reflected in departmental budgets.</p>
#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 opportunities to return to work.	HR	Completed	<p>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.</p> <p>Sep-2005: In process. Handouts are being reviewed and should be distributed to employees citywide. Target date: Oct-2005.</p> <p>Current status: Completed. HR has created and distributed a new flyer that incorporates the new laws and requirements.</p>
#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	Completed	<p>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.</p> <p>Sep-2005: In process. Handouts are being reviewed and should be distributed to employees citywide. Target date: Oct-2005.</p> <p>Current status: Completed. HR has created and distributed a new flyer that incorporates the new laws and requirements.</p>

AUDIT OF PARKS MAINTENANCE (Issued 12/13/05)

Finance Committee

The objective of this audit was to assess the cost-effectiveness of parks maintenance. Of the 22 recommendations, 5 were completed this year, 6 are in process, and 11 are not started.

#1: The Parks Division should implement a simple complaint tracking and resolution system.	CSD	Completed	<p>Original response: Staff concurs. Presently there are two tracking procedures, work orders and complaints received through the City Manager's Office. These two procedures will be combined into a system that will track complaints and repairs. Target date: Sep-2006</p> <p>Current status: Completed. A simple, centralized complaint</p>
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Audit report and recommendation	Department	Current status	Comments
#2: To ensure the Division is able to make prompt repairs, \$25,000 to \$50,000 should be earmarked in the Parks Division operating budget for unanticipated park repairs and minor improvements.	CSD	Completed	tracking system is in place. Original response: Staff concurs. This recommendation will be implemented as a request through the 2006/07 budget process. Current status: In June 2006, \$25,000 was added to the parks operating budget for the 2006-07 fiscal year. CSD will request funds from Budget for emergency repairs as needed.
#3: The Parks Division should establish a written policy regarding the importance of playground safety and communicate it to all who are involved in playground inspections.	CSD	Completed	Original response: Staff concurs, although this is currently the practice, little written documentation exists. The Parks Division playground risk management program has been noted as excellent in that over the last decade only three claims were filed for playground injuries, with no claims within the last five years. The City Attorney's office credits the Parks Division with "outstanding vigilance" in updating, inspecting and repairing equipment in City Parks. Target date: Sep-2006 Current status: Completed. A policy was created in March 2006 and has been added to the Division Policy manual and will also be made available on the Parks web site.
#4: The Parks Division should document its existing and ongoing playground safety inspection training practices and maintain this documentation in a master file.	CSD	In process	Original response: Staff concurs. The Parks Division has developed a successful training program but it is not fully documented. Target date: Sep-2006 Current status: In process. Ongoing training is documented and entered into the employees personnel file (maintained by the Parks Division) until implementation of <i>PlaySafe</i> an application that monitors inspections of playground equipment. Target date: Jan-2007.
#5: The Parks Division should provide its inspectors with a more descriptive and detailed checklist for weekly playground safety inspections, and should clarify what additional work is to be performed during the annual inspections.	CSD	In process	Original response: Staff concurs. Parks staff is presently using the checklist from the California Parks and Recreation Society playground inspector certification training, which has proved to be an excellent instrument. Additionally, the Parks Division is currently adopting an automated database application to better identify and track playground repairs in addition to reducing staff time for manual data entry. Target date: Jun-2006 Current status: In process. Safety inspection data will eventually be entered into a computerized system (<i>PlaySafe</i>) and the checklists will be on this system. The checklists have been updated and the software is currently being tested. Critical

Audit report and recommendation	Department	Current status	Comments
#6: The Parks Division should set a goal for turnaround time of playground equipment repairs after a clear system for funding ongoing maintenance and repairs has been established.	CSD	Completed	staff vacancies have slowed progress. Target date: Jan-2007. Original response: Staff concurs, but this recommendation is very challenging to implement. Current practice, as specified by the Consumer Product Safety Standards, is to remove public access to equipment needing repair within 24 hours of the report, or immediately if there are safety implications. However, depending on the extent of the damage, the parts required, and where the parts must be ordered from, the length of turnaround time could be from days to a month or more. Given these complications, the Parks Division will endeavor to develop playground repair goals by Jun-2006. Current status: Completed. The goal for turnaround time has been set at five working days from receipt of necessary parts. This policy has been incorporated into the Division policy manual.
#7: The Parks Division should track playground performance including: <ul style="list-style-type: none"> • Turnaround time on repair/service/complaint requests • Dollar value of claim losses and number of reported injuries on playgrounds • Customer/user satisfaction 	CSD	Not started	Original response: Staff agrees with this recommendation. Turnaround time on repairs, service and complaints should be rectified through implementation of Recommendation 1, instituting a repair and complaint tracking system. Setting up a system that tracks the number and value of park injuries is not within the purview of the Parks Division. These are handled through the City Attorney's Office. It should be noted that in the past decade there have only been three reported claim losses from playground accidents. Customer satisfaction is also challenging to obtain. Most use of playground equipment is by children who are problematic to survey. Parents can be surveyed, but staff will only get their perspective, not that of the true users. Staff believes the existing customer service questions used in the Auditor's annual Service Efforts and Accomplishments Report qualify as user satisfaction for all elements of our urban park system, including playgrounds, and as such should continue to be relied on for user input. Other methods of input will be evaluated. Current status: Not started. Target date: TBD.
#8: The Parks Division should post temporary notices after herbicides or pesticides have been sprayed in City parks.	CSD	Completed	Original response: Staff agrees that this recommendation should be evaluated. Presently, Parks staff and contractors conform to all state and local regulations regarding chemical use. Parks staff do not use any chemicals on school grounds and the only chemical used in City parks is Roundup, an

