



October 9, 2003

The Honorable City Council
Attn: Policy and Services Committee (October 15, 2003)
Finance Committee (October 21, 2003)
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. The Policy and Services Committee is asked to review the status of recommendations from the audits of class registration and code enforcement. The Finance Committee is asked to review the status of recommendations from the audits of travel, purchase orders, utilities overtime, accounts payable, payroll, and utility risk management, and the reviews of the long range financial plan and proposed animal shelter agreement.

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 70 recommendations from 10 different audit reports and reviews. This includes 49 recommendations that were outstanding after our last status report in September 2002, and 21 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 all 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 23 recommendations from the audits of purchase orders, class registration, accounts payable, utility risk management, and code enforcement. A total of 47 recommendations are not started or are in process.

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

Respectfully submitted,

Sharon W. Erickson
City Auditor

cc: Frank Benest

Emily Harrison

SUMMARY

STATUS OF AUDIT RECOMMENDATIONS AS OF JUNE 30, 2003

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 in September 2002. It shows those recommendations that have been completed or resolved, are in process, or should be dropped, and provides an agreed course of action to implement remaining recommendations.

Page Number	Report Title (Department)	Date Issued	Completed or resolved since last report	In process	Not started	Council Committee
2	Audit of Travel Expense (ASD)	4/27/98		8		Finance
5	Audit of Purchase Orders (ASD)	11/9/98	3	2		Finance
8	Audit of Utilities Operations Overtime (ASD – Payroll)	11/98		1		Finance
9	Audit of Class Registration (CSD)	6/21/99	1	2		Policy & Services
11	Audit of Accounts Payable – Tools for Improvement (ASD)	3/27/00	5	2		Finance
14	Audit of Payroll (ASD – Payroll)	7/2/01		1		Finance
14	Assessment of Utility Risk Management Procedures (CPAU)	7/3/02	12	12		Finance
22	Analysis of the Long Range Financial Plan	12/3/02	1	1	1	Finance
23	Animal Shelter	12/9/02		1		Finance
23	Audit of Code Enforcement	3/11/03	1	13	3	Policy & Services
TOTAL			23	43	4	70

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
AUDIT OF TRAVEL EXPENSE (Issued 4/27/98)				Finance Committee
The objective of this audit was to evaluate internal controls over travel expenses paid by the City. Of the original 15 recommendations: 7 were previously completed/resolved and 8 are in process.				
<p>#1: Distribute copies of the City's travel policies and procedures to all department managers, highlighting authorization, approval, and documentation requirements. This distribution should be accompanied by a transmittal letter to be signed by department managers as evidence of their review and understanding of these procedures. Signed letters should be returned to the Director of Administrative Services Department.</p>	X	<p>Nov-2001: In process. The update of the travel policy has been delayed due to staff turnover in the Accounting Division. Staff has met with the new City Auditor to review proposed changes to both the travel and petty cash policies. Staff will complete changes by the end of 2001-02.</p>	<p>Sep-2002: In process. Staff has advised Executive Staff of planned changes to travel procedures, and is beginning a 6-month pilot program on 9/1/02. Written policies and procedures will be revised after completion of a 6-month pilot program and in conjunction with ERP implementation. Target date: Jul-2003.</p>	<p>Current status: The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p>
<p>#2: Provide signature blocks on the travel authorization forms and travel expense reports which require the signature of the department head or designee. The signature block should indicate that the approving party certifies that the employee's payment request complies with the City's travel policies and procedures.</p>	X	<p>Nov-2001: In process. To be completed as part of the updated policies and procedures in 2001-02.</p>	<p>Sep-2002: In process. Revised forms are a component of the 6-month pilot program beginning 9/1/02. Forms will be finalized along with policies and procedures after completion of the 6-month pilot program and in conjunction with ERP implementation. Target date: Jul-2003.</p>	<p>Current status: The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
<p>#3: Develop a comprehensive list of travel expenses which will not be paid by the City. This list should include hotel/meal charges for extended travel stays, hotel charges at double occupancy rates, and fees for social events, such as golf tournaments and sightseeing tours. This list should be distributed to all department heads and incorporated into the City's travel policies and procedures. Exceptions should be justified in writing by the traveler (in advance when possible) and should include supporting documentation. All exceptions should be approved by the City Manager.</p>		X		<p>Nov-2001: In process. Staff developed a list of disallowed expenses that were included in the Accounts Payable Quick Reference Guide. Staff will include the list in the 2001-02 update of the travel policy.</p> <p>Sep-2002: In process. Staff is addressing the issue of allowable expenses in the revised pilot program procedures. Pre-authorization forms will include an "Other" category requiring pre-approval of unusual items (e.g. special events) by the department head, and documenting cost savings and pre-approval for an "Unrelated Weekend Stay-over". Policies and procedures will be finalized after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Target date: Jul-2003.</p> <p>Current status: The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p>
<p>#7: The City could save money if employees request government discount rates for hotels. Provide a block on both the Travel Expense Report and Request for Travel Authorization form requiring employees to indicate whether discounted government hotel rates were obtained. Employees should provide justification when such rates are not obtained.</p>		X		<p>Nov-2001: In process. Few transactions occur that do not have group rates set, and not all hotels offer government rates. However the form will be updated and language will be included in the revised travel policies and procedures to be completed in 2001-02.</p> <p>Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Pre-travel authorization forms will include "Conference or government rate" confirmation. Target date: Jul-2003.</p> <p>Current status: The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p>
<p>#8: Update the City's travel policies and procedures relating to obtaining discounted government rates and providing documentation requirements when discounted rates cannot be obtained.</p>		X		<p>Nov-2001: In process. To be completed in 2001-02.</p> <p>Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#10: Ensure that the signature block for the travel authorization form (see recommendation #2) also states that the employee certifies that the expense report will be filed within the time frame established by the City's travel policies and procedures.		X		(beginning 9/1/02) and in conjunction with ERP implementation. Pre-travel authorization forms will include "Conference or government rate" confirmation and department head approval. Target date: Jul-2003. Current status: The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.
#12: Update the City's travel policies and procedures relating to obtaining and submitting evidence of attendance.		X		Nov-2001: In process. The form will be revised and this change will be included in the revised travel policies and procedures to be completed in 2001-02. Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Revised forms are a component of the pilot program and will specify that reports must be completed within 30 days of travel. Target date: Jul-2003. Current status: The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004. Nov-2001: In process. A list of required documentation was included in the Accounts Payable Quick Guide, and will be added to the revised travel policies and procedures update in 2001-02. Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. A copy of the agenda will satisfy as evidence of attendance. Target date: Jul-2003. Current status: The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
<p>#15: Review and update current written procedures to provide clear direction in processing travel advances and expense reimbursements. Departments could also benefit from more user-friendly procedures which provide step-by-step guidance in completing travel authorizations and expense reports. A bullet format or use of flowcharts could be very helpful. The procedures should also include a list of allowable expenses.</p>		X		<p>Nov-2001: In process. Updated procedures were included in the Accounts Payable Quick Reference Guide and will also be included in the revised travel policies and procedures manual to be completed in 2001-02.</p> <p>Sep-2002: In process. Policies and procedures will be revised after completion of a 6-month pilot program (beginning 9/1/02) and in conjunction with ERP implementation. Target date: Jul-2003.</p> <p>Current status: The pilot program is continuing, and staff is assessing changes to the process from implementation of Phase 1 and 2 of SAP. Revised target date: June 30, 2004.</p>

