



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

October 16, 2007

The Honorable City Council
Attn: Finance Committee
Palo Alto, California

REPORT ON THE STATUS OF AUDIT RECOMMENDATIONS

Recommendation

We recommend the Finance Committee review and accept the attached report.

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 93 open audit recommendations from 10 different audit reports and reviews. This includes 66 recommendations that were outstanding after our last status report as of June 30, 2006, and 27 new recommendations from audits that were issued last year. The report shows the original department response to the recommendation, and the auditor's update for subsequent years. It describes recommendations that have been completed since our last report, and shows 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.

This report shows the status of open recommendations from the audits of payroll, code enforcement, overtime expenditures, span of control, contract contingencies, parks maintenance, street maintenance, Community Services Department class cost recovery, the Palo Alto Sanitation Company Contract, and the review of the environmental services center proposal.

Summary of Results

Since our last report, City staff completed 5 out of 93 open audit recommendations, and we have determined that 2 recommendations should be dropped. A total of 68 recommendations are in process or partly completed, and 18 recommendations are not started.

The Auditor's Office would like to thank the City Manager's Office, the City Attorney's Office, and the Administrative Services, Community Services, Fire, Human Resources, Planning and Community Environment, Police, Public Works, and Utilities Departments for their assistance in compiling this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sharon W. Erickson".

Sharon W. Erickson
City Auditor

Attachment: Report on the Status of Audit Recommendations as of 6/30/07

STATUS OF AUDIT RECOMMENDATIONS (6/30/07)

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, 2006. 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
2	Audit of Payroll	7/2/01		1		Finance
3	Audit of Code Enforcement	3/11/03	1	1	1	Policy & Services
5	Audit of Overtime Expenditures	11/18/03	2	4	9	Finance
16	Audit of Restructuring Efforts and Management Span of Control	4/20/04		1		Finance
17	Review of Environmental Services Center Proposal	11/15/04		8		Finance
23	Audit of Contract Contingencies	3/15/05		4		Finance
26	Audit of Parks Maintenance	12/13/05	1	11	5	Finance
36	Audit of Street Maintenance	3/7/06	2	15		Finance
AUDITS ISSUED SINCE LAST RECOMMENDATION STATUS REPORT:						
48	Audit of Community Services Department Class Cost Recovery	10/17/06		5	3	Finance
51	Audit of the Palo Alto Sanitation Company Contract	4/10/07	1	18		Finance
TOTAL			7	68	18	93

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: 6 were previously completed/resolved, 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)

Original department response: 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 Enterprise Resource Planning system recommended in the City's Information Technology Strategic Plan. The current expectation is that an ERP will be procured in the next fiscal year. Therefore, staff does not recommend expending resources on a temporary solution at this time.

Auditor's update as of Nov-2001: In process. The ERP system is expected to be procured in 2002-03. Target date: TBD.

Auditor's update as of 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.

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

Auditor's update as of 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.

Auditor's update as of 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

Audit report and recommendation	Department	Current status	Comments
			<p>this would happen within the next 3 years.</p> <p><i>Auditor's update as of Oct-2006:</i> 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.</p> <p><i>Auditor's update as of Oct-2007:</i> The RFP for the SAP upgrade has been issued and the contract is expected to be awarded in Oct-2007. Employee self service (ESS) is part of the work plan scheduled to be implemented in FY 2007-08.</p>

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, 14 were previously completed/resolved, 1 was completed this year, 1 is in process, and 1 is not started.

#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 Completed

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

Auditor's update as of 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).

Auditor's update as of Sep-2004: In process. Draft of written policies is being prepared. Target date: Dec-2004.

Auditor's update as of 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.

Auditor's update as of Oct-2006: In process. Procedures have been drafted but have not been approved by management due

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>to staffing changes and departures. Target date: Jan-2007.</p> <p>Auditor's update as of Oct-2007: Completed. Formal code enforcement policies and procedures were written and distributed in 2007.</p>
#17: The ACCELA project manager should involve all code enforcement staff from various departments, particularly in the Planning Division, and the City Attorney's Office in the activation of the ACCELA code enforcement module.	ASD	In process	<p>Auditor's update as of 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>Auditor's update as of 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>Auditor's update as of Sep-2005: Not started. Due to budget constraints no action has been taken on this recommendation. Target date: TBD.</p> <p>Auditor's update as of Oct-2006: 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> <p>Auditor's update as of Oct-2007: Not started due to budget constraints.</p> <p>Auditor's update as of 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>Auditor's update as of Sep-2004: In process. Accela software is up and running for code enforcement staff. Report writing</p>

Audit report and recommendation	Department	Current status	Comments
			<p>capabilities are being developed, and other departments with code enforcement responsibilities will be added later. Target date: Dec-2004.</p> <p><i>Auditor's update as of Sep-2005:</i> 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><i>Auditor's update as of Oct-2006:</i> In process. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. ASD is using CORE (a revenue collection and receipt system) to augment the Accela system. However, data in both systems is not shared among code enforcement and ASD staff.</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, 17 were previously completed, 1 was completed this year, 4 are in process, 9 are not started and 1 was dropped.

#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 Not started

Original department 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.

Auditor's update as of 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.

Auditor's update as of Sep-2005: Not started. Target date: TBD.

Auditor's update as of Oct-2006: 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.

Audit report and recommendation	Department	Current status	Comments
#3: The Fire Department should closely monitor whether overfill relief or regular overtime is less expensive. The Department should use a formula that considers the classification and step of employees who are expected to work the relief or the overtime.	Fire	Not started	<p>Auditor's update as of Oct-2007: Not started. The standards of coverage study has been deferred. Target date: TBD.</p> <p><i>Original department response:</i> Staff concurs and will work closely with ASD and the Auditor's Office to evaluate the annual variance between overtime costs and overfill relief. Staff will utilize whichever is less expensive to the degree that it does not compromise firefighter safety.</p> <p><i>Auditor's update as of Sep-2004:</i> 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><i>Auditor's update as of Sep-2005:</i> In process. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: Not started. 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	Not started	<p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2004:</i> 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><i>Auditor's update as of Sep-2005:</i> Not started. This recommendation will be addressed during future negotiations with the Palo Alto Professional Firefighters. Target date: Jul-</p>

Audit report and recommendation	Department	Current status	Comments
#5: The Fire Department should track the daily instances of a higher rank employee working for a lower rank, and use this information to assess the cost of this practice.	Fire	Not started	<p>2006.</p> <p><i>Auditor's update as of Oct-2006:</i> 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> <p><i>Auditor's update as of Oct-2007:</i> Not started. No change to the current practice has been negotiated. The current memoranda of agreement will be in effect until June 30, 2010. Target date: TBD.</p> <hr/> <p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2004:</i> In process. As part of daily staffing data, the Fire Department keeps information on higher rank working for lower. This information, however, does not have cost data attached and is not in a format easily conducive to compilation and cost assessment. The Department will begin later in FY 2004-05 to compile data in such a format. Department will also retrospectively compile data for FY 2003-04. Target date: Oct-2004.</p> <p><i>Auditor's update as of Sep-2005:</i> In process. The Department is investigating the possibility of determining these costs through the SAP payroll system. Target date: Jan-2006.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2007:</i> Not started. According to Fire Department staff, the Department has purchased Telestaff software that will facilitate data tracking. Target date: TBD.</p>
#7: The Police Department should prepare policies and procedures for monitoring training bank hours to ensure all of the 78 training hours are worked, and that total hours do not exceed 171 in an FLSA work period	ASD and Police	In process	<i>Original department response:</i> General guidelines in the use of training bank hours for mandated training and flexible training are outlined in the current Memorandum of Agreement (MOA)

Audit report and recommendation	Department	Current status	Comments
(triggering additional overtime costs). In addition, Payroll should alert the Police Department when training bank hours exceed 171 for employees with training bank hours.			<p data-bbox="1283 217 1990 526">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 data-bbox="1283 553 1990 997"><i>Auditor's update as of Sep-2004:</i> 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 data-bbox="1283 1024 1990 1219"><i>Auditor's update as of Sep-2005:</i> 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 data-bbox="1283 1235 1990 1365"><i>Auditor's update as of Oct-2006:</i> In process. ASD is in the final stage of 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> <p data-bbox="1283 1373 1990 1453">(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</p>

