CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

October 22, 2012

The Honorable City Council
Palo Alto, California

Policy and Services Committee Recommendation to Accept the Report on the Status of Audit Recommendations (June 2012)

Municipal Code requires the City Auditor to issue an annual report to follow up on the implementation status of audit recommendations from completed audits. Our reporting summarizes the status of 64 audit recommendations from 8 completed audit reports. This includes 33 recommendations that were included in our last status report and 31 new audit recommendations from audit reports issued during this past fiscal year.

Updates to the Audit of Employee Ethics Policies and the Audit of Citywide Cash Handling and Travel Expenses were provided and included since the meeting on September 11.

The City Auditor's Office recommends acceptance of the Report on the Status of Audit Recommendations (June 2012). At its meeting on September 11, the Policy and Services Committee approved and unanimously recommended the City Council accept the report. The Policy and Services Committee minutes are included in this packet.

Respectfully submitted,

Jim Pelletier
City Auditor

ATTACHMENTS:

- Attachment A: Updated Report on the Status of Audit Recommendations (June 2012) (PDF)
- Attachment B: Policy and Services Committee Meeting Minutes Excerpt (September 11, 2012) (PDF)

Department Head: Jim Pelletier, City Auditor

CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

September 11, 2012

The Honorable City Council
Attention: Policy & Services Committee
Palo Alto, California

Report on the Status of Audit Recommendations (June 2012)

RECOMMENDATION

We recommend the Policy and Services Committee review and accept the attached report.

SUMMARY

Municipal Code requires the City Auditor to issue an annual report to follow up on the implementation status of audit recommendations from completed audits. Our reporting summarizes the status of 64 audit recommendations from 8 completed audit reports. This includes 33 recommendations that were included in our last status report and 31 new audit recommendations from audit reports issued during this past fiscal year. A summary can be found in Attachment A.

The 'Current Status' of each recommendation represents what was reported by City staff responsible for its implementation. Due to the nature and complexity of different audit findings, the Office of the City Auditor did not validate every response we received from City staff.

Changes to the Report

In an effort to provide better information to support City Council decision making, we have made many significant changes to how we report the status of audit recommendations. The report now includes columns for:

- **Finding** - a summary of the audit finding included in the audit report
- **Rating** - a rating system that has been developed to enable stakeholders to determine the relative importance of each recommendation (ratings were not set for 'Completed' recommendations):
  - *Essential* - Essential Recommendations are those that would help the City avoid a potentially critical negative impact involving loss of material assets, reputation, critical information, or ability to comply with the most important laws, regulations, code, contracts, agreements, policies, and/or procedures
  - *Significant* - Significant Recommendations are those that would help the City avoid a potentially significant negative impact to assets, reputation, information,

or ability to comply with important laws, regulations, code, contracts, agreements, policies, and/or procedures

- o *Useful* - Useful Recommendations are those that would help the City to improve controls, avoid problems in operations, and/or increase the efficiency and effectiveness in the use of City resources
- **Target Date** - the implementation date set by the department during this most recent follow up process
  - o You will note that there are certain Audit Recommendations with a red circle (●) next to the New Target Date. This circle indicates recommendations that have not been implemented in a timely fashion.
- **Current Status** - this field has been updated to summarize comments from prior years' reports and add the current year's status

Finally, we have included two versions of the report. The first, Attachment B, is a comprehensive report of all recommendations regardless of their current status. Recommendations that have been reported by management to be complete are in gray. The second report, Attachment C, includes only recommendations that are 'In Process' or 'Not Started' (excludes recommendations that have been completed).

Noteworthy Outstanding Audit Recommendations

There are many Audit Recommendations that have not been implemented in a timely fashion. In this year's report, the OCA highlights those recommendations with a red circle (●). I respectfully request that particular attention is given to these to ensure that City staff is taking appropriate actions to address the concerns represented by these recommendations.