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

Finance Committee

The objective of the audit was to evaluate internal controls and operating procedures surrounding blanket purchase orders and purchases under \$25,000. Of the original 25 recommendations: 20 were previously completed/resolved, 3 have been completed since our last report, and 2 are in process.

<p>#13: Standard material codes are not used for purchases.</p> <ul style="list-style-type: none"> a. Purchasing should work with ITS to provide for the input of standard material codes into the purchasing module. b. Purchasing should work with ITS to develop a report reflecting purchases by commodity. This report should be provided to Purchasing on a periodic basis and used in negotiating purchases. 	X	<p>Nov-2001: In process. The City's financial system cannot accommodate standard material codes without costly modifications. Commodity information is now gathered and collected manually and reports of purchases by commodity are generated as needed. This feature will be incorporated into specifications for the new ERP system. Target date: TBD.</p> <p>Sep-2002: In process. Purchasing staff anticipates adding this recommendation to the blueprint process of the ERP implementation. The new ERP system should address this issue. Target date: Jul-2003.</p> <p>Current status: Industry-standard commodity codes (called "material codes" in SAP) have been created in the SAP system and are being used with each purchase. Purchasing staff can view material groups activity on-line, and reports can be created on demand.</p>
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Audit report and recommendation	Completed or resolved	In process	Not started	Comments
<p>#14: A mechanism for gathering information on vendor performance has not been established.</p> <ul style="list-style-type: none"> a. Purchasing should meet with department representatives to discuss some common vendor performance criteria, such as adherence to delivery dates, quality of goods and services, etc. b. Based on departmental feedback, Purchasing should develop a standard vendor performance report to be completed by the department. c. Vendor performance results should be entered into a separate vendor history database indexed by vendor name and/or commodity or services purchased and which is accessible to buying personnel. 	X			<p>Nov-2001: In process. Vendor performance is collected on an informal basis. Although staff recognizes the value of establishing a vendor performance database, staff has concluded that collecting and verifying the validity of the data on a more formal basis would be costly at this time. The number of marginal performers may be too small to make this effort worthwhile on a routine basis. Staff will reassess this recommendation when a new financial system is in place that has the capability to automate vendor performance information. Target date: TBD.</p> <p>Sep-2002: In process. Staff will seek opportunities to implement these recommendations during the implementation of the new SAP system. Target date: Jul-2003.</p> <p>Current status: The ability to gather vendor performance information in the areas of on-time delivery, adherence to shipping instructions and price has been configured in the SAP system. Staff can use on-line comment fields to share information about vendor performance.</p>
<p>#20: Purchasing does not issue citywide blanket orders.</p> <ul style="list-style-type: none"> a. Using the Blanket Order Report, Purchasing should identify vendors with multiple blanket orders and determine if a consolidated blanket order is practicable. b. Purchasing should work with the departments to ensure that citywide orders are generated for subsequent purchases. c. Purchasing should adopt a policy regarding citywide blanket orders and incorporate it into the Purchasing Manual. 	X			<p>Nov-2001: In process. Although citywide blanket orders would have merit, staff determined that due to limitations in the financial system, it would be impractical to expand their use at this time due to additional administrative efforts in the areas of receiving and invoice payment. Staff will explore whether the new ERP system would facilitate central blanket orders. Target date: TBD.</p> <p>Sep-2002: In process. Staff will revisit these recommendations and implement a process if the new ERP system allows for allocation of charges directly to the various department codes. Target date: Jul-2003.</p> <p>Current status: Since blanket purchase orders must be encumbered in SAP, the use of citywide blanket purchase orders will not be possible. The purpose of this recommendation was to avoid the time and expense of issuing multiple purchase orders with the same vendor, and to encourage staff to negotiate better pricing through</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
<p>#23: Current price quote requirements for small dollar purchases are too restrictive.</p> <ul style="list-style-type: none"> a. Purchasing should eliminate the requirement to obtain three price quotes for purchases under \$3,000, effective immediately. b. Purchasing should develop procedures which allow departments to handle purchases under \$3,000. c. Purchasing should incorporate these changes into the Purchasing Manual. 		X		<p>quantity discounts. That information is now available on-line (by materials code and vendor) so that staff can negotiate as if it was a citywide blanket. There are a number of citywide items such as copiers and temporary staffing services that are handled this way.</p> <hr/> <p>Nov-2001: In process. Staff eliminated the requirement to obtain three price quotes for purchases under \$3,000. According to the 1999-2001 Purchasing Guide, purchases of \$3,000 and below require "only a sufficient number of bids... to insure the economic advantage of the City." Written quotes are now only required for purchases over \$5,000. The Purchasing Guide is being changed to reflect this policy. Target date: TBD.</p> <p>Sep-2002: In process. Staff is incorporating the change regarding the requirements for quotes for purchases over \$5,000 into the revision to the Purchasing Manual. Staff will implement the recommendation that allows for department to handle purchases under \$3,000 as part of the ERP implementation. Staff will work with the Auditor's Office to ensure safeguards are set in place. In addition, training will be required, as well as an update of the purchasing manual. Target date: Mar-2003.</p> <p>Current status: The SAP system was configured to allow for the decentralization of purchases under \$5,000. Staff will work with the Attorney and Auditor's Office to ensure safeguards are set in place. Training will be required, as well as an update of the purchasing manual. Target date: April-2004.</p>
<p>#24: Purchasing should expand and expedite the testing of procurement cards.</p> <ul style="list-style-type: none"> a. The pilot program should be expanded to include issuance of cards to operating departments. b. A timetable for completion of the pilot program should be established. We found that other municipalities have completed the pilot program and subsequent evaluation in six to nine months. c. The City Auditor's Office should assist with evaluating the effectiveness and adequacy of internal controls of the program as part of the pilot program. 		X		<p>Nov-2001: In process. The Procurement Card pilot project will be completed by December 31, 2001.</p> <p>Sep-2002: In process. The Pilot Program has been completed and has been expanded to the operating departments. The expansion includes the use of P-cards for travel-related expenses. Staff has worked with the City Auditor in reviewing the expansion of the program and will implement changes based on the result of experiences of the pilot project. Target date: Mar-2003.</p> <p>Current status: The current program has approximately</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
				135 cardholders with combine current monthly expenditures of over \$200,000. The City will be transitioning to a new Cal-Card program to automate the review, approval and reconciliation using the SAP system. The new system will be more efficient and flexible in terms of vendor acceptance. It will be available to a limited number of users beginning in September 2003, with a full roll out in Spri-2004. This will provide staff time to verify and adjust the configuration. Staff has conferred with the Auditor's Office on the adequacy of internal controls, but testing will be required once the system is in place. Target date: Jul-2004.