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<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>employee would have to correct his timecard before it could be saved or approved.</p> <p>(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> <p>Target date: Dec-2006.</p> <p>Auditor's update as of Oct-2007: In process. According to the Administrative Services Department, the complexity of the training bank components inclusion on the paycheck stub is not feasible and will be removed from the paycheck stub. Payroll and the Police Department continue to work collaboratively to ensure that the training bank hours are not exceeded.</p> <p>(1) Payroll and the Police Department reconcile training hours through out the year and make any necessary adjustments. The Police Department staff generates system reports regularly to review training hours coded by employees.</p> <p>(2) In order to prevent employees from exceeding their 171-hour FLSA limit, payroll has set up a timecard control preventing employees from exceeding their 17-hour training allotment within the 28 day FLSA pay period.</p> <p>Target date: Oct-2007.</p>
			<p><i>Original department response:</i> Staff concurs and will update the overtime documentation to conform to the revised overtime policy.</p> <p><i>Auditor's update as of Sep-2004:</i> In process. The overtime documentation form will be revised following the implementation of recommendation #8. Target date: Dec-2004.</p> <p><i>Auditor's update as of Sep-2005:</i> 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><i>Auditor's update as of Oct-2006:</i> 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</p>

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<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>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>Auditor's update as of Oct-2007: In process. Administrative Services and the Police Department advise that it is now possible to run an SAP report that indicates the reasons for overtime worked.</p>
			<p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2004:</i> 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><i>Auditor's update as of Sep-2005:</i> Not started. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006.</p>
			<p><i>Auditor's update as of Oct-2006:</i> 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>Auditor's update as of Oct-2007: In process. Human Resources advises that the only outstanding recommendation is the revision of the Merit Rules to reflect the SEIU call-out provision. Human Resources further advises that the Merit Rules revision as been delayed due to ongoing employee contract negotiations but is scheduled to begin in 2008. Target</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	Not started	<p data-bbox="1289 224 1398 248">date: TBD</p> <p data-bbox="1289 342 1969 618"><i>Original department response:</i> 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 data-bbox="1289 651 1864 732"><i>Auditor's update as of Sep-2004:</i> In process. Human Resources' review of the FLSA designations of all City employees is in process. Target date: Jul-2005.</p> <p data-bbox="1289 764 1969 870"><i>Auditor's update as of Sep-2005:</i> 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 data-bbox="1289 902 1969 951"><i>Auditor's update as of Oct-2006:</i> Project delayed. Target date: TBD.</p> <p data-bbox="1289 992 1940 1127"><i>Auditor's update as of Oct-2007:</i> Not started. Human Resources advises that commencement of this project is scheduled at the completion of the Fox Lawson management classification study. Human Resources advises that the tentative start date is March 2008. 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 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	HR	Not started	<p data-bbox="1289 1219 1969 1325"><i>Original department response:</i> Staff concurs. Following the completion of the citywide FLSA review, HR will update job descriptions, policies and procedures, and other documentation as necessary.</p> <p data-bbox="1289 1365 1969 1442"><i>Auditor's update as of Sep-2004:</i> Not started. Human Resources plans to implement this recommendation when funds become available. Target date: Dec-2005.</p>

Audit report and recommendation	Department	Current status	Comments
that the City is paying overtime for the position.			<p><i>Auditor's update as of Sep-2005:</i> 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><i>Auditor's update as of Oct-2006:</i> The management classification study will result in new job descriptions. An FLSA audit will follow. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2007:</i> Not started. Human Resources advises that commencement of this project is scheduled at the completion of the Fox Lawson management classification study. Human Resources advises that the tentative start date is March 2008. Target date: TBD.</p>
#17: After a citywide review of the FLSA status of positions is completed, HR should work with employee representatives to update union contracts and compensation plans so that they are consistent with other documentation. The Management Compensation Plan should list the positions it covers. Both the Management Compensation Plan and the SEIU contract should distinguish between exempt and non-exempt positions and indicate whether any exempt positions may receive overtime pay.	HR	Not started	<p><i>Original department response:</i> Staff concurs and upon completion of the FLSA study, HR will update compensation plans to include exempt/non-exempt status.</p> <p><i>Auditor's update as of Sep-2004:</i> Not started. Human Resources plans to implement this recommendation when funds become available. Target date: Dec-2005.</p> <p><i>Auditor's update as of Sep-2005:</i> Not started. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2006:</i> Project delayed. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2007:</i> Not started. Commencement of this project is scheduled at the completion of the Fox Lawson management classification study. Human Resources advises that the tentative start date is March 2008. Target date: TBD.</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	HR	Not started	<p><i>Original department response:</i> HR will review and confer with management employees.</p> <p><i>Auditor's update as of Sep-2004:</i> Not started. Human</p>

Audit report and recommendation	Department	Current status	Comments
management leave and overtime pay.			<p>Resources plans to implement this recommendation when funds become available. Target date: Dec-2005.</p> <p><i>Auditor's update as of Sep-2005:</i> Not started. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2006:</i> Project delayed. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: Not started. Human Resources advises that the FLSA review will be conducted once the Fox Lawson classification study is completed. Target date: TBD.</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.	HR	Not started	<p><i>Original department response:</i> Staff concurs and will prepare additional language which will address administrative leave in future compensation plans.</p> <p><i>Auditor's update as of Sep-2004:</i> 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> <p><i>Auditor's update as of Sep-2005:</i> Not started. Target date: Jun-2006.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. The Merit Rules are being revised and will address this issue. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: Not started. The Human Resources Department advises that the Merit Rules revision is scheduled to begin in March 2008. Target date: TBD.</p>
#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><i>Original department response:</i> Staff concurs and will compile the data in an electronic format to allow for subsequent analysis and use by managers.</p> <p><i>Auditor's update as of Sep-2004:</i> In process. As part of daily staffing data, the Fire Department keeps information on</p>

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#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	Completed	<p>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><i>Auditor's update as of Sep-2005:</i> In process. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2006:</i> 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><i>Auditor's update as of Oct-2007:</i> In process. According to Fire Department staff, the Department has purchased Telestaff software that will facilitate data tracking. Target date: TBD.</p> <hr/> <p><i>Original department response:</i> Staff concurs. See item #26.</p> <p><i>Auditor's update as of Sep-2004:</i> 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><i>Auditor's update as of Sep-2005:</i> 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><i>Auditor's update as of Oct-2006:</i> Project delayed. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2007:</i> Completed. The Utilities Operations Division has prepared written policies regarding standby pay, timecard coding and rest periods. According to staff, most employees now prepare their own timecards in SAP</p>

Audit report and recommendation	Department	Current status	Comments
<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.</p>	Utilities	Dropped	<p>which are approved by their supervisors and timecard administrators.</p> <p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2004:</i> In process. Utilities staff is pursuing additional study that may further identify costs related to contractor damage that can be quantified, billed and recovered. These may include Fire safety services, Utilities dispatch services, and invoice processing. The Utilities Department will review these areas and, if appropriate, propose revisions for cost recovery of contractor damage. Target date: Jan-2005.</p> <p><i>Auditor's update as of Sep-2005:</i> In process. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2006:</i> Under consideration. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2007:</i> Dropped. The City Attorney's Office advises that only the actual costs used to repair contractor-caused damage can be recovered, and that reimbursement for lost productivity or indirect overtime is not allowed. According to the Department it already does bill contractors for direct time and materials used in these types of emergency repairs.</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, 16 were previously completed/resolved, and 1 is in process.

#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

Original department response: Staff concurs with this recommendation. This process is currently in progress.

Auditor's update as of 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.

Auditor's update as of Sep-2005: In process. A comprehensive reconciliation of job titles will be completed by the end of the year. Target date: Dec-2006.

Auditor's update as of Oct-2006: 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.

Auditor's update as of Oct-2007: In process. Target date: Jan-2008.

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.

#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.

Public Works/
ASD

In process

Original department 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.

Auditor's update as of 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.

Auditor's update as of Oct-2006: 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 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.

Auditor's update as of Oct-2007: In Jan-2007, the City Council adopted a new policy on rent charged by the General Fund to the Refuse Fund on the unopened portions of the landfill. The revised landfill rent schedule (CMR:104:07) includes an additional \$13.4 million in rent payments owed on 45.66 unopened acres of the landfill, with payments to be spread over 7 years.