Respectfully Submitted,

Jim Pelletier
City Auditor

ATTACHMENTS:

- Attachment A: Summary of Audit Recommendations   (PDF)
- Attachment B: Status of Audit Recommendations   (PDF)
- Attachment C: Status of 'In Process' and 'Not Started' Audit Recommendations   (PDF)

Department Head: Jim Pelletier, City Auditor

Attachment A: Summary of Audit Recommendations

Table/Chart 1: Audit Recommendation Status by Audit

Report Title	Issue Date	Audit Recommendation Status			
		Completed*	In Process	Not Started	Total
Audit of Overtime Expenditures	11/18/2003	3	0	0	3
Audit of Restructuring Efforts & Mgt Span of Control	4/20/2004	1	0	0	1
Audit of Employee Ethics Policies	1/23/2008	1	2	0	3
Audit of Fleet Utilization & Replacement	4/14/2010	6	10	0	16
Audit of Citywide Cash Handling & Travel Expenses	9/5/2010	5	5	0	10
Audit of Purchasing Card Transactions	9/20/2011	6	0	0	6
SAP Security Audit	10/18/2011	13	2	6	21
Audit of the Use of Library Bond Proceeds	12/6/2011	3	1	0	4
TOTAL		38	20	6	64

since last report

Audit Recommendation Status

- Completed* 60%
- In Process 31%
- Not Started 9%
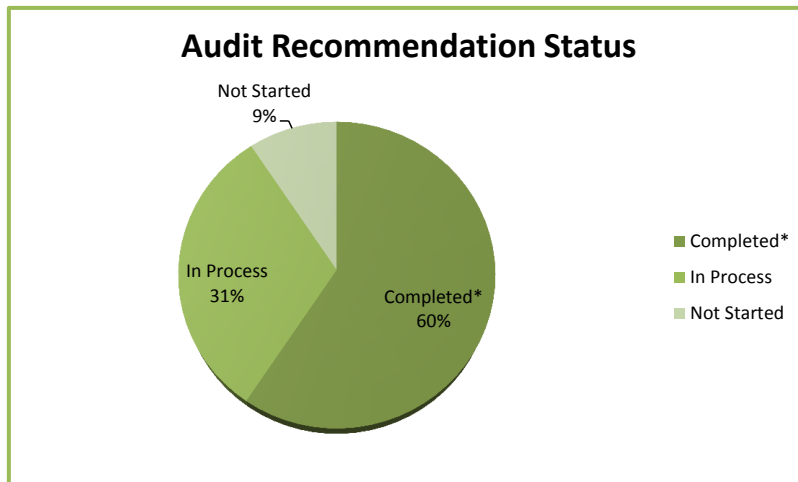
Table/Chart 2: Audit Recommendation Ratings by Audit

Report Title	Issue Date	Audit Recommendation Ratings				
		Essential	Significant	Useful	Not Rated*	Total
Audit of Overtime Expenditures	11/18/2003	0	0	0	3	3
Audit of Restructuring Efforts & Mgt Span of Control	4/20/2004	0	0	0	1	1
Audit of Employee Ethics Policies	1/23/2008	1	1	0	1	3
Audit of Fleet Utilization & Replacement	4/14/2010	0	8	2	6	16
Audit of Citywide Cash Handling & Travel Expenses	9/5/2010	0	4	3	3	10
Audit of Purchasing Card Transactions	9/20/2011	0	0	0	6	6
SAP Security Audit	10/18/2011	3	4	1	13	21
Audit of the Use of Library Bond Proceeds	12/6/2011	0	1	3	0	4
TOTAL		4	18	9	33	64