AUDIT OF UTILITIES OPERATIONS OVERTIME (Issued 11/98)

Finance Committee

The objective of this audit was to evaluate the internal controls and operating procedures surrounding overtime in the Utilities department. Of the original 4 recommendations: 3 were previously completed and 1 is in process.

#2: Overtime pay codes and hours were not always accurately entered into the timekeeping system. We recommend that Utilities Operations:

X

- a. Ensure that *all* pay codes used by the sections for recording overtime are captured and reflected in the Timekeeping Utilities Program (TUP) system.
- b. Work with Payroll Division personnel to ensure that *all* pay codes in the TUP system are consistent with those in the payroll system.
- c. Work with the Payroll Division to ensure that definitions of pay codes are consistent between the two systems.
- d. Payroll system access be assigned to Utilities administrative personnel.
- e. Administrative staff be assigned responsibility for timecard entry for Utilities Operations.
- f. Work with Payroll Division personnel to ensure that management reports, including information on overtime, are generated by the payroll system.

Nov-2001: In process. According to staff, recommendations a, b, and c were completed, but an automated timekeeping system was needed to address recommendations d, e, and f, and to eliminate the TUP system. The new SAP system will integrate electronic timekeeping and reporting tools. Target date: TBD.

Sep-2002: In process. The City's SAP project (RAFTS), Phase 1 is currently underway. Phase 2, which begins in May 2003 will include an automated timekeeping system. This new fully integrated electronic timekeeping system will eliminate all timekeeping sub-systems, including TUP. Target date: Jan-2004.

Current status: In Process. Phase 1 of the City's SAP system (RAFTS) is operational. Phase 2 will roll the existing time card system into RAFTS. The new RAFTS accounting codes are now in use. It should be noted that the Auditor's Office is currently auditing overtime citywide, and has been meeting with Utilities Operations to review business practices as part of that review. Target date: Jan-2004.

AUDIT OF CLASS REGISTRATION (Issued 6/21/99)

Policy & Services Committee

The objective of this audit was to evaluate internal controls and operating procedures and practices surrounding the City's class registration process. Of the original 13 recommendations: 10 were previously completed/resolved, 1 was completed since our last report, and 2 are in process.

#1: The City should consider additional methods for registering for classes.

X

- a. Staff should establish procedures to accept registrations submitted by telephone.
- b. Staff should ensure that the recent procedures for accepting registrations submitted by FAX are reflected in the registration section of the course catalog.
- c. Staff should continue their efforts towards obtaining the necessary software to process registration through the Internet. While we understand that the initial CIP request was denied, we encourage Community Services to pursue this project in their efforts to improve processing efficiency and customer service.
- d. Staff should consider establishing drop boxes at one or more registration sites to accommodate after hour receipts.

Nov-2001: In process. Customers enjoy a variety of registration methods including having the Enjoy Catalog available on-line with fax-in registration, mail-in registration, drop-off registration, in-person registration, and soon will have fully interactive on-line registration. After much discussion, staff has recommended against implementing and maintaining a phone registration system that would require significant staff time and cost approximately \$20,000. However, drop boxes will be implemented by Jun-02, and staff continues to work with the IT division of ASD and the class registration system vendor to implement full-service, on-line Internet registration. Target date: TBD.