Since adoption of the new policy by the City Council, a

Audit report and recommendation	Department	Current status	Comments
<p>#2: Staff should consider potential effects of waste reduction in planning for needed landfill space, and assess whether those benefits could accrue to the future landfill park in the form of lower and/or smoother contours. Staff should inform the City Council of potential impacts on final landfill grading plans as landfill closure nears.</p>	Public Works	In process	<p>question has arisen regarding potential rent owed on 1 to 3 acres of parkland that is apparently outside the landfill lease area but is being used by the Public Works Department for storage, and has been proposed to be used for temporary relocation of landfill and recycling facilities from approximately 2008 through 2013. Target date: TBD.</p> <p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2005:</i> 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><i>Auditor's update as of Oct-2006:</i> 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> <p><i>Auditor's update as of Oct-2007:</i> In process. Reports to the City Council on landfill capacity are being presented to the City Council. However, staff disagrees with this recommendation, is planning to fill the landfill to capacity, and currently has no plans to reduce the capacity of the landfill. The Jan-2007 study of landfill contours by Hargreaves Associates assumed that the maximum permitted trash volume would be landfilled, and did not address a potential for lower volumes leading to lower contours. Staff will provide the third annual update of landfill capacity to the City Council in Nov-2007.</p> <p>Because of differences between the landfill contours shown</p>

Audit report and recommendation	Department	Current status	Comments
#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>in the Byxbee Park Masterplan and the State-approved landfill grading plan (as shown in the Hargreaves report), staff may need to propose changes to the Byxbee Park Masterplan. We recommend that consideration of lower contours be included as part of that review. Target date: TBD.</p> <p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2005:</i> 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 Masterplan. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. The Public Works Department is contracting with Hargreaves Associates for these services. Target date: TBD.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. In Jan-2007, Hargreaves Associates completed their review of the landfill's current grading plan. Based on their review, Public Works will be doing some re-grading to better conform to the original intent of the Byxbee Park Masterplan, and will be doing some smoothing of slope transitions to match the gentler transitions of the Plan.</p> <p>In their report, Hargreaves further recommended that this would be a good time to begin discussion of <i>"the implementation of the park elements atop the final landfill closure... The future phases of the park can now be reassessed and elaborated upon, ideally by the Master Plan design team, based on these new conditions, the use patterns of phase one, any successes or failures and lessons to be learned from phase one and any new technological or environmental conditions to be addressed."</i></p> <p>It is our understanding that any changes to the approved landfill contours (as shown in the Byxbee Park Masterplan) would require a modification to the Masterplan (requiring review</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	by the Planning and Transportation Commission and the Parks and Recreation Commission, and approval by the City Council). Target date: TBD. <i>Original department response:</i> 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. <i>Auditor's update as of Sep-2005:</i> 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. <i>Auditor's update as of Oct-2006:</i> 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. <i>Auditor's update as of Oct-2007:</i> In process. In Mar-2007, the City Council awarded a contract to HF&H Consultants to assist the City in the solicitation process for a new solid waste and recyclable material collection and processing agreement. The development of the refuse contract RFP is underway with the expectation that the new contract will be awarded by July 2008.
#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 operating costs.	Public Works	In process	On February 14, 2005, the City Council voted to terminate 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. <i>Auditor's update as of Sep-2005:</i> 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.

Audit report and recommendation	Department	Current status	Comments
<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.</p>	<p>Planning/ Public Works</p>	<p>In process</p>	<p><i>Auditor's update as of Oct-2006:</i> In process. Target date: Nov-2006.</p>
			<p><i>Auditor's update as of Oct-2007:</i> In process. The June 2007 draft Zero Waste Operational Plan (ZWOP) concludes that the City needs to continue to be prudent in addressing removal of HHW, and recommends a permanent HHW Facility to replace current HHW collection activities at the PARWQCP and the City's Recycling Drop-Off Center. According to the accompanying staff report (CMR:300:07), "the main benefit of Palo Alto developing a permanent HHW facility is that it would provide more frequent and convenient service to residents, thereby collecting more HHW with less illegal disposal." Staff concludes that "a Recycling Drop-Off Center with HHW is the highest priority to be able to accommodate locally... Should this option be chosen, a detailed site selection study subject to environmental assessment will be conducted." While this general statement of benefits is useful, we recommend a more specific and detailed cost-benefit analysis be performed. For example, attachment B to the ZWOP indicates the labor costs to operate the facility would be from \$168,000 - \$367,000 per year, but does not indicate estimated diversion as a result of the proposed new facility. Target date: TBD.</p>
			<p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2005:</i> 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 Council- approved landscape plan for Byxbee Park.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. An agreement is being negotiated with Hargreaves Associates to conduct the</p>

Audit report and recommendation	Department	Current status	Comments
			<p>review. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: In process. In Jan-2007, Hargreaves Associates completed their review of the landfill's grading plan. The Planning and Community Environment Department has reviewed the report and concurs with the conclusions and recommendations for modifications to the grading to conform to the Master Plan approved by the City Council in 1991. Public Works has hired Golder Associates to prepare plans and specifications to carry out the recommended re-grading.</p> <p>However, Hargreaves pointed out several areas of difference between the Byxbee Park Masterplan and the State-approved grading plan. It is our understanding that any changes to the approved landfill contours (as shown in the Byxbee Park Masterplan) would require a modification to the Masterplan (requiring review by the Planning and Transportation Commission and the Parks and Recreation Commission, and approval by the City Council). It is also our understanding that a park improvement ordinance and site and design review would not be required until the final park plan is proposed. Target date: TBD.</p>
<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.</p>	<p>Planning</p>	<p>In process</p>	<p><i>Original department response:</i> Staff agrees with the recommendation.</p> <p><i>Auditor's update as of Sep-2005:</i> The Baylands Masterplan update will be undertaken after the completion of the golf course preliminary feasibility study.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. Hargreaves Associates has been engaged to do the review. Target date: TBD.</p> <p>Auditor's update as of Oct-2007: In process. A staff retirement and competing priorities have delayed the project. Target date: Feb-2008.</p>
<p>#11: The Community Services Department should develop a natural</p>	<p>Community</p>	<p>In process</p>	<p><i>Original department response:</i> The Parks and Recreation Commission has made the development of a natural resources</p>

Audit report and recommendation	Department	Current status	Comments
resources management plan.	Services		<p>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><i>Auditor's update as of Sep-2005:</i> 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><i>Auditor's update as of Oct-2006:</i> 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> <p><i>Auditor's update as of Oct-2007:</i> In process. The consultant firm of ESA is working on the development of the plan, starting with an analysis of the plant resources in the marshes and flood basin. The consultant plans to return with a final draft in Dec-2007.</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, 11 were previously completed/resolved, and 4 are in process.

#2: Purchasing should maintain records on valid complaints related to contractors for consideration in future contract awards.	ASD	In process	<i>Original department response:</i> 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
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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><i>Auditor's update as of Sep-2005:</i> In process. ASD has met with the Attorney's office regarding this matter and it was agreed that certain documentation regarding vendor performance should be maintained as it relates to vendors. Determining what specific information can be retained while ensuring fairness to vendors requires additional research and discussion. Purchasing and the Attorney's Offices are continuing to work on it. Target completion date: June 2006.</p>
			<p><i>Auditor's update as of Oct-2006:</i> 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><i>Auditor's update as of Oct-2007:</i> In process. ASD advises that a procedure has been resubmitted to the City Attorney's Office for review and approval. Additionally, an SAP procedure has been developed to collect data on vendors. Target date: Oct-2007.</p>
<p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2005:</i> 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><i>Auditor's update as of Oct-2006:</i> In process. Purchasing Manual changes are complete. Public Works will incorporate the necessary criteria into its Construction Manual. Target date:</p>			

Audit report and recommendation	Department	Current status	Comments
<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>	<p>ASD, Public Works, and Utilities</p>	<p>In process</p>	<p>Spring 2007.</p> <p>Auditor's update as of Oct-2007: In process. Staff advises that a Citywide Construction manual is pending that will address resident requests, and clarify that the requested item would have to fall within the scope of the contract. Target date: Summer 2008.</p> <p><i>Original department response:</i> 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><i>Auditor's update as of Sep-2005:</i> The update of Public Works Construction Contract Administration Manual has not yet started. Target completion date: Winter 2005.</p> <p><i>Auditor's update as of Oct-2006:</i> The update of the Public Works Construction Contract Administration Manual has not yet started. Target completion date: Jun-2007.</p> <p>Auditor's update as of Oct-2007: In process. Staff advises that a Citywide Construction manual is pending. Target date: Summer 2008.</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 readily available while a contract is open.</p>	<p>City Clerk, City Attorney, and ASD</p>	<p>In process</p>	<p><i>Original department response:</i> Staff from the Office of the City Attorney, Clerk and Administrative Services will work together to update the records retention schedule. The current practice in Purchasing is to maintain a complete set of contract documentation while they are open. The Purchasing Manual and/or guidelines will be updated to include language that departments are responsible for keeping a complete set as well. Target Completion Date: Fall 2005</p> <p><i>Auditor's update as of Sep-2005:</i> 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>

Audit report and recommendation	Department	Current status	Comments
			<p><i>Auditor's update as of Oct-2006:</i> In process. The City Attorney's Office is reviewing proposed records retention schedule changes. Target completion: Winter 2006.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. The City Clerk's Office updated the records retention schedule in February 2007. The Clerk's Office is working to ensure that complete copies of contracts are retained by them as required by the new schedule, Target completion: Summer 2008.</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 previously completed, 1 was completed this year, 11 are in process, and 5 are not started.