Audit report and recommendation	Department	Current status	Comments
			<p>herbicide. When Roundup is applied staff or contractors remain on the site until the chemical is fully dried. Staff will evaluate whether posting or other notification methods are beneficial. Target date: Sep-2006</p> <p>Current status: Completed. Posting began in July 2006 for sites maintained by City staff. Posting at sites maintained by contractors began October 1.</p>
<p>#9: The Parks Division should obtain bids for landscape maintenance work including mowing at Mitchell, Rinconada, and Greer Parks and should consider contracting for such work if it proves more cost beneficial.</p>	CSD	Not started	<p>Original response: Staff concurs and will conduct a comparative analysis of contracting vs. in-house crews, but that analysis must consider the service level provided by current staffing levels. Given existing contract obligations, implementation would be expected in July 2007.</p> <p>Current status: Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Target date: Spring 2007.</p>
<p>#10: The Parks Division should obtain bids for landscape maintenance work including mowing at Baylands Athletic Center, El Camino Park, and the Bowling Green, and should consider contracting for such work.</p>	CSD	Not started	<p>Original response: Staff will collect and evaluate bid information as stated in recommendation #9.</p> <p>Current status: Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Target date: Spring 2007.</p>
<p>#11: The Parks Division should obtain bids for mowing work as part of future landscape maintenance contracts at the contracted neighborhood parks, and contract for mowing at those sites if it proves cost-beneficial.</p>	CSD	Not started	<p>Original response: Staff agrees that bids information would be useful to evaluate.</p> <p>Current status: Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Target date: Spring 2007.</p>
<p>#12: The City should discuss with the PAUSD the possible cost savings and issues related to contracting for routine athletic field maintenance at school sites. Depending on the outcome of those discussions, the City should obtain bids and contract for routine maintenance at those sites if it</p>	CSD	Not started	<p>Original response: Staff agrees and will implement discussions in September 2006. There is a question as to the ability of an outside contractor to do this type of work at school sites within limitations of not working during recess, lunch and PE periods.</p>

Audit report and recommendation	Department	Current status	Comments
proves cost-beneficial.			<p>Current status: Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Follow up discussions with PAUSD will then be required regarding process and any potential issues with contract staffing on school sites. Target date: TBD.</p>
#13: The Parks Division should reduce or redirect irrigation staffing after systems are renovated and efficiencies are realized.	CSD	In process	<p>Original response: Staff will evaluate this alternative in conjunction with the contracting analysis as stated in recommendation #9.</p> <p>Current status: In process. As of March 2006, due to reorganization and downsizing, parks irrigation staff have been redirected to maintenance and irrigation tasks. Parks irrigation staff has taken on additional work for Cubberley fields, Homer underpass, Heritage Park, and Stanford/Palo Alto Fields. Staff does not recommend further reductions. In addition, Parks staff is implementing irrigation audit recommendations at El Camino, Seale, Briones and Hoover Parks. Target date: TBD.</p>
#14: The Parks Division should track and follow up on all interdepartmental work orders to ensure that they are completed timely.	CSD	In process	<p>Original response: Staff concurs. This recommendation will be accomplished as part of the implementation of recommendation #1. Target date: Jun-2006.</p> <p>Current status: In process. This will be further discussed and analyzed as part of the City Manager short-term task force to identify ways to improve efficiencies (see recommendation #16). Implementation of an email tracking system when requesting tree work will begin Fall 2006. Requests are forwarded to Public Works-Trees when unforeseen work is required at Palo Alto Parks and other city locations. A follow-up to the request will be initiated to monitor the status. Requests to Public Works Facilities for park related work is already implemented with a tracking number. This may be a system that Public Works Operations can also provide to Parks. Target date: Winter 2007.</p>
#15: The City Manager should assign responsibility for flushing storm drains in parks and for the routine maintenance of pathways.	CSD	Not started	<p>Original response: Staff concurs. Staff will determine responsibilities by June 2006. It is important to note that there are no resources assigned to Parks or Public Works for the maintenance of pathways. (Note that pathways have been improved through CIP projects.) Staff will request maintenance resources as part of next year's budget process.</p>