Completed before rating system was established

Audit Recommendation Ratings

- Essential 6%
- Significant 28%
- Useful 14%
- Not Rated* 52%
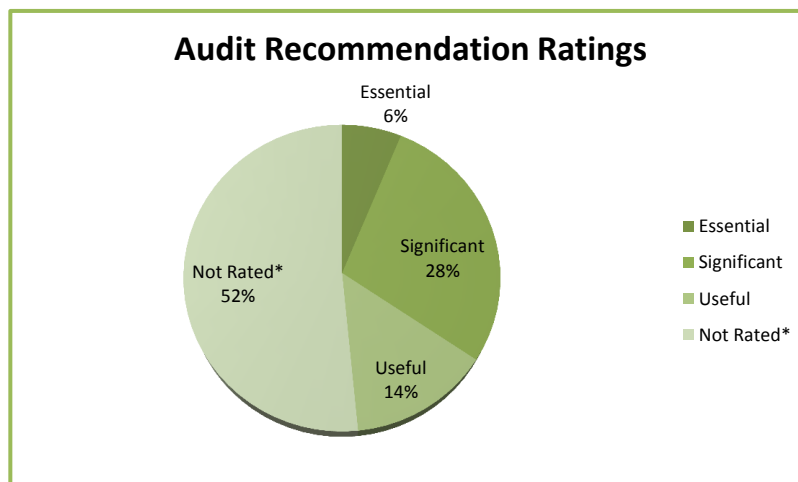
Attachment B: Status of Audit Recommendations (All Since Last Report)