<p>#4: The Parks Division should document its existing and ongoing playground safety inspection training practices and maintain this documentation in a master file.</p>	CSD	In process	<p><i>Original department response:</i> Staff concurs. The Parks Division has developed a successful training program but it is not fully documented. Target date: Sep-2006</p> <p><i>Auditor's update as of Oct-2006:</i> 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.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. According to the Department, the Parks Division continues to document playground inspection training accomplishments and includes photocopies or related certificates in the personnel files of each field inspector. Training objectives for the upcoming year are outlined in each inspector's annual written evaluation. Once the <i>PlaySafe</i> database is implemented in March 2008, training records will also be logged there. Target: date: Mar-2008.</p>
<p>#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</p>	CSD	In process	<p><i>Original department response:</i> 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,</p>

Audit report and recommendation	Department	Current status	Comments
during the annual inspections.			<p>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</p> <p><i>Auditor's update as of Oct-2006:</i> 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 staff vacancies have slowed progress. Target date: Jan-2007.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. CSD advises that staff continues to use the standardized California Parks and Recreation Society-approved checklist for documenting all playground inspections. Staff continues to work with the Information Technology Division to test and implement the PlaySafe software system for playground inspection record keeping. Target date: Mar-2008.</p>
<p>#7: The Parks Division should track playground performance including:</p> <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	In process	<p><i>Original department response:</i> 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.</p> <p><i>Auditor's update as of Oct-2006:</i> Not started. Target date: TBD.</p>

Audit report and recommendation	Department	Current status	Comments
#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.	CSD	In process	<p>Auditor's update as of Oct-2007: In process. Staff uses a shared log that includes the date a concern, compliment or inquiry is received, the date the situation was delegated to repair personnel, the name of the person the task was assigned to, and follow-up notes. The Department will update this log to include the resolution date or the complaint or service request. The Department may be able to use this information to track timeliness. Target date: TBD.</p>
			<p>Original department 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>Auditor's update as of Oct-2006: 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>Auditor's update as of Oct-2007: In process. City staff continue to maintain these parks. CSD advises that bids were solicited in January and seven firms attended the pre-bid conference. Two landscape companies submitted bids for four of the six sections of work. The Community Services Department advises that on July 1, 2007, Loral Landscaping assumed responsibility for maintenance of all of the areas previously contracted by Gachina and Loral landscaping (2004-07).</p>
			<p>However, Community Services advises that it is still working with ASD to evaluate bid submittals for Mitchell, Rinconada and Greer. A recent analysis by ASD based on current bids estimated that by contracting out Mitchell, Rinconada, and Greer for the next five years, Community Services could save \$641,561.</p>
			<p>Community Services further advises that SEIU has asked for an opportunity to present a proposal to take back in-house some of the contracted sites while keeping the staffing levels the same as at present. This proposal is under consideration. A decision on whether to contract out Mitchell, Rinconada and Greer has been delayed until after the SEIU proposal has been</p>

Audit report and recommendation	Department	Current status	Comments
#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.	CSD	In process	reviewed. Target date: TBD. <i>Original department response:</i> Staff will collect and evaluate bid information as stated in recommendation #9. <i>Auditor's update as of Oct-2006:</i> 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. <i>Auditor's update as of Oct-2007:</i> In process. City staff continue to maintain these parks. The Department advises that bids were solicited in January. Seven firms attended the pre-bid conference. Bids were received from two landscape companies for four of the six sections of work. Bids were received, but have not yet been accepted, for the maintenance of the Baylands Athletic Center, El Camino Park (and playing fields), and the Lawn Bowling Green. A recent analysis by ASD based on current bids estimated that by contracting out El Camino Park and the Bowling Green for the next five years, Community Services could save \$327,855. Based on current bids, Baylands Athletic Center was estimated by ASD to lose about \$45,000 if contracted out. SEIU has asked for an opportunity to present a proposal to take back in-house some of the contracted sites while keeping the staffing levels the same as at present. This proposal is under consideration. A decision on whether to contract out Baylands Athletic Center, El Camino Park, and the Bowling Green has been delayed until after the SEIU proposal has been reviewed. Target date: TBD.
#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.	CSD	In process	<i>Original department response:</i> Staff agrees that bids information would be useful to evaluate. <i>Auditor's update as of Oct-2006:</i> 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

Audit report and recommendation	Department	Current status	Comments
#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 proves cost-beneficial.	CSD	In process	<p>the annual budget process. Target date: Spring 2007.</p> <p>Auditor's update as of Oct-2007: In process. The Department advises that bids for mowing services were solicited in January. The Department has concluded that in-house crews can more efficiently and effectively mow turf at these parks. However, the Auditor's Office notes that although a high level cost-benefit analysis was performed comparing contracting out to in-house services, such analysis did not include the full costs of the City-provided services. The Auditor's Office recommends further analysis. Target date: TBD.</p> <p><i>Original department response:</i> 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> <p><i>Auditor's update as of Oct-2006:</i> 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> <p>Auditor's update as of Oct-2007: In process. The City conferred with PAUSD over contracting field maintenance services. Bids for mowing services were solicited in January. No bids were received for school field mowing. We recommend including school field maintenance in any future solicitation. 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><i>Original department response:</i> Staff will evaluate this alternative in conjunction with the contracting analysis as stated in recommendation #9.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. As of March 2006, due to reorganization and downsizing, parks irrigation staff have been redirected to maintenance and irrigation tasks. Parks</p>

Audit report and recommendation	Department	Current status	Comments
	CSD	In process	<p>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> <p>Auditor's update as of Oct-2007: In process. The Community Services Department advises that staff continues to evaluate the effectiveness of the organization to maintain irrigation systems throughout the City and at newly acquired sites such as the Cubberley Community Center (which was under a contract), Homer underpass, Stanford/Palo Alto Community Playing Fields and Heritage Park. CSD further advises that the response time to calls-for-service for irrigation repair and water system monitoring continues to be acceptable. CSD staff has concluded that further reduction in staffing levels is not prudent at this time.</p> <p>The Auditor's Office notes that the Capital Improvement Program Budget (Project PG-98001) specifically cites efficiencies that could be realized from renovated irrigation systems: <i>"Irrigation improvements will allow for centralizing irrigation management and reducing staff time needed to manually adjust controllers and inspect for irrigation problems."</i> In our opinion, CSD staff should reconsider potential reductions or redirection of irrigation staffing in the upcoming budget cycle. 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><i>Original department response:</i> Staff concurs. This recommendation will be accomplished as part of the implementation of recommendation #1. Target date: Jun-2006.</p> <p>Auditor's update as of Oct-2006: 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>

Audit report and recommendation	Department	Current status	Comments
#15: The City Manager should assign responsibility for flushing storm drains in parks and for the routine maintenance of pathways.	CSD	Not started	<p>Auditor's update as of Oct-2007: In process. CSD staff advises that they track and follow-up on all reported park maintenance issues to ensure the timely resolution of problems and concerns. The name of the person and department taking responsibility for addressing the issue is noted in a log. Public Works Operations, Facilities Management and the Street – Tree Division are the interdepartmental units contacted most frequently for assistance. We are holding this recommendation open until the Department can provide assurance that work orders are completed timely. Target date: TBD.</p> <p><i>Original department response:</i> 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> <p><i>Auditor's update as of Oct-2006:</i> 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>Auditor's update as of Oct-2007: Not started. CSD advises that Parks staff has worked closely with Public Works Operations staff to repair broken and uplifted pathways at Rinconada Park, El Camino Park and within the Baylands Nature Preserve in a timely manner. CSD advises that their staff is working with the City Manager's Office to ensure that the review of this recommendation is completed. Target date: Nov-2007.</p>
#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><i>Original department response:</i> 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><i>Auditor's update as of Oct-2006:</i> Not started. The task force is expected to convene in Fall 2006. Target date: Winter 2007.</p>

Audit report and recommendation	Department	Current status	Comments
#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>Auditor's update as of Oct-2007: Not started. CSD advises that staff is working with the City Manager's Office to ensure that the review of this recommendation is completed. Target date: Nov-2007.</p> <p><i>Original department response:</i> Staff concurs that a more efficient way of coordinating lighting could be achieved, although the existing distribution of responsibilities has never caused major issues. The Utilities Department maintains utility standard fixtures throughout the City, no 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><i>Auditor's update as of Oct-2006:</i> 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>Auditor's update as of Oct-2007: Not started. CSD staff advise that they are working with the City Manager's Office to ensure that the review of this recommendation is completed. Target date: Nov-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><i>Original department response:</i> 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	Completed	<p><i>Auditor's update as of Oct-2006:</i> 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><i>Auditor's update as of Oct-2007:</i> CSD staff advises that they have been working closely with the newly-appointed manager of Street/Trees Operation to inspect and evaluate park trees on an "as-needed" basis. Staff continues to actively participate with the City Manager's Office in the development of an updated Urban Tree Master Plan. This updated plan is intended to include targets for tree inspections and pruning in park areas as well as along City streets. 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><i>Original department response:</i> Utilities Marketing Services will continue to market water conservation programs to all customers, with an emphasis on City facilities.</p> <p><i>Auditor's update as of Oct-2006:</i> 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> <p><i>Auditor's update as of Oct-2007:</i> Completed. Utilities Marketing Services (UMS) advises that they have worked closely with the building department to streamline the process for which plans are submitted for review. All plans that meet the requirements of the Landscape Efficiency Standards are reviewed by UMS and tracked in Accela.</p> <p><i>Original department response:</i> 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><i>Auditor's update as of Oct-2006:</i> In process. CSD has received irrigation audits from Utilities for El Camino park, Seale park,</p>