Sep-2002: In process. The drop box project has been postponed as a cost-cutting measure, but will be re-evaluated during 2002-03. The Art Center and Junior Museum remain open on Saturdays and Sundays for working parents to drop off registration forms. On-line registration is currently being implemented. Target date: Dec-2002.

Current status: Registration for class programs is now available online, over the Internet, and by fax, mail, and directly from four City facilities. Internet registration has become significantly popular in a short amount of time. Approximately 50% of registrations are taking place, interactively, over the Internet. Due the popularity and effectiveness of this Web mode of registration and the high cost and staff time involved in telephone registration systems, staff has concluded that the benefits of telephone registration, as compared with other methods, does not warrant implementing the service. Staff agrees that drop boxes would be advantageous, but has postponed the idea until funding becomes available.

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#2: We recommend that Community Services adopt a policy allowing residents to register between one to two weeks in advance of non-residents.	X			<p>Nov-2001: Staff did not agree with and recommended dropping this recommendation. Residents are allowed to register before non-residents for the very popular camp programs. For the balance of programs, residents receive a 10 percent discount. Many of the programs have a regional draw, and the practice of allowing non-resident participation has allowed the City to present a far broader array of classes and topics than the City would otherwise be able to provide. Moreover, there are only a handful of classes that have wait lists that residents are not able to get into.</p> <p><i>The Finance Committee did not agree with dropping this recommendation, and referred the issue to the Parks & Recreation Commission.</i></p> <p>Sep-2002: In process. A number of alternatives to allow residents to register in advance of non-residents will be brought to the Parks & Recreation Commission for consideration. Target date: Nov/Dec-2002.</p> <p>Current status: Residents are now able to register for all Community Services classes one week prior to non-residents. For summer camps, residents are able to register their children up to two weeks prior to non-residents.</p>
#12: We recommend that Community Services work with the City's Budget Division to develop a reasonable methodology for determining the costs of classes. This can be used to determine the level of cost recovery in establishing fees charged to its customers.		X		<p>Nov-2001: In process. The Recreation Division is working with ASD to develop a cost methodology that will be a prototype for other divisions. Target date: Jun-02.</p> <p>Sep-2002: The Recreation Open Space & Sciences Division (ROSS) plans to adopt a cost recovery methodology as prescribed by the LERN Resources Network – a consulting firm that specializes in recreation program management. In partnership with the Budget Division, ROSS will incorporate the new methodology in the ROSS Marketing Plan. Target date: Oct-2002.</p> <p>Current status: The Recreation Division implemented a new methodology with ASD's input. Over the next year,</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
				CSD plans to adopt this methodology in all operations responsible for class programming.

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

Finance Committee

The objective of this audit was to evaluate internal controls and operating procedures and practices surrounding the City's accounts payable process. Of the original 11 recommendations: 4 were previously completed, 5 were completed since our last report, and 2 are in process.

#2: An edit report, reflecting changes, additions, and deletions to the vendor database and the employees processing those edits should be generated and reviewed by management on a periodic basis.

X

Nov-2001: In process. In lieu of re-programming the current system, staff will implement additional vendor reports as part of the new ERP system implementation. Target date: TBD.

Sep-2002: Pending ERP system implementation. Target date: Jul-2003.

Current status: Complete. This report is available in SAP and will be reviewed by management monthly.

#3: There were a significant number of inactive and duplicate vendor accounts on the database. Management should continue their efforts to clean up the database and should establish a regular schedule for maintenance.

X

Nov-2001: In process. Currently, staff eliminates duplicate vendor accounts when they're identified. The new ERP system will facilitate regular database maintenance. Target date: TBD.

Sep-2002: Pending ERP system implementation. Target date: Jul-2003.

Current status: Complete. As part of the SAP system conversion, staff cleaned inactive and one-time vendors out of the vendor master database reducing the total number from approximately 36,000 to 17,000.

#7: Signature authority for claim vouchers requires review and evaluation. Uniform policies for approval authority should be established. Additionally, dollar thresholds should be established to facilitate efficient processing. Finally, Accounts Payable should review the current list and remove terminated employees from the list immediately.

X

Nov-2001: In process. Human Resources staff notifies Accounts Payable staff of terminated employees on a daily basis via an automated email system. The terminated employee is noted on the authorized signature list. Dollar thresholds are being reviewed as part of an overall review of processes and because of increases in volume processed. Expected completion by the end of 2001-02.