| 1. AUDIT OF OVERTIME EXPENDITURES							Issued: November 2003	
Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date	Current Status
1	A number of SEIU contract provisions are confusing and subject to interpretation	13	Clarify the following contract provisions through use of specific examples: • 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. Such clarification should be communicated to employees who are affected by the provisions as well as to timekeepers.	Human Resources	N/A	Completed		**Recommendation reported as completed.** Not started until the 2006 SEIU contract renegotiation and further delayed due to subsequent discussions with all bargaining units. The 2006-09 SEIU MOA clarified the provisions for meals, overtime, rest periods, and the meal relationship to rest periods. **2012 Management Update:** Human Resources and the City Attorney's Office updated the Merit System Rules and Regulations to correspond with the SEIU Memorandum of Understanding (MOU) provisions to clarify and remedy inconsistencies between the two documents. The draft revision to the Merit Rules, Chapter 5, Section 511, addresses the call-out pay issues. Since the SEIU MOA supersedes Merit Rule provisions, City departments are responsible for managing and approving appropriate pay and overseen by HR in accordance with SEIU contract provisions. HR periodically trains managers to ensure pay is appropriately handled. Based on this, HR considers this recommendation closed.
1	The City needs to review the FLSA designations of all employees	16	Human Resources should revise job descriptions and overtime policies and procedures to appropriately reflect the FLSA designation of each position. If within a single job classification, it is determined that some employees are exempt while others are non-exempt, then separate job descriptions/ classifications should be written. If the City determines that a particular employee meets the criteria to be deemed exempt for FLSA purposes but the City decides to pay that employee overtime, the job description, policies and procedures, other documentation, and the Lawson computer system should all clearly indicate that the position is exempt but that the City is paying overtime for the position.	Human Resources	N/A	Completed		**Recommendation reported as completed.** Not started until 2008 due to budget and staffing constraints. Fox Lawson completed the management classification and compensation study. The City Attorney's Office contracted with outside council to review the FLSA designation of 93 positions in the management/professional group. FLSA designation changed for 10 classifications and have been reflected in the SAP system and also on the job descriptions. HR completed revision of the job descriptions for the management/professional group in July 2010. **2012 Management Update:** HR has developed a new job description for a classification that was concluded to have one exempt employee and two non-exempt employees. All salary schedules and job descriptions now clearly indicate which positions are exempt and which are non-exempt, eligible for overtime. HR believes that the revision of the overtime policies and procedures is helpful, but nor required at this time since SAP controls will not allow an Exempt employee to code overtime. Based on this, HR considers this recommendation closed.
1	The City's practices are inconsistent with regard to the use of administrative leave	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.	Human Resources	N/A	Completed		**Recommendation reported as completed.** Implementation delayed due to contract renegotiations and subsequent discussions with all bargaining units **2012 Management Update:** Since recommendation made, approval process has been updated. HR revised the Merit Rules, Chapter 8, Section 808, to clarify the appropriate uses of administrative leave. It includes additional language which states, "The reasons such leave is approved and deemed in the best interests of the City shall be documented on a Personnel Action Form with appropriate explanation and tracked in SAP." HR staff has reviewed all policies and union contracts (there are no longer compensation plans) and determined that further updates are unnecessary because the overall rule used for granting administrative leave is reflected in the Merit rules.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
2. AUDIT OF RESTRUCTURING EFFORTS AND MANAGEMENT SPAN OF CONTROL									**Issued: April 2004**
2	Improve position control over regular positions	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.	Human Resources	N/A	Completed			**Recommendation reported as completed.** Implementation delayed due to complexity and required discussions with the different bargaining units. HR reports they have made progress in resolving discrepancies between SAP, the Management Compensation Plan, job descriptions, and the labor agreements. The management classification study also contributed to this effort. HR reports that there are 473 job titles within the City. The classification titles in the Management and Professional Compensation Plan and the SEIU Compensation Plan were reviewed and completed. **2012 Management Update:** The classification titles for Firefighters (IAFF), Fire Chiefs' Association (FCA), and Police Officers (PAPOA) were reviewed during recent labor negotiations. One title change in FCA will be taken to Council for approval in September 2012. In addition, staff has found a solution to reflect working titles in SAP. HR considers this recommendation closed.
3. AUDIT OF EMPLOYEE ETHICS POLICIES									**Issued: January 2008**
3	The City should adopt an employee code of ethics and formalize its employee ethics program	4	The City should develop a code of ethics that employees can use as a guidepost for avoiding conflicts of interest, for ethical behavior, for deciding what actions are needed when conflicts of interest occur, and for making decisions. Employees should be required to read and sign an acknowledgment of the policy.	City Manager	Essential	In Process	Spring 2013	●	As of March 2011, the City retained the services of Dr. Tom Shanks of The Ethics Company to assist with the development of the City's values based ethics code of conduct, policy development and implementation, employee interviews, training implementation program and first round of citywide training. The project goal was to be completed by Spring 2012. **2012 Management Update:** The consultant completed the internal staff interviews and met with the City's Executive Leadership Team on numerous occasions. However, the consultant did not complete or provide to the City the deliverables related to the project. The City Attorney is now preparing a formal letter to terminate the contract with The Ethics Company and to collect any and all materials related to the project from Dr. Shanks. Staff is in the process of securing outside assistance to complete the project.
3	The City should adopt an employee code of ethics and formalize its employee ethics program	5	The City should formalize its policy on ethics training and ensure that employees attend periodic training updates.	City Manager	Significant	In Process	Spring 2013	●	As of March 2011, the City retained the services of Dr. Tom Shanks of The Ethics Company to assist with the development of the City's values based ethics code of coduct, policy development and implementation, employee interviews, training implementation program and first round of citywide training. The project goal was to be completed by Spring 2012. **2012 Management Update**: The consultant completed the internal staff interviews and met with the City's Executive Leadership Team on numerous occasions. However, the consultant did not complete or provide to the City the deliverables related to the project. The City Attorney is now preparing a formal letter to terminate the contract with The Ethics Company and to collect any and all materials related to the project from Dr. Shanks. Staff is in the process of securing outside assistance to complete the project.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
3	The City should establish an employee hotline and whistleblower protection policies and procedures	7	The City Manager should form a working group to (1) establish policies and procedures for handling employee complaints of waste, fraud, and abuse through normal supervisory channels; (2) establish and monitor a hotline for anonymously reporting fraud, waste and abuse; (3) develop procedures for reporting, investigating, handling, and following-up on hotline reports; and (4) develope whistleblower policies and procedures.	City Manager	N/A	Completed			**Recommendation reported as completed.** As of July 2012, the City contracted with EthicsPoint to provide an anonymous, employee-only fraud, waste, and abuse hotline. The City Auditor worked with the City Manager and City Attorney to create a policy for administering the hotline that was approved by both the Policy & Services Committee, as well as the full Council. The policy includes a section for whistleblower protection. The policy established a Hotline Review Committee comprised of the City Auditor, City Manager, and City Attorney to handle each case that comes through the hotline. The City Auditor is working with EthicsPoint to finalize setup and peripheral details. The hotline will be officially launched by the end of August 2012. **2012 Management Update**: No Update Provided **2012 OCA Update:** The City Auditor worked with the City Manager and City Attorney to develop the Policy for Administering the Fraud, Waste, and Abuse Hotline. The Hotline went live on 8/24/12.