Audit report and recommendation	Department	Current status	Comments
#16: The City Manager's Office should convene a short-term task force to identify ways to improve efficiencies in park maintenance by assigning as much responsibility as possible to the Parks Division in CSD, along with the necessary transfer of resources.	CSD	Not started	<p>Current status: Not started. This will be addressed by the City Manager's short term task force that is expected to convene in Fall 2006. Target date: Winter 2007.</p> <p>Original response: Staff concurs that a task force should be assigned, but their goal should be slightly modified to identifying the most effective way to coordinate cross-departmental park maintenance given organizational restructuring and resources. Target date: Dec-2006.</p> <p>Current status: Not started. The task force is expected to convene in Fall 2006. Target date: Winter 2007.</p>
#17: One department or division should be solely responsible for all lighting in parks. The Parks Division, Public Works Department, and Utilities Department should work together to decide who should be responsible, and consider transferring the necessary resources to the responsible department.	CSD	Not started	<p>Original response: Staff concurs that a more efficient way of coordinating lighting could be achieved, although the existing distribution of responsibilities has never caused major issues. Utilities maintains utility standard fixtures throughout the City, not only in parks. Facilities Management generally maintains all other park fixtures. The standard fixtures are tied in to the street light circuit, and Utilities crews use specialized equipment to maintain and replace them. CSD maintains tennis court lighting at the Palo Alto High school site. It might be feasible for Facilities Management to take on the tennis court lighting if adequate resources were provided. Solutions will be evaluated by July 2006.</p> <p>Current status: Not started. This will be addressed by the City Manager's short term task force that is expected to convene in Fall 2006. Target date: Winter 2007.</p>
#18: The Parks Division and Public Works should consider how to increase the frequency of tree trimming in parks, and consider contracting for this work.	CSD	Not started	<p>Original response: Staff concurs, and will evaluate whether including parks in the Public Work's Area Tree Trimming program is an effective approach for parks tree maintenance. Public Works Operations Tree Maintenance Section annually obtains bids for tree maintenance in parks. The annual Area Tree Trimming contract provides for trimming of trees in Parks that are within the area scheduled for street tree trimming. Having the Parks staff obtain bids for tree trimming would potentially increase cost per tree for trimming, since the Area Tree Trimming contract involved a larger quantity of trees which usually means contractors bid lower prices. Staff will evaluate and implement a solution by December 2006.</p>

Audit report and recommendation	Department	Current status	Comments
#19: The City should follow the requirements of the Landscape Water Efficiency Standards in the same way that private landowners are required to do. Utilities should make City Departments aware of the requirements of the Landscape Water Efficiency Standards and the related services that Utilities provides.	Utilities	Not started	<p>Current status: Not started. This will be addressed by the City Manager's short term task force that is expected to convene in Fall 2006. Target date: Winter 2007.</p> <p>Original response: Utilities Marketing Services will continue to market water conservation programs to all customers, with an emphasis on City facilities.</p> <p>Current status: Not started. All commercial landscape retrofits, redesigns and new irrigation projects will be reviewed by Utilities for compliance with the Landscape Water Efficiency Standards. A process is being developed to ensure that Utilities will know when there is a project that needs to be reviewed. Target date: TBD.</p>
#20: Utilities should conduct irrigation audits of significant systems that have been installed or renovated on Park Division-maintained sites during the last 10 years to establish baseline data on the efficiency and effectiveness of those systems.	Utilities	In process	<p>Original response: The Utilities Department agrees that audits are a good method to measure irrigation system efficiencies before and after renovations. Utilities will work with the Parks department to identify sites for the Large Landscape Audits and perform audits, as funding is available.</p> <p>Current status: In process. CSD has received irrigation audits from Utilities for El Camino park, Seale park, Briones park, and Hoover park. Park irrigation staff is implementing irrigation audit recommendations at these locations. Sites with systems installed or renovated over the last 10 years will be audited as well. Target date: TBD.</p>
#21: Utilities should update the Landscape Water Efficiency Standards to: <ul style="list-style-type: none"> (1) clearly assign responsibility for required tasks for City sites (e.g. who is responsible for performing irrigation audits); (2) clearly explain the purpose of the irrigation audits (e.g., to compare water usage before and after new system is installed) with regard to City sites; (3) clarify that medians are covered; and (4) make City sites subject to the maximum water allowance, if deemed appropriate. 	Utilities	Not started	<p>Original response: Utilities will be reviewing and making appropriate changes to <i>Landscape Standards</i>, once the new State AB 2717 is approved by the Governor.</p> <ul style="list-style-type: none"> (1) Each City project should have a project manager; this would be the person responsible for ensuring compliance with the <i>Landscape Standards</i>. (2) These audits will ensure the irrigation system was installed as planned by providing information on the systems distribution uniformity, sprinkler performance, system pressure, and irrigation scheduling. (3) As noted in the Auditor's report, the City is overseeing 26 acres of medians. Redesigning of individual medians would not trigger the <i>Landscape Standards</i>. Therefore, Parks staff should ensure water efficient practices are within the Contractor's scope of work or taken on by Parks staff for