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
<p>#8: To improve oversight and facilitate timely resolution of pending items, we recommend that: the Manager of Accounting assign sufficient staff to resolve the current backlog of invoices; the quarterly report be revised to include the nature of the problem, current status, estimated timeframe for resolution, and summarize the number and aging of items contained in the file by type of problem; and the report should be review and approved by the Manager of Accounting. The Manager of Accounting should ensure that there is appropriate follow-up with non-responsive departments.</p>	X			<p>Sep-2002: In process. Departments have been notified to submit a revised authorized signature listing when an employee terminates employment with the City or when there is an addition to the list. This procedure, including dollar thresholds, will be revised with the implementation of the ERP. Target date: Jul-2003.</p> <p>Current status: Complete. A/P staff revises the signature authorization annually and notes any terminations. New dollar thresholds were set as part of SAP phase 1 implementation. Physical signatures are still required.</p>
<p>#9: Open receivings (received not charged) are not monitored. A report reflecting goods received but not charged should be generated and reviewed with the appropriate follow-up on receivings over 60 days old.</p>	X			<p>Nov-2001: In process. In order to increase the number of items processed and the resolution of pending items, temporary staff has been added in Accounts Payable. In addition, staff conducted two citywide reviews of open encumbrances during the past fiscal year. The current IFAS system does not have the capability to provide the needed report. In lieu of re-programming the current system, staff will implement additional reports as part of the new ERP system implementation. Target date: TBD.</p> <p>Sep-2002: Pending ERP system implementation. Target date: Jul-2003.</p> <p>Current status: Departments are now entering information directly into the required fields in SAP, and the system tracks the timing. A/P staff review "parked" items prior to payment, and can easily identify missing documents or approvals. In addition, A/P staff can generate reports that detail payment status and the A/P processor.</p> <p>Nov-2001: In process. The current IFAS system does not have the capability to provide the needed report. In lieu of re-programming the current system, staff will implement additional reports as part of the new ERP system implementation. Target date: TBD.</p> <p>Sep-2002: Pending ERP system implementation. Target date: Jul-2003.</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#10: A report which provides information regarding departmental delays in submitting invoices should be generated and reviewed by the Manager of Accounting.		X		<p>Current status: Complete. SAP system recognizes department expenditures at time of receipt through an on-line entry by the department. Goods receipt is a specific general ledger account and provides visibility of unpaid invoices. Reconciliation of this account will be part of the Accounting business process.</p> <hr/> <p>Nov-2001: In process. The current IFAS system does not have the capability to provide the needed report. In lieu of re-programming the current system, staff will implement additional reports as part of the new SAP system implementation. Target date: TBD.</p> <p>Sep-2002: Pending SAP system implementation. Target date: Jul-2003.</p> <p>Current status: The SAP system tracks transactions by user, time, and date. The A/P system requires the invoice date be entered separately for time tracking purposes. Due to the implementation transition and the learning curve, it is too early to review. Target date: Jul-2004.</p>
#11: Comprehensive written procedures should be developed immediately.		X		<p>Nov-2001: In process. Staff is in the process of reviewing procedures and making several revisions to accounts payable and purchasing procedures. Travel and petty cash procedures are being addressed this fall. Revisions of the remaining procedures will be completed before the end of 2001-02.</p> <p>Sep-2002. In process. Policies and procedures will be revised in conjunction with ERP implementation. Target date: Jul-2003.</p> <p>Current status: In process. Staff has developed training manuals and internal business process procedures. Since we have new business processes, it is too soon to develop final policies and procedures as some "best business practices" are still being revised based on actual experience. Target date: Jul-2004.</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
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AUDIT OF PAYROLL (Issued 7/2/01)

Finance Committee

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

#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.

X

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.

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

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

Finance Committee

The purpose of our review was to assess the adequacy of utility risk management procedures, the appropriateness of designated scopes of authority and levels of management oversight, and the adequacy of management reporting. Of the original 24 recommendations, 12 are completed and 12 are in process.

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

X

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

Sep-2002: In process.

Current status: The front and middle offices are implementing the recommendations, and the Risk Manager is monitoring the status of those recommendations. Target date: Dec-2003.