Audit report and recommendation	Department	Current status	Comments
<p>#21: Utilities should update the Landscape Water Efficiency Standards to:</p> <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 (deferred pending State update)	<p>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> <p>Auditor's update as of Oct-2007: In process. Utilities Marketing Services (UMS) advises that it has focused on auditing the remaining 14 playing fields/landscapes which are managed by Parks, in addition to 6 City parks and Cubberley. They expect to complete the remaining 18 parks by June 2009.</p> <hr/> <p><i>Original department response:</i> 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 these small island projects. <p>These changes will be addressed in the revision process of the <i>Landscape Standards</i>.</p> <p><i>Auditor's update as of Oct-2006:</i> 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>

Audit report and recommendation	Department	Current status	Comments
#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	<p>Auditor's update as of Oct-2007: Not started. Utilities advises that DWR is still working on updating model ordinance. Target date: Jan-2010.</p> <p><i>Original department response:</i> 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.</p> <p><i>Auditor's update as of Oct-2006:</i> 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.</p> <p>Auditor's update as of Oct-2007: In process. The Utilities department has revised the report format to eliminate extraneous data and group meter reading by street address, but the report does not include water usage graphs that show trends (similar to the graphs provided to residential customers). Target date: TBD.</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 previously completed, 1 is being dropped, 1 was completed this year, and 15 are in process.

#1: Public Works and ASD should develop and propose a long-term resurfacing-reconstruction plan and funding strategy to address the street maintenance backlog.	Public Works and ASD	In process	<p><i>Original department response:</i> 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</p>
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Audit report and recommendation	Department	Current status	Comments
#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	Dropped	<p>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><i>Auditor's update as of Oct-2006:</i> In process. Public Works will develop plan to address the backlog and ASD will address the financial issues 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.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. The current 5-year capital improvement program includes a total of \$1.3 million more in funding for the Street CIP (PE-86070) than the previous 5-year CIP. In addition, Public Works has been notified that the City has received additional grant funding in the amount of \$1,959,956 to be expended by June 2011. Public Works will continue to seek additional funding to address the street maintenance backlog.</p> <p><i>Original department response:</i> 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.</p> <p><i>Auditor's update as of Oct-2006:</i> 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</p>

Audit report and recommendation	Department	Current status	Comments
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	<p>direction, the staff will then take the next steps. Target date: Jan-2007.</p> <p>Auditor's update as of Oct-2007: The City Attorney's Office advises that this recommendation should be dropped on the basis of a recent published case which held that an impact fee levied on bio-solid haulers to mitigate impacts to County roads violated state law. <i>LA Sanitation Dist. v. County of Kern</i> (2005) 127 Cal. App. 4th 1544. It should be noted that the adopted 5-year capital improvement program for street maintenance (PE-86070) assumed \$750,000 in street impact fees.</p> <p>Original department 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.</p> <p>Auditor's update as of Oct-2006: 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.</p> <p>Auditor's update as of Oct-2007: In process. Public Works increased the street cut fees in FY 2007-08 to reflect the current construction costs (increasing fees by an estimated \$165,000 over the prior year) and will continue to periodically review the fees charged.</p> <p>Public Works has found that different cities use different methods to quantify the impact of street cuts. Public Works is continuing to explore options for completing a study of the full cost to repair damage caused by street cuts.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#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 damages caused by multiple cuts; fully recover the higher costs of restoring recently resurfaced streets; and mitigate the damages to newly paved streets.</p>	Public Works	In process	<p><i>Original department response:</i> 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 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><i>Auditor's update as of Oct-2006:</i> 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> <p><i>Auditor's update as of Oct-2007:</i> In process. Public Works increased street cut fees in FY 2007 to reflect current construction costs (increasing fees by an estimated \$165,000 over the prior year), and will continue to periodically review the fees charged. Public Works is continuing to explore options for completing a study of the full cost to repair damage caused by street cuts.</p>
<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).</p>	City Manager	In process	<p><i>Original department response:</i> 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>

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>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 (1) business day of the street cut as this would be difficult to administer.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. ASD, Public Works and Utilities are developing a street work tracking system in GIS.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. As an alternative to the recommendation, Public Works and the Utilities staffs continue to improve coordination efforts by requiring the Utilities Operations section to provide a quarterly report on all street cut locations (including date, location, size of street cut, and reason for the work) This allows Public Works to monitor reported street cuts retroactively. In our opinion, the weakness of this approach is that it does not facilitate proactive coordination, or coordinated data tracking in the City's GIS system. We will hold this recommendation "in process" while staff experiments with this approach.</p> <p><i>Original department response:</i> 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</p>

Audit report and recommendation	Department	Current status	Comments
#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>would need to be passed on to the rate payers in the form of increased utility rates.</p> <p><i>Auditor's update as of Oct-2006:</i> 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> <p><i>Auditor's update as of Oct-2007:</i> In process. Public Works and Utilities are developing "targeted work zones" in neighborhoods that will encourage all utility work to be completed before the street is paved. The Public Works staff believes a moratorium will not be necessary as the coordination efforts improve. We will hold this recommendation "in process" while staff experiments with this approach.</p> <hr/> <p><i>Original department response:</i> 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 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><i>Auditor's update as of Oct-2006:</i> In process. Public Works and Utilities WGW Operations staff members have taken GIS classes and are in the process of coordinating their operations</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>through GIS.</p> <p>Auditor's update as of Oct-2007: In process. It is our understanding that the Utilities Operations Water-Gas-Wastewater section is integrating GIS into their work efforts. However, it is also our understanding that other sections have not integrated their drawings into GIS. Target date: TBD.</p> <p>Original department 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> <p>Auditor's update as of Oct-2006: 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>Auditor's update as of Oct-2007: In process. Public Works</p>

Audit report and recommendation	Department	Current status	Comments
<p>#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.</p>	Public Works	In process	<p>and Utilities are developing “targeted work zones” in neighborhoods that will encourage all utility work to be completed before the street is paved. Targeted work zones have been created for two neighborhoods, College Terrace and SOFA. These zones will require several years of planning. After Utilities completes its work, the streets will be resurfaced. We will hold this recommendation “in process” while staff experiments with this approach.</p> <p><i>Original department response:</i> 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><i>Auditor’s update as of Oct-2006:</i> 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> <p><i>Auditor’s update as of Oct-2007:</i> In process. New trench plate requirements were included in the new 2007 Public Works standard drawings and specifications. Steel plates must now be removed within 14 calendar days after the work is completed or a penalty may be assessed for each day the deadline is missed. However, this appears to be in conflict with the Municipal Code. Furthermore, the new requirements do not address the other aspects of this recommendation. Target date: TBD.</p>
<p>#12: The City Manager should consider centralizing street restoration resources, including crews and equipment, in the Public Works Department.</p>	City Manager	In process	<p><i>Original department response:</i> 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</p>

Audit report and recommendation	Department	Current status	Comments
#13: The City Manager should require all entities that cut the street to fill and compact cut streets according to strict, uniform specifications set by the Public Works Director.	City Manager	In process	<p>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><i>Auditor's update as of Oct-2006:</i> 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> <p><i>Auditor's update as of Oct-2007:</i> In process. As an alternative to this recommendation, the Public Works and Utilities staffs have issued new trench restoration specifications and are discussing where to store input, maintenance, and reference data. The staffs are discussing how to increase inspection resources. We will hold this recommendation "in process" while staff experiments with this approach.</p>
			<p><i>Original department response:</i> Staff agrees with this and has already 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><i>Auditor's update as of Oct-2006:</i> In process. A detailed revision to the 1992 specifications is nearly complete (see recommendation #11). Target Date: Nov-2006.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. The Public Works staff issued new trench restoration specifications in Spring 2007. The Utilities department is required to comply with the new specifications. The staffs are discussing how to increase inspection resources. However, in our personal observation, problems remain with restoring street surfaces to their original conditions. We will hold this recommendation "in process" until the problems we observed are resolved.</p>