Audit report and recommendation	Department	Current status	Comments
			<p>these small island projects. These changes will be addressed in the revision process of the <i>Landscape Standards</i>.</p> <p>Current status: Not started. AB 2717 passed in September 2004. It asked for a task force to determine recommendations on reducing outdoor water use throughout the state. In December 2005, the task force presented 43 recommendations to the Governor. AB 1881 is now in the process of updating the model water efficient landscape ordinance which incorporates the recommendations produced from AB 2717. The Department of Water Resources must finalize the updated model ordinance by January 31, 2009 and agencies must adopt the ordinance by January 10, 2010. Palo Alto's update would occur by January 2010. Target date: Jan-2010.</p>

#22: Utilities should provide the Parks Division with user-friendly data (e.g. graphs similar to those provided to residential and commercial) that shows water consumption by park (or site maintained).

Utilities

In process

Original response: Utilities worked with Parks and the Utility billing department to create a monthly percent of change in water use report, to be e-mailed directly to Parks. UMS will continue to work with Parks staff to produce user-friendly reports for staff.

Current status: In process. Utilities is in the process of revising the existing reports to make them more user-friendly based on suggestions from the Parks Division. Reports will be sent to the Parks Division on a quarterly basis and as otherwise requested. Target date: TBD.

POLICE COMMUNITY SURVEY RESULTS (Issued 2/6/06)

Human Relations Commission (P&S)

The objective of this project was to survey individuals who were stopped by the Palo Alto Police Department to determine how those individuals perceived police officer behaviors and attitudes. The one recommendation has been completed.

#1: To continue to encourage feedback and look for ways to improve police-community relations, we recommend the Police Department discusses the results of these surveys with police officers, and arranges to conduct this type of independent survey annually or biannually.

Police

Completed

Original response from the Police Chief: I agree with your recommendation and in fact have shared not only the results, but the comments made by many of the people who submitted the surveys. While the results of the survey are quite positive and demonstrate the professional service the Department provides, as some of the comments indicate, there is room for improvement. I have asked that the officers use especially the comments as reminders that a person's only interaction with an

Audit report and recommendation	Department	Current status	Comments
			<p>officer that will determine not only their perception of the individual officer, but that of all officers, may be the result of their demeanor on that traffic stop. With your assistance, we will conduct a follow-up survey in a year.</p> <p>Current status: Completed. The Auditor's Office will conduct another survey in 2006-07.</p>

AUDIT OF STREET MAINTENANCE (Issued 3/21/06)

Finance Committee

The objective of the audit was to review the criteria for prioritizing street repairs and to determine how well sub-surface work is coordinated. Of the 21 recommendations, 4 were completed this year, and 17 are in process.