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#2: CPAU should provide written justification and obtain approval from the Risk Oversight Committee (ROC) for any recommendations that are not implemented and provide written progress reports to the ROC and other oversight levels that detail the status and target date for implementing each Deloitte & Touche recommendation.		X		<p>Audit response: Comprehensive work plan schedule was submitted to the ROC in June 2002. Monthly progress reporting begins July 2002.</p> <p>Sep-2002: In process.</p> <p>Current status: The front and middle offices are implementing the recommendations, and the Risk Manager is monitoring the status of those recommendations. Target date: Dec-2003.</p>
#3: In conjunction with the ROC and the City Council, CPAU should (a) clearly define the roles, responsibilities, and scope of authorities for each oversight body in the risk management process including the ROC, the Utility Advisory Commission, and the City Council, and (b) establish formal policies and procedures commensurate with these oversight roles.	X			<p>Audit response: Roles, responsibilities and scope for oversight bodies are included in draft Energy Risk Management (ERM) Policies. Council to approve ERM Policies by year end 2002. Some procedures already revised. Oversight procedural improvements to be incorporated in ERM Guidelines and ERM Procedures Manual. Revised ERM Guidelines to be approved by ROC by end of 2002. Complete ERM Procedures Manual by Spring 2003.</p> <p>Sep-2002: Same.</p> <p>Current status: In October 2002, the City Council approved ERM policies. In January 2003, the ROC approved internal CPAU energy risk management policies and guidelines that detail the organizational and risk control structure.</p>
#4: In lieu of allowing CPAU unlimited dollar authority, the City Council should award base contracts that: (a) specify not-to-exceed dollar amounts, duration and volumes for electric and gas commodity transactions; and (b) clarify what types of business CPAU staff is allowed to transact under authority of each contract.		X		<p>Audit response: Revised draft RFI/RFP procurement process is under development with CPAU, ASD, and City Attorney, which proposes Council Approval of Master Agreements with pre-specified limits. Transactions and Authorities are clarified in ERM Policies. Detailed authorities to be spelled out in ERM Guidelines and ERM Procedures Manual. ERM Guidelines to be approved by ROC by end of 2002.</p> <p>Sep-2002: In process.</p> <p>Current status: Authorities for gas and electric purchases under base contracts will be set by City Council through the respective CMRs for Master</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#5: The City Council should delegate authority and clarify CPAU purchasing and sales authority under pooling agreements with NCPA and other agents.	X			<p>Agreements. Staff is also working with the City Attorney's Office and ASD to clarify the authorities for energy commodity purchases in the purchasing chapter of the municipal code (2.30) as part of contract streamlining efforts. Target date: Dec-2003.</p> <p>Audit response: Risk implications of agency scheduling contracts to be reviewed by the ROC by end of 2002.</p> <p>Sep-2002: In process.</p> <p>Current status: Clarified and restated authorities for the City Manger and Director of Utilities under the NCPA Pooling Agreement were presented to and approved by Resolution by Council in Mar-2003 [CMR:135:03].</p>
#6. The Administrative Services Department Purchasing Manager, in conjunction with CPAU and the City Attorney, should establish and approve an RFP process for commodities that ensures greater competition for gas and electric commodities, and ensures the City receives the best price from responsible bidders.	X			<p>Audit response: Finalize improved RFI/RFP process during summer 2002. ROC to approve first Master Agreements in Winter 2002. Council to approve by Spring 2003.</p> <p>Sep-2002: In process.</p> <p>Current status: The RFP process is established and underway. CPAU is currently closing 5 master agreements for gas and negotiating up to 6 master agreements for electricity, all to be brought to Council for approval. These should provide greater competition and diversity and reduce CPAU's counterparty credit risks.</p>
#7: The City Council should clarify its policy on "buying for load" to allow for purchases to meet reasonable contingencies while retaining the prohibition on speculative purchases.	X			<p>Audit response: Detailed risk limits and reporting to be key elements of revised ERM Guidelines. ROC approval of ERM Guidelines approved by ROC by end of 2002.</p> <p>Sep-2002: In process.</p> <p>Current status: The Council-approved Risk Management Policies prohibit speculation, and delegated the authority to establish and promulgate guidelines, rules and procedures to enforce these policies. The ROC-approved guidelines include net position limits and reporting requirements.</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#8: CPAU should provide the ROC with detailed transaction reports that provide assurance that commodity purchases are not in excess of forecasted demand.		X		<p>Audit response: Compliance reporting is summarized in ERM Policies, and will be included in ERM Guidelines and Procedures Manual. Regular transaction-level reporting to ROC by Fall 2002.</p> <p>Sep-2002: In process.</p> <p>Current status: Detailed transaction reports showing purchases and sales were presented to the ROC in Oct-2003. Reports showing open positions are forthcoming. Target date: Dec-2003.</p>
#9: The ROC should establish a formal exception reporting system.	X			<p>Audit response: Will be included in ERM Guidelines. ERM Guidelines approved by ROC by end of 2002.</p> <p>Sep-2002: In process.</p> <p>Current status: Completed. The Risk Manager monitors and reports all exceptions to the ROC.</p>
#10: CPAU should prepare detailed financial and portfolio reports that show the financial results and performance of each transaction, as well as the summary results of all positions in the energy portfolio.		X		<p>Audit response: Same timeline as recommendation 8 (Fall 2002).</p> <p>Sep-2002: In process.</p> <p>Current status: Reports of financial performance for the portfolio are completed. Detailed transaction reports showing purchases and sales were presented to the ROC in Oct-2003. Detailed reports showing financial results for each transaction are forthcoming. Target date: Dec-2003.</p>
#11: CPAU should restructure standard reports so as to provide each risk oversight body with data that is relevant to its roles, responsibilities, and authorities.		X		<p>Audit response: Described broadly in ERM Policies and will be detailed in ERM Guidelines and Procedures Manual. Initial UAC review in Fall 2002. Council review by Winter 2003.</p> <p>Sep-2002: In process.</p> <p>Current status: The Risk Manager provided the first bi-annual Risk Management report to UAC in May 2003. The Risk Manager to scheduled to present an updated</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#12: The City Attorney should clarify which information should be held confidential, and advise the CPAU in preparing policies and procedures for handling confidential information.	X			report to the UAC in Fall of 2003, and will present the report to the City Council in conjunction with a study session on energy risk management Target date Fall-2003. Audit response: Task Request to be submitted to the City Attorney's Office in July 2002. Sep-2002: Task request submitted. Target date for revised procedures: Winter 2003. Current status: The City Attorney's Office reviewed confidentiality requirements at two meetings with Utilities staff. The Council-approved Utility Rules & Regulations include "Guidelines and Procedures for Protecting Confidential Information", which were circulated and reviewed by Staff, and added to the reference section of the Risk Management Manual.
#13: The ROC and CPAU should segregate and clearly detail the roles, responsibilities and authorities for the front, middle, and back office personnel.		X		Audit response: Oversight roles described in ERM Policies and roles, responsibilities and authorities will be detailed in ERM Guidelines and Procedures Manual. ERM Guidelines to be approved by ROC by end of 2002. Complete ERM Procedures Manual by Spring 2003. Sep-2002: Same. Current status: The front and middle offices are functioning independently. Back office functions are still shared with the front office, however SAP will strengthen internal controls over transactions and ensure transactions are transparent to front, middle, and back offices.
#14: The City should go forward with establishing a formal middle office function. The middle office, once established, should report to the Director of Administrative Services.	X			Audit response: ASD and CPAU are working to develop this function, currently conducted by joint ASD/CPAU Internal Risk Oversight Committee. Risk Manager position in place by January 2003. Linked to recommendations 18,19. Sep-2002: In process. Current status: Karl Van Orsdol was hired as Energy