Audit report and recommendation	Department	Current status	Comments
<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.</p>	<p>City Manger</p>	<p>In process</p>	<p><i>Original department response:</i> 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><i>Auditor's update as of Oct-2006:</i> In process. See recommendation #12.</p> <p><i>Auditor's update as of Oct-2007:</i> In process. The Public Works staff issued new trench restoration specifications in Spring 2007. The Utilities department is required to comply with the new specifications. The staffs are discussing how to increase inspection resources. However, in our personal observation, problems remain with restoring street surfaces to their original conditions. We will hold this recommendation "in process" until the problems we observed are resolved.</p>
<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.</p>	<p>Public Works</p>	<p>Completed</p>	<p><i>Original department response:</i> 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 of the correct process and training has already occurred.</p> <p><i>Auditor's update as of Oct-2006:</i> In process. Public Works' Development Center staff have been trained to properly assess street cut fees. A draft street cut fee policy and procedure is under review. Target date: TBD.</p>

Audit report and recommendation	Department	Current status	Comments
#18: Utilities should establish a process to ensure street cut fees are correctly tracked and remitted to the General Fund.	Utilities	In process	<p>Auditor's update as of Oct-2007: Completed. A policy and procedures manual for street cuts was issued in April 2007 and training provided to the Public Works staff in the Development Center.</p>
			<p><i>Original department response:</i> Staff agrees with this recommendation and has already been in the process of refining the existing procedure.</p> <p><i>Auditor's update as of Oct-2006:</i> 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> <p>Auditor's update as of Oct-2007: In process. After the audit was issued, Utilities transferred \$68,400 in street cut fees that had not been paid to the General Fund. Public Works staff is working with the Utilities CIP project managers to ensure street cut fees are properly transferred for City-initiated projects. Utilities Operations issues reports twice a year that identifies privately-initiated street cut locations and other details. To our knowledge, written procedures have not been finalized. 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><i>Original department response:</i> 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><i>Auditor's update as of Oct-2006:</i> 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> <p>Auditor's update as of Oct-2007: In process. The Public Works and Utilities staffs are discussing where to store input, maintenance, and reference data. This City's IT strategic plan calls for GIS to be the backbone for this type of information. In our opinion, IT staff should be involved in these discussions.</p>

Audit report and recommendation	Department	Current status	Comments
			Target date: TBD.
#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 data-bbox="1289 342 1976 451"><i>Original department response:</i> 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 data-bbox="1289 483 1976 618"><i>Auditor's update as of Oct-2006:</i> 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 be compared with other cities in the Bay Area.</p> <p data-bbox="1289 651 1976 760"><i>Auditor's update as of Oct-2007:</i> In process. A consultant was hired to evaluate the City's PMMS software and to compare the City's PMMS with the MTC Streetsaver software. A draft report is expected in Fall 2007.</p>
#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	<p data-bbox="1289 857 1976 966"><i>Original department response:</i> 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 data-bbox="1289 966 1976 1182">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.</p> <p data-bbox="1289 1182 1976 1291">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.</p> <p data-bbox="1289 1323 1976 1433"><i>Auditor's update as of Oct-2006:</i> 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</p>

Audit report and recommendation	Department	Current status	Comments
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GIS system.

Auditor's update as of Oct-2007: In process. A consultant was hired to evaluate the City's PMMS software and to compare the City's PMMS with the MTC Streetsaver software. The consultant is expected to identify software enhancements needed to make PMMS similar to MTC's software. A draft report is expected in late September 2007.

AUDIT OF COMMUNITY SERVICES DEPARTMENT CLASS COST RECOVERY (Issued 10/17/06)

Finance Committee

The purpose of our review was to determine to what extent the fees charged cover the cost of offering recreation, sports, art, theater, dance, and music classes and camps. Of the 8 recommendations, 5 are in process and 3 are not started.

#1: CSD should propose and the City Council should adopt a cost recovery policy that includes cost recovery goals for broad categories of Community Services classes. Included for each category should be: (1) a minimum level of acceptable cost recovery (2) a target level of cost recovery, and (3) other fee-setting considerations. The policy should take into consideration direct, indirect, and overhead costs.

CSD In process

Original department response: This recommendation is consistent with CSD's Strategic Action Plan which includes development of cost recovery targets that both maximize core service value and cost recovery. Staff recently identified all services for determination of core services and will begin to develop an updated cost recovery policy that segments recovery levels by categories of programming such as youth sciences, youth performing arts, and adult recreation. The policy will allow for ranges of cost recovery inclusive of direct, indirect, and overhead costs.

Once adopted by City Council, the policy will be implemented across all three divisions of the Community Services Department offering fee-based programs: Recreation and Youth Sciences, Arts and Culture, and Open Space.

Auditor's update as of Oct-2007: In process. The Department drafted a policy that is supported by the Parks and Recreation Commission and has been recommended for approval by the Finance Committee. It is based on a policy used by the City of San Mateo. It includes minimum and target cost recovery levels for broad categories of classes and camps. The policy also addresses fee-setting considerations outside of the minimum and target cost recovery levels. Target date for City Council adoption of the policy: Nov-2007.

Audit report and recommendation	Department	Current status	Comments
<p>#2: The Community Services Department should annually review and document actual cost recovery results for broad categories of classes. Data from such a review should be used to adjust pricing in accordance with City's cost recovery plan and other relevant factors.</p>	CSD	Not started	<p><i>Original department response:</i> Upon implementation of a cost recovery policy, staff will review, document, and track recovery results for consideration in adjusting pricing. In addition to review of actual cost recovery levels, market pricing will also factor into program pricing. Recently, the City's pricing levels were determined to be the highest in 6 of 11 programs compared on a per unit basis with local cities. Of the six programs, the City's rates were 38% higher than the average.</p> <p>Auditor's update as of Oct-2007: Not started. Upon adoption by City Council of the proposed Class Cost Recovery Policy and implementation, staff will annually review and document cost recovery results by broad categories. Target date: TBD.</p>
<p>#3: The Community Services Department should: (1) set prices that take into consideration the cost recovery policy adopted by the City Council (2) provide staff with updated templates to facilitate price-setting; and (3) retain price-setting templates to document the assumptions underlying pricing decisions.</p>	CSD	In process	<p><i>Original department response:</i> Staff concurs and will set program fees in accordance to a City Council adopted cost recovery policy. Pricing models will be provided for programmers to set fees and the factors influencing the results of the models will be documented.</p> <p>Auditor's update as of Oct-2007: In process. Fees for select programs were raised at the beginning of Fiscal Year 2007-08. These increases are in response to a motion by the Finance Committee to recover an additional \$250,000 from the current subsidy. Upon adoption by City Council of the proposed Class Cost Recovery Policy and implementation, staff will be provided with updated fee-setting templates for use within the divisions offering fee based classes and camps: Recreation and Golf, Open Space and Parks, and Arts and Sciences. Target date: Jul-2008.</p>
<p>#4: The Community Services Department should reduce refunds and transfers, and track the number of refunds and transfers processed as a workload measure in the annual budget. The Department should identify creative ways to reach the goal. Possibilities include a processing fee for transfers and a "try out" class pass.</p>	CSD	In process	<p><i>Original department response:</i> Staff has begun to reduce transfers and cancellations by implementing a new policy requiring one week notice prior to the start date of a class. A tracking process will be implemented and be included as a benchmark measure in the annual budget when sufficient data is available for a full fiscal year.</p>

Audit report and recommendation	Department	Current status	Comments
#5: The Community Services Department should reduce the number of cancelled classes, and should track the percentage of classes offered that are cancelled as a performance measure in the annual budget.	CSD	Not started	<p>Auditor's update as of Oct-2007: In process. Community Services states that they continue to review and revise cancellation and transfer policies and has begun to track the number of refunds. Target date: Jul-2009.</p> <p><i>Original department response:</i> Staff concurs. Tracking the percentage of cancelled classes will be included in the annual budget when sufficient data is available for a full fiscal year.</p> <p>Auditor's update as of Oct-2007: Not started. Staff will begin tracking the number of cancelled courses beginning with the current Fall 2007 session. Target date: Jul-2009.</p>
#6: CSD should decide on a reasonable amount of time that classes should remain open in the CLASS system after a quarter ends, and ensure that the system is closed timely.	CSD	In process	<p><i>Original department response:</i> Staff agrees and will discuss with the CSD Business Committee to determine a reasonable time frame to close each quarterly session.</p> <p>Auditor's update as of Oct-2007: In process. Community Services staff advised that they preliminarily determined that each session/quarter within the CLASS system would need to remain open six months after completion of the session. The Auditor's Office has advised that, in our opinion, six months is too long. Community Services has agreed the reconsider reducing the time down to 2-3 months. Target date: TBD.</p>
#7: The Community Services Department should establish minimum enrollment levels that relate to cost recovery goals, and document the criteria that will be used to decide to offer a class that doesn't meet its minimum enrollment.	CSD	In process	<p><i>Original department response:</i> Staff concurs. Minimum enrollment guidelines will be tied into the cost recovery policy to be presented to and adopted by City Council. This policy will determine minimum enrollment criteria and establish guidelines to determine whether a class is cancelled or offered when low enrollment exists.</p> <p>Auditor's update as of Oct-2007: In process. Community Services advises that a staff committee has been established to address issues faced by class and camp programmers and develop consistent guidelines. Community Services advises that this committee has been tasked with developing minimum enrollment criteria applicable to different types of classes and camps structures. Target date: Dec-2007.</p>
#8: CSD should consider increasing the class price differential for nonresidents when it is reasonable in the context of market pricing and	CSD	Not started	<p><i>Original department response:</i> Staff concurs and will begin to perform pricing and enrollment analysis. When appropriate, the resident and nonresident price difference will be increased</p>

Audit report and recommendation	Department	Current status	Comments
reliance on nonresident enrollment.			beyond the current 15% spread. Auditor's update as of Oct-2007: Not started. Community Services advises that a staff committee will discuss this recommendation at a future meeting. Target date: Jul-2008.