<p>#1: Public Works and ASD should develop and propose a long-term resurfacing-reconstruction plan and funding strategy to address the street maintenance backlog.</p>	<p>Public Works and ASD</p>	<p>In process</p>	<p>Original response: Staff agrees with this recommendation and has made strides in reducing the backlog by increasing the lane miles maintained per year. The amount of lane miles maintained can vary every year depending on the amount of streets either receiving preventative or resurfacing/reconstruction pavement treatments. Sometimes the number of maintained lane miles is reduced when funds go towards improving street drainage by repairing damaged curb and gutter. The number of maintained lane miles increase when streets receive preventative maintenance such as slurry or cape seals, as less funds are then needed to make curb and gutter repairs. Preventative maintenance slows down deterioration of the streets, allowing staff to stretch dollars and increase lane miles maintained.</p> <p>Staff aggressively pursues additional federal, state and local funding for street maintenance to enhance the street program capital budget and has been very successful compared to other bay area cities. See Attachment A. This year alone, staff expects Surface Transportation (STP) funds for University Avenue, Embarcadero Road and Page Mill Road totaling an additional \$788,000. In addition, staff expects to receive Bicycle Transportation Account (BTA) program funds for Hanover Street and Porter Drive totaling an additional \$299,000. Federal, state and gas tax dollars are typically tied to selection criteria with priority on maintaining structural integrity.</p> <p>Current status: In process. Public Works will develop plan to address the backlog and ASD will address the financial issues</p>
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Audit report and recommendation	Department	Current status	Comments
#2: Public Works and ASD should propose annual increases in the City's street cut fees to account for construction cost inflation.	Public Works and ASD	Completed	related to the plan. This will be part of the discussion on increased funding for infrastructure during the 2007-09 budget process. Target date: Jan-2007. Original response: Staff agrees with this recommendation, will review construction costs annually and adjust the Municipal Fee Schedule accordingly beginning FY 2006-07. Current status: Completed. Street cut fees were increased to account for construction cost inflation.
#3: Public Works and ASD should consider implementing roadway impact fees to mitigate for damage caused to streets by heavy refuse and construction equipment.	Public Works and ASD	In process	Original response: Staff agrees with this recommendation and will research ways to implement an impact fee and propose options to consider by the end of the year. We are aware that there is an ongoing effort to analyze the effect of all impact fees assessed by the City and will coordinate with other City departments. Current status: In process. As part of the discussion with the City Council in October 2006 on increased funding for infrastructure, the City staff will present a roadway impact fee proposal for consideration. Pending City Council direction, the staff will then take the next steps. Target date: Jan-2007.
4: The Public Works Director should perform a study of the impact of street cuts on City streets and quantify the costs of repairing damages caused by multiple street cuts.	Public Works	In process	Original response: Staff believes this issue has previously satisfied by virtue of the work that was done at the time the street cut fee was originally implemented. Staff has previously performed a validation of the current street cut fees by comparing trench cut studies performed by other cities such as Santa Ana's Utility Trench Cut Evaluation, the San Mateo Trench Study Report and the City of San Francisco' Regulations for Excavating and Restoring Streets among others. Staff will reassess the studies performed by other comparable agencies and adjust the street cut fee accordingly. Current status: In process. Staff is updating the original street cut fee justification by acquiring new data on what other cities are charging in street cut fees and is reassessing street cut impact studies. City staff will summarize their findings to Council. Target date: Jan-2007.
#5: Based on the study results, the Public Works Director should propose increasing street cut fees to fully recover the projected cost of repairing damages to the structural integrity of streets; recover and repair the	Public Works	In process	Original response: Staff already imposes a higher street cut fee for recently resurfaced streets to mitigate the damages to newly paved streets. Staff agrees with the recommendation to

Audit report and recommendation	Department	Current status	Comments
damages caused by multiple cuts; fully recover the higher costs of restoring recently resurfaced streets; and mitigate the damages to newly paved streets.			<p>consider increasing fees for multiple street cuts created by individual projects and will assess this as noted in recommendation 4. It is important to note that it would not be equitable to charge a higher fee for existing street conditions that have street cuts done in the past.</p> <p>Current status: In process. The FY 2006-07 municipal fee schedule for street cuts was updated to include the higher construction costs. Staff will consider additional fees as part of the discussion about increased funding for infrastructure during the 2007-09 budget process. Target date: Jan-2007.</p>
#6: The City Manager should require Public Works Operations and Utility WGW and Electric Operations representatives to attend quarterly project coordinator meetings, and discuss upcoming projects.	City Manager	Completed	<p>Original response: Public Works Operations, Utility WGW and Electric Operations' representatives already attend the quarterly project coordinator meetings.</p> <p>Current status: Completed. Attendance at the quarterly meetings was expanded to include representatives from all Public Works and Utilities Operations divisions. In addition, the meetings are now held monthly.</p>
#7: The City Manager should require City departments and contractors (including Utilities) to obtain street work permits and the approval of the Public Works Director or his or her designee before cutting any street; require justification of emergency street cuts to the Public Works Director within 1 business day of the street cut; and consider imposing street work permit fees on City Utilities to cover the cost of permitting and inspection (the same as any other entity).	City Manager	In process	<p>Original response: Staff agrees with the overall objective to improve coordination, which is addressed in responses to recommendations 6 and 19. Permitting is not the most cost effective or efficient use of resources as most street cuts that occur after the repaving of a street are the result of new utility services and required system repairs to subsurface utilities. The imposition of a permit will not stop the work from occurring. The issuance of a permit will also increase costs for the residents by forcing them to pay additional fees for service and increasing the cost of utilities. Again, the additional procedural processes will not significantly impact the number of street cuts nor will they improve the quality of the street surface. In the last part of the recommendation a proposal is made to charge City Utilities a fee for permitting and inspection of facilities. Currently, Utilities pays the cost of Public Works inspections on CIP and in-house Projects through interdepartmental transfers from the Utility Fund to the General Fund. Staff recommends requiring notification of emergency street cuts on a quarterly basis.</p> <p>Staff already requires private development contractors to obtain street work permits. Staff recommends requiring notification of emergency street cuts by in-house crews and contractors to the Public Works Director on a quarterly basis instead of within one</p>