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#15: The back office bookkeeping and accounting functions should be segregated from the front office to the extent possible and, where feasible, report to the Administrative Services Department.		X		<p>Risk Manager in Apr-2003. He reports to the Director of ASD.</p> <p>Audit response: See recommendation 14.</p> <p>Sep-2002: In process.</p> <p>Current status: Separation, where feasible and appropriate, is identified in Guidelines and Procedures. Staff is exploring opportunities to streamline bookkeeping and accounting functions and make them more transparent by utilizing functions of the new SAP system.</p>
#16: CPAU should provide additional training in accounting for energy transactions to staff performing middle and back office functions.		X		<p>Audit 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>Current status: 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>
#17: Written risk management procedures should clarify who is authorized to execute agreements on behalf of the City, require supervisory review of all transactions, and clarify procedures for handling different types of transactions.		X		<p>Audit response: Authorities are clarified in ERM Policies and will be detailed in ERM Guidelines. Supervisory review documentation already incorporated in transaction execution process. Revised Procedures Manual shall conform to authorities as reflected in ERM Policies and ERM Guidelines, and shall clarify review and tracking of different types of transactions. Complete ERM Procedures Manual approved by Middle Office by Spring 2003.</p> <p>Sep-2002: In process.</p> <p>Current status: Middle Office procedures are complete. Front Office procedures are in final draft. Back Office procedures are being revised to match the updated Front and Middle Office procedures.</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
<p>#18: The middle office, under the Director of Administrative Services, should be responsible for ensuring and enforcing compliance with CPAU risk management policies and procedures, ensuring supervisory reviews and oversight actions are documented; and making sure internal controls are observed.</p>	X			<p>Audit response: Middle Office oversight functions are described in ERM Policies and will be detailed in ERM Guidelines. See recommendation 14. Linked to recommendations 14, 19.</p> <p>Sep-2002: In process.</p> <p>Current status: The Risk Manager is installed as head of Middle Office, reporting to Director of ASD, enforcing compliance with policies and procedures, and monitoring internal controls.</p>
<p>#19: The middle office should also monitor trader activities, perform detailed reviews of all transactions, establish approval limits and authorities for transactions for each oversight level, and designate responsibilities for verifying that transactions are properly and correctly executed.</p>	X			<p>Audit response: See recommendations 14, 18.</p> <p>Sep-2002: In process.</p> <p>Current status: The middle office is monitoring trading activity, reviewing transactions, and has established authorities and responsibilities for correctly executing transactions.</p>
<p>#20: CPAU should continue to regularly and actively (a) review the performance of the energy procurement strategy, (b) quantify the risk and cost consequences of alternatives, and (c) communicate the risks and costs of recommended revisions to the City Council.</p>	X			<p>Audit response: Strategy review is already part of the long-term planning process underway and ongoing. Current strategy and alternatives to be reviewed by staff and reported to the ROC by Winter 2002. Reports to Council will provide enhanced discussion of risks for alternatives.</p> <p>Sep-2002: In process.</p> <p>Current status: Risks and risk mitigation strategies have been shared with Council through communication about LEAP (Long Term Electric Acquisition Plan) and GULP (Gas Utility Long Term Plan). Staff is developing short-term guidelines and models to facilitate improved understanding, evaluate new alternatives, and communicate the risks and benefits of different strategies. Staff is planning a utilities risk management study session for the City Council in Fall-2003.</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#21: The ROC and CPAU should include in their analysis the financial risks of using fixed price contracts to implement the laddering strategy and identify alternatives to take advantage of market trends.	X			<p>Audit response: Risks and opportunities of alternatives shall continue to be evaluated. Included in goals for recommendation 20 (Winter 2002).</p> <p>Sep-2002: In process.</p> <p>Current status: Included as one component of risk management strategies in the LEAP and GULP.</p>
#22: CPAU should conduct a peer study to provide the City Council with background information comparing CPAU commodity supply strategies with other municipal utilities.		X		<p>Audit response: Supports recommendations 20, 21. Included in goals plan for recommendation 20 (Winter 2002).</p> <p>Sep-2002: Not started.</p> <p>Current status: CPAU participated in an APGA (American Power and Gas) risk management survey. In addition, the Middle Office is actively participating in NCPA and CMUA (California Municipal Utilities Association) risk management associations to ensure leading practices are being carried out. Target date: TBD.</p>
#23: CPAU should develop a quality assurance program for testing, reviewing, and verifying the accuracy of data used in its energy models.		X		<p>Audit response: Part of systems/planning models enhancements work plan and Middle Office procedure development. Complete ERM Procedures Manual approved by Middle Office by Spring 2003. Complete systems modifications by Summer 2003. Quality assurance and systems improvements are ongoing.</p> <p>Sep-2002: In process.</p> <p>Current status: In process.</p>
#24: CPAU should establish a formal archive (electronic and/or paper) that contains final, official records of minutes, reports, data, policies, procedures, practices, and other actions taken. The archive should document the options considered; the reason for specific actions; the motions made; the voting results; and whether actions taken are authorized and approved by appropriate officials.	X			<p>Audit response: Included in Middle Office roles and responsibilities, and to be included in ERM Procedures Manual. Establish archive by Spring 2003.</p> <p>Sep-2002: Not started.</p> <p>Current status: Records are archived and maintained by the Energy Risk Manager. The Risk Manager</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
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maintains ROC meeting notes and transaction voice recordings. The Back Office maintains transaction confirmations.

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 recommendation, 1 has been completed, 1 is in process, and 1 is not started.

#1: In light of continuing economic uncertainties, we recommend staff brief the Finance Committee about the General Fund's budget-to-actual status (for revenues and expenditures) on a quarterly basis.	X	Current status: An informational report providing a high level analysis of budget-to-actual results for July through August 2003 is being presented to the Finance Committee in October 2003, as well as preliminary 2002-03 results.
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#2: To simplify tracking infrastructure funds, we recommend staff assess the feasibility of (1) moving the Infrastructure Reserve from the General Fund to the Capital Projects Fund, and (2) retaining unspent project funds in the Capital Projects Fund.	X	Current status: Staff estimates the General Fund will accrue about \$2 million per year in interest on Infrastructure Reserve balances. Because of the financial condition of the General Fund, staff did not propose moving the Infrastructure Reserve during the 2003-05 budget process. Unspent project funds will continue to return to the Infrastructure Reserve in the General Fund. Staff will re-evaluate the feasibility of this recommendation during the interim 2004-05 budget process (Jun-2004).
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#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.	X	Current status: 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.
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Audit report and recommendation	Completed or resolved	In process	Not started	Comments
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COMMENTS ON PROPOSED SERVICE AGREEMENT WITH THE CITY OF SUNNYVALE TO PROVIDE ANIMAL SHELTERING AND ASSOCIATED SERVICES (Issued 12/9/02) Finance Committee

At the request of the City Manager, the City Auditor's Office evaluated and provided comments on the proposal. Those comments are grouped under 1 recommendation which is in process.