AUDIT OF THE PALO ALTO SANITATION COMPANY CONTRACT (Issued 4/10/07)

Finance Committee

The purpose of our review was to determine if PASCO is complying with the financial terms of its contract, if contract administration can be improved, and to identify potential recommendations for the upcoming request for proposals (RFP) process and contract award after the present contract expires in June 2009. Of the 19 recommendations, 1 was completed this year, and 18 are in process.

#1: Public Works should continue to closely monitor and limit expenses for PASCO related-party transactions such as parent company expenses, and should include and strengthen limits on related party transactions in the upcoming refuse contract.

Public Works

In process

Original department response: Staff agrees with the recommendation, but needs to clarify the analysis and supporting materials in the report. Staff believes the current practice of the "parent company expense" should continue and if possible expand to other line item expenses for future contracts. The parent company expense noted in the Auditor's report is specified in the budget process as "Division, Area, and Corporate Expenses." These expenses are set per the term of the agreement and are only adjusted annually by the CPI index. PASCO is allowed to exceed these line item expenses but when such an instance occurs, they are considered as "disallowed expenses." When expenses become "disallowed expenses" they no longer affect or raise the compensation paid to PASCO. When PASCO exceeds the line item expense for "Division, Area, and Corporate" expenses it only ensures that the City is receiving services equal to or greater than what the City is paying for.

Auditor's update as of Oct-2007: In process. Public Works staff continues to monitor PASCO expenses. Public Works is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.

#2: Public Works should continue to closely monitor PASCO payment requests, and should strengthen the payment review process by requesting a second detailed review of all contract payments by the Administrative

Public Works

In process

Original department response: The PASCO compensation is created during the annual compensation review period in which Public Works, Budget and Accounting staff works with PASCO

Audit report and recommendation	Department	Current status	Comments
Services Department's Budget and Purchasing Divisions.			<p>to create a proposed budget for the upcoming fiscal year. The result of this process is presented in the Refuse Fund budget process each year that is reviewed and approved by Council. After the compensation package is approved by Council, it is divided into twelve equal monthly payments. Therefore, there is really no discretionary approval involved in the progress payments. Staff believes that the Auditor's recommendation creates an unnecessary additional review process, duplicates efforts, creates unnecessary processing delays and adds additional cost to the City, which ultimately will not improve the quality of the review process or lower the compensation paid to PASCO. The existing agreement is very specific on how the compensation package is to be reviewed, approved and paid. The payments continue to be accurate, on time and within budget.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff continues to monitor PASCO expenses under the current contract. Public Works staff is working with ASD staff to implement this recommendation. Additional compensation to PASCO for cost increases pertaining to services in FY 2007-08 was \$815,000. Target date: Jul-2009.</p>
<p>#3: In the upcoming contract solicitations, Public Works should consider simplifying contract administration by switching from a cost-plus to a fixed-price type of contract, and/or consider the City's administrative costs when analyzing and comparing contract proposals.</p>	Public Works	In process	<p>Original department response: Staff agrees to consider and evaluate the recommendation in the development of the new collection services RFP and contract. Staff executed a contract with HF&H Consultants, LLC on March 12, 2007 to assist the City in the solicitation process for a solid waste and recyclable material agreement. In the consultant's scope of services, staff incorporated a task for the consultant to evaluate alternative compensation methodologies and terms used in the California region. Staff will evaluate the various compensation methodology options available and will ensure that the option of the fixed-price contact is explored. Staff will also evaluate and consider the City's administrative costs when comparing compensation methodologies and proposals.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to consider and evaluate a simplified fixed price type of contract for the new refuse contract. Target date: Jun-2008.</p>

Audit report and recommendation	Department	Current status	Comments
#4: If opportunity affords, Public Works should prepare written contract amendments to document additional services that have been added to the existing agreement with PASCO.	Public Works	In process	<p><i>Original department response:</i> Staff agrees to consider the recommendation and will refer to the City Attorney's Office for consideration of potential contract re-opener issues. Staff is concerned with the recommendation's potential effects. Opening the existing contract with PASCO may lead to the City having to negotiate issues other than the Auditor's recommendations. The benefits of amending the existing agreement will need to be carefully weighed against the potential costs to the City.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff will prepare written contract amendments for any new services added to the existing contract. As opportunity affords, the staff will retroactively prepare written amendments for services previously added to the PASCO contract. Target date: Jul-2009.</p>
#5: The new long-term refuse and recycling contract should include an allowance for additional services approved by the City Council at the time of contract award, and a process for approving change orders.	Public Works	In process	<p><i>Original department response:</i> Staff agrees and will consider evaluating the recommendation during the development of the future refuse contract.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jun-2008.</p>
#6: Public Works should investigate whether the City has recourse to require WMI to credit PASCO the California State CRV and recycling revenues retained by WMI at San Leandro.	Public Works	In process	<p><i>Original department response:</i> Staff agrees with the recommendation but needs to clarify the analysis and supporting materials in the report. Staff will work with the City Attorney's office to investigate whether the City has recourse to obtain the California State CRV from Waste Management at San Leandro. Staff believes the City has been receiving the California State CRV revenues indirectly and these monies are part of the formula in how the City is paid. The City today is being paid \$30 per ton for the curbside materials being sent to the WMI Davis Street processing facility in San Leandro. Currently the \$30 per ton rate is the highest rate being offered at this facility. The \$30</p>

Audit report and recommendation	Department	Current status	Comments
			<p>per ton revenue is established by the facility after consideration for all revenues (revenues from recyclables + CRV revenues) minus all the expenses (profit, the cost to landfill residue, processing cost and transportation cost) were determined. The Davis Street processing facility handles recycling materials from eleven other cities. Every city is being compensated for the recycling material similar to the City of Palo Alto in regards to the recycling revenues and the California State CRV credits off setting the processing costs. PASCO has informed staff that if WMI agrees to separate the CRV value from the current compensation (\$30 per ton), the City rate would at a minimum be adjusted to recover their loss in revenue.</p> <p>Auditor's update as of Oct-2007: In process. The Public Works staff and the City Attorney's Office is investigating whether the City has recourse to require WMI to credit PASCO the California State Redemption Value (CRV) and recycling revenues retained by WMI at San Leandro. Target date: Jul-2009.</p>
#7: Public Works should ensure future refuse contracts explicitly state who is to file for and receive California CRV and other recycling payments.	Public Works	In process	<p>Original department response: Staff agrees to consider and evaluate the recommendation in the development of the new collection services RFP and contract.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jun-2008.</p>
#8: Public Works should require PASCO to justify that market rates are being received from the WMI San Leandro facility.	Public Works	In process	<p>Original department response: Staff agrees with the recommendation but needs to clarify the analysis and supporting materials in the report. Staff believes the City is receiving verifiable market rates from the WMI San Leandro facility. Public Works defines "verifiable market rates" as what the processor pays to PASCO/City. The auditor is defining "verifiable market rates" as what the processor is marketing the materials for. There is a difference in opinions in how this is being defined.</p> <p>In FY 05/06, PASCO/City received \$60.50 per ton (\$960,875 divided by 15,881 tons) for recyclables collected. The</p>