Audit report and recommendation	Department	Current status	Comments
#8: The City Manager should consider adopting and enforcing a 5-year moratorium on street cuts for newly resurfaced streets (with appropriate exceptions), and consider requiring streets to be resurfaced at least one lane width from a cut on a newly resurfaced street.	City Manager	In process	<p>(1) business day of the street cut as this would be difficult to administer.</p> <p>Current status: In process. ASD, Public Works and Utilities are developing a street work tracking system in GIS.</p> <p>Original response: Staff does not believe that a 5-year moratorium will significantly improve the quality of the pavement in Palo Alto but will consider imposing a penalty for cutting into a newly paved street. Most street cuts that occur after the repaving of a street are the result of private development requiring new utility services to customers and required system repairs to subsurface utilities. The moratorium will not stop these activities from occurring as the city can not impose a moratorium on private development, telephone companies and other regulated entities. The other cities interviewed do not have comparably sized utility infrastructure work as compared to Palo Alto.</p> <p>Staff implements progressively higher fees for cuts into newly resurfaced streets. Collecting a fee and resurfacing a street when it is necessary is the easiest and most cost effective way to rectify pavement damage rather than require each project to resurface at least one lane width for a cut on a newly resurfaced street. Also, requiring Utilities to resurface at least one lane width would increase the cost of utility work which would need to be passed on to the rate payers in the form of increased utility rates.</p> <p>Current status: In process. An internal staff working group including representatives from Public Works and Utilities has been convened to further define emergency work for City Utilities and require justification for emergency work; consider imposing penalties for street cuts on newly paved streets; and consider increasing street cut fees.</p>
#9: The City Manager should require all divisions who cut City streets to use GIS to coordinate their projects and summarize work completed in a timely manner.	City Manager	In process	<p>Original response: All enterprise and general fund capital projects are currently coordinated in GIS through the Project Coordinator Program and have been entered into the system for the 5-year period that is covered in the proposed budget. The current system works well for the capital program.</p> <p>However, coordination of on-going maintenance and repairs to the various utility systems is a much more difficult task. This is</p>

Audit report and recommendation	Department	Current status	Comments
#10: To facilitate coordination of surface and sub-surface street work, Public Works should consider dividing the City into at least 7 geographic zones with at least a 7-year planning horizon so that other divisions and entities also have a longer planning horizon.	Public Works	In process	<p>because maintenance and repair can occur throughout the city and the prioritization of the work is continually changing based on current system needs. There continues to be a need to improve the coordination efforts between the street programs and the operations and maintenance programs. To make significant progress in this area an effort needs to be made to tie the various maintenance programs into the project coordinator program. Staff's goal has been to integrate customized software applications into GIS. This is a complex process because of the number of programs used for system maintenance that would have to be interfaced into the GIS project coordinator. Staff would recommend doing a cost benefit analysis to determine feasibility of integrating these programs.</p> <p>Current status: In process. Public Works and Utilities WGW Operations staff have taken GIS classes and are in the process of coordinating their operations through GIS.</p>
			<p>Original response: This recommendation would be applicable in a situation where all of the streets were of homogenous state of age, condition, and type of construction. Unfortunately, that is not the case in Palo Alto. The streets vary greatly in these criteria, particularly in type of construction. Palo Alto has a mix of both asphalt and concrete (some of which have been overlaid with asphalt) streets. For asphalt streets, a slurry seal is applicable as a preventative maintenance measure, in order to keep water from penetrating the pavement. For concrete streets, water is not a primary issue and slurrysealing will not correct its primary issue of ride quality. Given limited resources, streets need to be prioritized on a case-by-case basis to make sure the most appropriate and cost effective type of maintenance treatment is being utilized for that specific street's age, condition and type of construction. This is demonstrated by the information shown in Attachment "D". In Palo Alto, street maintenance activities do not lend themselves to geographic district groupings.</p> <p>Furthermore, the infrastructure priorities for street paving and utility rehabilitation do not align into geographic zones. Utility infrastructure priorities differ in maintenance and lifecycle replacement needs. Forcing the street maintenance and Utility infrastructure work into geographic zones would add to the required maintenance and infrastructure work scheduled.</p>