4. AUDIT OF FLEET UTILIZATION AND REPLACEMENT — Issued: April 2010

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	1	Public Works Department fleet management should continue to freeze replacement of non-urgent vehicles and equipment until it can reduce the size of the fleet and increase utilization.	Public Works	N/A	Completed			**Recommendation reported as completed.** All vehicle replacements are handled on an as-needed basis and purchases are made only after review and approval from the Fleet Review Committee (FRC). A total of 42 vehicles were removed, including 26 removed from fleet inventory and 16 moved to a communal motor pool. The elimination represents an over 10% fleet reduction. **2012 Management Update:** Staff included a small CIP for FY 2013 that included the most critical replacements and is currently prioritizing and developing a FY 2013 midyear CIP adjustment for a few additional pieces of critical equipment. Additionally a 5 year CIP plan is being developed which will be revised annually during the normal budget cycles. Recommendations will be based on a thorough review of the need, seeking out alternatives, evaluation of cost effectiveness and ultimately approval by the FRC prior to inclusion in the budget. Underutilized vehicles are being evaluated every year through an established process during which the Fleet Manager makes recommendations to 1) remove vehicle from service 2) place vehicle in a pool environment 3) review in 12 mos. if there are extenuating circumstances leading to the underutilization or 4) exempt based on business needs. The recommendations then can be appealed by the departments during a one on one session with the FRC; however, the FRC's decisions are final and the future of the vehicle is based on this determination.
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	2	PWD Fleet Management should develop an action plan for increasing fleet utilization and identify an optimal fleet size and composition that includes eliminating or re-assigning underutilized vehicles, exploring opportunities to rent specialized equipment or seasonal use of equipment, not replacing vehicles, utilizing mileage reimbursement, rotating vehicles, and placing underutilized vehicles and equipment in a central motor pool.	Public Works	N/A	Completed			**Recommendation reported as completed.** Public Works and the FRC began the process of developing an optimization action plan, starting with evaluating underutilized transport vehicles, implementing a plan to reassign vehicles, and/or removing them from the fleet. The next step is evaluating specialized vehicles and equipment. **2012 Management Update:** Underutilized vehicles are being evaluated every year through an established process during which the Fleet Manager makes recommendations to 1) remove vehicle from service 2) place vehicle in a pool environment 3) review in 12 mos. if there are extenuating circumstances leading to the underutilization or 4) exempt based on business needs. The recommendations then can be appealed by the departments during a one on one session with FRC; however, the FRC's decisions are final and the future of the vehicle is based on this determination. Staff has just received proposals for leasing of vehicles and after evaluation will take the findings to Council for direction. In addition an overall independent study of Fleet operations will be conducted this year to determine if additional operational efficiencies should be made. Results of this study will be brought to Council for review as part of the 2014 budget.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	3	The Public Works Fleet Management should complete implementation of a centralized Citywide vehicle and equipment pool, and make the Citywide pool accessible to all departments.	Public Works	Significant	In Process	09/30/12	🔴	The existing automated pool vehicle management system located at the Municipal Services Center (MSC), Building B is being expanded and upgraded. Automated motor pools will be established at MSC, Building C, Civic Center, and the Utilities Department's Elwell Court locations. The pool vehicle management system will provide web-based or spontaneous vehicle reservation capability, and automated vehicle key management. Also, the feasibility of contracting out pool vehicles with a third-party provider is being evaluated. **2012 Management Update:** Hardware has been installed in the vehicles and key kiosks installed to implement this program. Vendor is providing training to staff in mid-August and it is anticipated the system will be rolled out to the City in September.
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	4	The City Manager's Office and the Public Works Fleet Manager staff should review the fleet's minimum utilization standards and consider increasing the standards to more cost· effective levels.	Public Works	Significant	In Process	06/01/13	🔴	Staff drafted revisions to the Vehicle/Equipment Policy, including revised utilization standards. **2012 Management Update:** Staff is currently reviewing proposals for Consultant Services for an operational study which will include a review of the City's utilization standards, evaluation of industry standards, other public agencies and recommendations for increasing Fleet operations efficiency and effectiveness.