Audit report and recommendation	Department	Current status	Comments
#9: If feasible, Public Works should require PASCO to maximize revenues from the sale of recyclables from the Palo Alto Recycling Center by soliciting bids from more than one vendor and obtaining multiple bids that are equal to or higher than SMaRT prices.	Public Works	In process	<p>SMaRT station partners received \$31.56 per ton (\$652,061 divided by 20,660 tons) for FY 05/06. If PASCO had delivered these materials to the SMaRT station in FY 05/06 it would have caused a loss in revenues for collected recyclables of \$459,671 (\$960,875-\$501,204) to PASCO/City.</p> <p>The comparison used by the Auditor may not be equal in comparison (SMaRT station versus PASCO). The City collects a larger variety of materials curbside (36 different types) versus the curbside materials being collected from the cities of Mountain View and Sunnyvale (approximately 25-30 material types). This means that certain market rates will have a different mixture of materials causing different rates to be applied. The SMaRT Station is not designed to handle the single stream materials and cannot accept Palo Alto's recyclables materials. Staff finds the Auditor's recommendations problematic in having staff trying to ensure a regional processing facility markets their materials at a higher rate. There are no advantages to the processor in marketing their materials at a lower rate. In addition, staff has maintained the right that if better rates can be received at another facility, these materials can be redirected at the request of the City.</p> <p>Auditor's update as of Oct-2007: In process. PASCO continues to provide WMI pricing sheets to Public Works. Public Works directed PASCO to solicit more than one bid price. Public Works staff is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.</p> <p>Original department response: Staff agrees with the recommendation, but needs to clarify the analysis and supporting materials in the report. Staff believes that obtaining multiple bids for the 50 different material types accepted at the Recycling Center is not productive or feasible and believes that the Auditor's recommendation is very labor intense, costly, duplicates current efforts, affects a small portion of the recyclable stream and will not necessarily ensure improved rates for recyclables.</p> <p>During the time period of the Auditor's review, PASCO was marketing their materials through Waste Management's regional marketing division, a specialist dedicated in obtaining the highest rate of return for the entire Waste Management Bay Area region.</p>

Audit report and recommendation	Department	Current status	Comments
#10: If feasible, Public Works should require PASCO to document recycling sales transactions and require that invoices show the price per ton and tracking numbers that allow PASCO and Public Works to track and reconcile recycling transactions.	Public Works	In process	<p>There was no incentive in not receiving a high rate of return for these materials for Waste Management. The regional approach brought strength in accepting a wider variety of materials, ensuring highest market rates over a long period of time and maintaining market versatility. Staff believes the cost per ton comparison with the SMaRT Station was not entirely equivalent since the materials at the Palo Alto Recycling Center were being marketed as loose materials, which generated a \$10 to \$15 lower cost per ton than the baled materials marketed by the SMaRT Station. The Auditor also used the SMaRT Station market rates that include CRV revenues where the PASCO rates exclude CRV rates.</p> <p>PASCO is no longer using the WMI regional marketing services due to the reduced volume of materials being processed at the Palo Alto Recycling Center. As result, PASCO is currently obtaining bids from more than one vendor where feasible. PASCO obtains monthly price sheets for marketing purposes from vendors for materials such as for mixed paper, newspaper, cardboard, metals. However, there are some commodities such as aluminum where there is only one market/vendor available.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff has asked PASCO to routinely solicit more than one bid for each recyclable material to ensure the highest and best prices are received from the sale of recyclables. Public Works staff is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.</p> <p>Original department response: Staff agrees to consider the recommendation and will refer to the City Attorney's Office for consideration of potential contract re-opener issues.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff has asked PASCO for improved tracking. Public Works staff is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.</p>

Audit report and recommendation	Department	Current status	Comments
<p>#11: Depending on the form of the future contract, Public Works should require the contractor to report accurate, reliable, and verifiable recycling data by requiring (1) weight tags and invoices with tracking numbers (and prices per ton, if applicable) and a system that allows recycling transactions to be traced completely through its systems, and (2) reconciliation of recycling reports on a monthly basis.</p>	Public Works	In process	<p><i>Original department response:</i> Staff agrees to consider and evaluate the recommendation in the development of the new collection services RFP and contract.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.</p>
<p>#12: Public Works and PASCO and future contractor staff should obtain training and education from the California State Department of Conservation, Division of Recycling, on the various recycling programs and payments available to the City and its contractor.</p>	Public Works	In process	<p><i>Original department response:</i> Staff agrees with the recommendation and will inform PASCO of the Auditor's recommendation. In addition, staff will consider and evaluate the recommendation in the development of the new collection services RFP and contract.</p> <p>Auditor's update as of Oct -2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.</p>
<p>#13: Public Works should monitor the State recycling websites and state recycling notices to ensure PASCO, the future contractor, or the City applies for state grants and other state recycling payments.</p>	Public Works	In process	<p><i>Original department response:</i> Staff agrees with the recommendation and will monitor the State recycling websites and recycling notices for state grants and recycling payments.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff is currently reviewing the state recycling websites for possible state grants and is applying for state grant monies. Public Works staff is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.</p>
<p>#14: Public Works should require PASCO or the future contractor to compile appropriate data and documents that the City will need to apply for state grants and other funds, including executing a written agreement with WMI that requires WMI to provide PASCO and the City data that can be used to apply for state grants and other recycling payments.</p>	Public Works	In process	<p><i>Original department response:</i> Staff agrees to consider the recommendation and will refer to the City Attorney's Office for consideration of potential contract re-opener issues. In addition, staff will evaluate and consider the recommendation in the development of the new collection services RFP and contract.</p>

Audit report and recommendation	Department	Current status	Comments
#15: Future refuse contracts should designate whether Public Works or the contractor will be responsible for filing for grants, and to whom the grant monies will be credited.	Public Works	In process	<p>Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.</p> <p>Original department response: Staff will consider and evaluate the recommendation in the development of the new collection services RFP and contract.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jun-2008.</p>
#16: Public Works should require PASCO to divert additional debris boxes to the SMaRT Station so that the City's minimum allocations are satisfied.	Public Works	In process	<p>Original department response: Staff disagrees with the recommendation. The auditor's recommendation to divert debris boxes to the SMaRT Station to meet the minimum requirement will conflict with the Zero Waste Operational Plan's diversion goals and recommendations. The SMaRT Station recovers 18 percent of the material while sending the material to a construction and demolition recycling processing facility will result in up to 90 percent of diversion.</p> <p>In addition, staff has been directing PASCO to divert debris boxes to the SMaRT Station since 2000 to meet its allocated minimum commitment with WMI at Kirby Canyon. For the first time the city did not meet its minimum allocation in 2005. In 2005, in the final four months of that year, all PASCO debris boxes that were planned to be delivered to the City landfill were redirected to the SMaRT station. Staff will continue to monitor the minimum allocations and will direct PASCO to divert the debris boxes as necessary.</p> <p>Auditor's update as of Oct-2007: In process. According to Public Works, all debris boxes which hold waste materials and are serviced by PASCO are being diverted from the City's landfill to the SMaRT Station. Target date: Jul-2009.</p>

Audit report and recommendation	Department	Current status	Comments
#17: Future refuse contracts should retain flexibility to divert tonnages to meet minimum allocations at SMaRT and Kirby Canyon.	Public Works	In process	<p><i>Original department response:</i> Staff agrees and will consider incorporating the recommendation into the scope of services for the future refuse contract.</p> <p>Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jun-2008.</p>
#18: Public Works should continue its initiative for a thorough internal review for selecting a new solid waste contractor by forming a request for proposal (RFP) committee; hiring a consultant; and using the auditor's office as an advisor.	Public Works	In process	<p><i>Original department response:</i> Staff agrees and is currently complying with the recommendation. The Director of Public Works created a committee at the beginning of 2006. The committee meets regularly and includes staff from the Administrative Services and Public Works Departments with the City Attorney's Office and the City Auditor's Office as advisors. Staff also executed a contract with HF&H Consultants on March 12, 2007, to assist the City in the solicitation process for a new solid waste and recycling agreement.</p> <p>Auditor's update as of Oct-2007: In process. The Public Works Director has created a committee of various department heads for the purpose of reviewing the process for creating a new refuse contract. The City Auditor's Office serves as an advisor to this committee. Target date: Jun-2008.</p>
#19: The City Council should adopt a code of conduct a) requiring elected officials to disclose potential conflicts of interest regarding potential proposers for solid waste services; b) discouraging and requiring disclosure by elected officials of contributions by potential proposers during and after the upcoming campaign cycle; and c) discouraging and requiring disclosure of non-public meetings	City Council	Completed	<p><i>Original department response:</i> Staff concurs and is familiar with similar codes of conduct adopted by the other cities in the Bay Area during the procurement process for a new refuse contract. Staff hopes that this will help the City avoid the recent controversy in San Jose.</p> <p>Auditor's update as of Oct-2007: On July 23, 2007, the City Council approved Resolution No. 8736 adopting a code of conduct for City Council members and City Council candidates for the refuse hauling procurement process. The City Clerk has distributed copies of the resolution and disclosure forms to</p>

Audit report and recommendation	Department	Current status	Comments
			Council members and Council candidates.