Audit report and recommendation	Department	Current status	Comments
#11: The Public Works Director should modify the standard City contract specifications to require City departments and their contractors who lay a metal or temporary plate over street cuts to remove them in 30 days; impose fees for exceeding the 30 days without the permission of the Public Works Director; and require private contractors to provide a certificate of deposit for the work so that the City can be reimbursed for restoring the street if necessary.	Public Works	In process	<p>Current status: In process. In lieu of dividing the city into 7 or more geographic zones, Public Works and Utilities are working together to rank, coordinate, and prioritize street maintenance and utility work in targeted geographical zones. The South of Forest Area (SOFA) is the first zone; Utility work is in process with Public Works repaving to follow in summer 2007.</p> <p>Original response: Staff agrees with this recommendation, although it is likely to result in higher construction costs for the City. Pavement restoration is usually done when there is enough work for maximum efficiency. If a contractor is required to pave at several different times to comply with the 30-day rule, those additional costs will be passed on to the City and Utility rate payers.</p> <p>The City already requires a performance bond to ensure the work is completed making a certificate of deposit unnecessary.</p> <p>Current status: In process. Public Works and Utilities are incorporating trench plate requirements into the new Public Works Standard Drawings and Specifications. Target Date: Nov-2006.</p>
#12: The City Manager should consider centralizing street restoration resources, including crews and equipment, in the Public Works Department.	City Manager	In process	<p>Original response: Staff agrees to further review the concept of centralizing street restoration resources though it is important to note that this has been previously considered and rejected due to scheduling and efficiency constraints. Several discussions will need to occur between Utilities Department and Public Works Department to resolve many concerns, which were not pointed out nor discussed in the audit. Coordination between trench restoration (backfilling/compaction) and preparation for trench paving is critical to make sure resources are not wasted. Street restoration is an important aspect of a utilities project and complications will likely occur when pieces of a project are assigned to other departments.</p> <p>Current status: In process. An internal working group has been convened to consider the cost/benefit of centralizing the City's maintenance crews for trench restoration, tightening trench restoration specifications, and increasing inspection resources.</p>
#13: The City Manager should require all entities that cut the street to fill	City	In process	Original response: Staff agrees with this and has already

Audit report and recommendation	Department	Current status	Comments
and compact cut streets according to strict, uniform specifications set by the Public Works Director.	Manager		<p>provided stricter standards for trench restoration. Staff will issue an update to the Public Works Standard Specifications this year including revised trench standard details requiring improved trench restoration.</p> <p>Current status: In process. A detailed revision to the 1992 specifications is nearly complete (see recommendation #11). Target Date: Nov-2006.</p>
#14: The City Manager should consider requiring any entity cutting the City streets to make only temporary fills and to prepare the cut for final paving per Public Works engineering specifications, and require the contractor to reimburse the Public Works Department for all final street restorations made by the Department or its contractors.	City Manger	In process	<p>Original response: Staff agrees improvements can be made in the quality of the trench restoration with improved specifications and rigorous inspection rather than have Public Works Operation's crews perform the trench restoration work.</p> <p>The difficulty with requiring temporary fills is that temporary material would need to be removed and replaced with final backfill and paving material. In cases where concrete streets are restored, time is needed for the concrete to harden and a street would have to be barricaded for several days. Minimizing street impacts using a trench plate is typically more effective by reducing street closures and disruption caused by temporary repairs.</p> <p>Requiring reimbursement from any entity that performs a street cut creates a number of problems, especially with who collects the payment and who is responsible if payment is not made. This adds another layer that is unnecessary if strict, uniform specifications are set.</p> <p>Current status: In process. See recommendation #12.</p>
#15: The City Manager should authorize only Public Works to inspect and accept all street resurfacing work resulting from street cuts, including signing off on any permits involving street cuts.	City Manager	Completed	<p>Original response: Staff agrees with this recommendation as Public Works already inspects all street resurfacing work including proper edges of trenches, pavement restoration, and any pavement markings that should be replaced.</p> <p>Current status: Completed. Inspection has increased, and Public Works Inspectors currently inspect and accept all street resurfacing work resulting from street cuts.</p>
#16: The Public Works Director should finalize and formally adopt the street cut fee policy and procedures, and train Public Works staff in the Development Center to properly charge street cut fees.	Public Works	In process	<p>Original response: Staff agrees with this recommendation. Public Works Development Center staff had a few instances where street cut fees were not charged and they are now aware</p>