<p>#1: During contract negotiations, staff should (1) allocate sheltering costs on the basis of domestic animals handled and allocate animal control costs on the basis of total animals handled (including wildlife), (2) charge Sunnyvale a host fee, and (3) confirm that Sunnyvale will underwrite and subsidize the needed capital improvements upfront.</p>	X	<p>Current status: Contract negotiations are in process. Target date: Oct-2003.</p>
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AUDIT OF CODE ENFORCEMENT (Issued 3/11/03) Policy & Services Committee

The objective of this audit was to assess the program's timeliness, responsiveness, and consistency of enforcement. Of the 17 recommendations, 1 has been completed, 13 are in process, and 3 are not started.

<p>#1: In accordance with Planning Division guidelines, the code enforcement officers should provide feedback to complainants regarding the status or results of their complaints through phone calls or other communications.</p>	X	<p>Current status: Code Enforcement officers are making follow-up phone calls to complainants. The Division will revise its procedures to prescribe follow-up calls, and will note follow-up phone calls in the code enforcement database (ACCELA) once it becomes operational. Target date: Jun-2004.</p>
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<p>#2: The Code Enforcement Division, with the support of the City Attorney's Office, should streamline its code enforcement process by increasing the use of Administrative Citation Warnings and reduce use of its alternative procedures for issuing administrative letters.</p>	X	<p>Audit response: The increased use of Administrative Citation warnings will streamline the code enforcement process and reduce the need for repeated warning letters. Planning staff will be implementing that recommendation immediately.</p> <p>Current status: Citations remove one step in the code enforcement process. Code Enforcement will outline the warning citation process in its procedures manual, and will specify that warning citations should be tracked in the ACCELA database (once it is operational). Target date: Jun-2004.</p>
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Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#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.			X	<p>Audit response: Planning staff has begun to clarify written guidelines and procedures and will be continuing that effort over the next several months.</p> <p>Current status: Staff plans to begin work on guidelines and procedures once the second Code Enforcement Officer position is filled in Nov-03 (the position has been vacant during summer 2003 due to the resignation of a code enforcement officer).</p>
#4: Where appropriate, Code Enforcement should increase its efforts to enlist the support of other departments, agencies, or non-profit service groups, to assist property owners with cleaning up their property.			X	<p>Current status: A list of resources will be prepared and distributed to code enforcement staff. Target date: January 31, 2004.</p>
#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.		X		<p>Audit response: The City Attorney's Office recently received additional funding to increase the FTEs devoted to code prosecution. Most recent cases have been handled much more quickly due to these additional resources.</p> <p>Current status: The Attorney's Office is working with Code Enforcement on an on-going basis. The Attorney's Office is revising its referral system to allow better tracking of open code enforcement cases.</p>
#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.		X		<p>Audit response: The Attorney's Office will make its case status reports available to Code Enforcement on a regular basis.</p> <p>Current status: The Attorney's Office provides case status reports at regular weekly meetings.</p>
#7: The City's hearing officer should submit regular hearing reports to the City Attorney's Office and Code Enforcement that show the status and final outcome of cases that require hearings.	X			<p>Current status: Completed. The hearing officer now provides written reports to the Attorney's Office and Code Enforcement.</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#8: The City's hearing officer should expedite the hearing process by reducing the number of hearings per case where possible.			X	<p>Audit response: Staff will prepare written guidelines that define the general grounds and durations of continuances.</p> <p>Current status: In process. Target date: TBD.</p>
#9: Using the information provided here, the City Manager should review departmental policies regarding assessment and collection of penalties to ensure appropriate penalties are being assessed and collected.		X		<p>Current status: 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>
#10: Code Enforcement and the City Attorney should consider additional strategies to encourage the assessment of all appropriate penalties and administrative costs.		X		<p>Audit 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>Current status: The City Attorney and Code Enforcement staffs are developing standard procedures for code enforcement to assessing penalties and fees. Some changes may be incorporated into the proposed fee schedule. In addition, the Attorney's Office will develop a standard protocol for imposing liens. Target date: January 31, 2004.</p>
#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.]		X		<p>Audit 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>Current status: The Administrative Services Department is working with the Attorney's Office to coordinate collection procedures. Target date: TBD.</p>
#12: Code Enforcement should work with the Budget Office to determine an appropriate hourly rate for all administrative costs that are to be reimbursed.		X		<p>Current status: Code Enforcement staff reviewed their hourly costs (including benefits), and informed the hearing officer. Code Enforcement will work with the Budget Office to develop a standardized rate sheet for code enforcement staff. Target date: TBD.</p>

Audit report and recommendation	Completed or resolved	In process	Not started	Comments
#13: The City Manager should establish a code enforcement council for coordinating code enforcement policies, practices, plans, and procedures, and mandate that all departments with code enforcement responsibilities attend the code enforcement coordinating council meetings and share information on cases.		X		Current status: A citywide committee has been formed and is meeting monthly to discuss code enforcement responsibilities and overlap. Target date: TBD.
#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.		X		Current status: The Planning and Police Departments have initiated discussion about possible restructuring or consolidations of code enforcement responsibilities. Target date: Spr-2004.
#15: Code Enforcement should clarify and formalize its strategy, mission, priorities, and policies for ensuring the effectiveness of the City's code enforcement function.		X		Current status: This is being done through the Citywide committee. Mission statement to be completed by Dec. 2003.
#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.		X		Current status: Draft web page and brochures are being reviewed internally. Target date: January 31, 2004.
#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.		X		Current status: "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.