Audit report and recommendation	Department	Current status	Comments
#17: Public Works staff in the Development Center should apply the one year exception when appropriate, and should post or make available to applicants the proposed plan for street work in the coming year.	Public Works	Completed	<p>of the correct process and training has already occurred.</p> <p>Current status: In process. Public Works' Development Center staff were trained to properly assess street cut fees. A draft street cut fee policy and procedure is under review. Target date: TBD.</p>
#18: Utilities should establish a process to ensure street cut fees are correctly tracked and remitted to the General Fund.	Utilities	In process	<p>Original response: Staff agrees with this recommendation and has already been in the process of refining the existing procedure.</p> <p>Current status: In process. A draft policy and procedure has been developed for tracking and remitting Utilities street cut fees to the General Fund. Target date: TBD.</p>
#19: Public Works should make information on street work permits available to all entities that work on City streets, preferably through GIS.	Public Works	In process	<p>Original response: GIS, Accela and City Trax are tools to track permits however not all staff are using this information/software consistently. Staff will continue its efforts to implement a single tracking system using GIS integrated with Project Coordinator.</p> <p>Current status: In process. Public Works street work permits data is now available in GIS. All entities that work on City streets can access GIS. ASD and Utilities are working on a street work tracking system.</p>
#20: Public Works should consider switching to the MTC Streetsaver system so that Palo Alto data will be compatible with the other cities in the Bay Area. If Public Works decides to keep PMMS, then it should revise the priority-setting algorithm, add a budget optimization component, review maintenance tables, review PCI breakpoints, and establish a process for reviewing future changes to tables and breakpoints.	Public Works	In process	<p>Original response: Staff will consider these recommendations and report back at the end of the year with the results of the City's PMMS and MTC's StreetSaver comparison and the appropriate application of MTC grant funds.</p> <p>Current status: In process. The Public Works staff has applied for a grant to compare the City's PMMS and MTC's StreetSaver systems to determine how the City's pavement conditions can</p>

Audit report and recommendation	Department	Current status	Comments
#21: Public Works should apply for an MTC grant either to upgrade its current PMMS system, or to switch to MTC StreetSaver, integrate StreetSaver into the City's GIS, and conduct a survey of street conditions.	Public Works	In process	be compared with other cities in the Bay Area.
			Original response: Staff will consider these recommendations and report back at the end of the year with the results of the City's PMMS and MTC's StreetSaver comparison and the appropriate application of MTC grant funds.
			As in all pavement management and computer systems, the output of results is only one tool used to determine street selection and does not describe the entire process. This was evident in discussions with other cities. The purpose of this response is to educate and clarify the goals and efforts towards providing the best street quality, minimizing the use of city funds to accomplish street maintenance and staying competitive using the latest technology available.
			The goal of the annual street maintenance project is to reduce street deterioration, maintain the structural integrity and ride quality in the most cost effective manner while coordinating with the public and other projects to ensure timely completion.
			Current status: In process. Public Works has applied for a grant to compare the PMMS system and MTC's Street Saver, with the goal of making PMMS compatible with MTC's StreetSaver while maintaining the PMMS link to the City's GIS system.
<p>REVIEW OF PALO ALTO AIRPORT'S FINANCIAL CONDITION AND COMMENTS ON SANTA CLARA COUNTY'S PROPOSED BUSINESS PLAN FOR THE AIRPORT (Issued 6/6/06)</p> <p style="text-align: right;">City Council (Finance Committee)</p> <p>The purpose of this project was to review the Palo Alto Airport's financial statements, and evaluate the County's allocation of expenses and overhead to the Palo Alto Airport and the financial viability of the airport operations. There was one recommendation, and it has been completed.</p>			
#1: Authorize the City Manager to notify the Santa Clara County Board of Supervisors that: (1) the City of Palo Alto supports moderate increases in tie-down fees at the Palo Alto Airport, but he fees should be competitive	City Manager	Completed	Current status: Completed. On June 13, 2006, the Joint Community Relations Committee reviewed the audit report and voted unanimously to endorse our recommendation. On June

Audit report and recommendation	Department	Current status	Comments
<p>with fees at nearby airports; (2) because it is a regional resource, the City expects and encourages the County to continue operating the Airport per the terms of the lease through at least 2017; and (3) <u>an audit conducted by the City of Palo Alto indicates that</u> the County has benefited from operating the Palo Alto Airport, and should continue to maintain and improve Airport facilities per Federal Aviation Administration (FAA) regulations. The City has agreed to provide grant assurances when necessary. <i>[Revised wording included in City Council motion.]</i></p>			<p>19, 2006, the City Council reviewed the report, and voted unanimously to approve the recommendation. On June 27, 2006, the City Manager forwarded a letter to the Board of Supervisors (with a copy of the audit report) stating the City Council's positions and urging them to accept the City's recommendations.</p>