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	6	Public Works Fleet Management should develop written standards, forms, and assessment criteria for the Vehicle Equipment Review Committee in their evaluations of fleet utilization such as: number of similar units in the fleet, average annual miles hours of similar units, consideration and description of special uses, cost-benefit of retaining the item in terms of program efficiency and service delivery, and mechanical condition.	Public Works	N/A	Completed			**Recommendation reported as completed**. A comprehensive analysis/assessment form was completed, reviewed by the Auditor, and is being utilized. The Vehicle/Equipment Policy is being revised to incorporate the new forms and standards. **2012 Management Update:** Forms have been used in the FRC process. Adjustments were made based on feedback and are now finalized.
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	7	Public Works Fleet Management should conduct routine annual utilization assessments to identify vehicles and equipment for retirement, redeployment, or inclusion into a centralized vehicle and equipment pool. PWD Fleet Management should provide this information for the Vehicle Equipment Review Committee to review the appropriateness of vehicle and equipment exemptions based on established criteria from Recommendation #6 (above).	Public Works	N/A	Completed			**Recommendation reported as completed.** Underutilized transport vehicles have been evaluated with an implementation plan for reassignment or removal. Comprehensive vehicle analysis/assessment forms are completed and utilized, and utilization standards will be reviewed and revised as part of a comprehensive update to the Vehicle/Equipment Policy. **2012 Management Update:** Underutilized vehicles are being evaluated every year through an established process during which the Fleet Manager makes recommendations to 1) remove vehicle from service 2) place vehicle in a pool environment 3) review in 12 mos. if there are extenuating circumstances leading to the underutilization or 4) exempt based on business needs. The recommendations then can be appealed by the departments during a one on one session with the FRC; however, FRC's decisions are final and the future of the vehicle is based on this determination. Staff has just received proposals for leasing of vehicles and after evaluation will take the findings to Council for their direction.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	8	Public Works Fleet Management should have the authority and responsibility to manage and operate the City fleet to ensure optimized use of fleet resources.	Public Works	Significant	In Process	06/01/13	🔴	Staff is revising the Vehicle/Equipment Policy to include a new description of PWD Fleet Management's authority and responsibility to manage and operate the City fleet. **2012 Management Update:** Staff and the FRC will revise the Vehicle/Equipment Policy to include a new description of PWD Fleet Management's authority and responsibility to manage and operate the City fleet. Individual policy sections are currently being developed but finalization will not occur until after the operational study.
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	10	PWD Fleet Management should revise the policy and procedures to clarify the take-home policy and conduct routine follow-ups with departments to document adherence to the policy.	Public Works	Significant	In Process	06/01/13	🔴	Staff is revising the Vehicle/Equipment Policy to include clarifications to the take-home policy and will require take-home vehicle users to provide documentation to ensure their adherence to the policy. **2012 Management Update:** Staff and the FRC are continuing to revise the Vehicle/Equipment Policy. Individual policy sections are currently being developed but finalization will not occur until after the operational study.
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	13	Public Works Fleet Management should develop written criteria for assessing the need of non-rolling stock equipment.	Public Works	Useful	In Process	06/01/13	🔴	Staff is revising the Vehicle/Equipment Policy to include new standards and criteria for assessing the need of non-rolling stock equipment. **2012 Management Update:** Staff and the FRC are continuing to revise the Vehicle/Equipment Policy. Individual policy sections are currently being developed but finalization will not occur until after the operational study.
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	14	Public Works Fleet Management should routinely review the database inventory for completeness and accuracy and develop necessary processes for departments to provide accurate and timely utilization data.	Public Works	Useful	In Process	06/01/13	🔴	Staff shortages have delayed the implementation of this recommendation. Equipment Management is currently in the process of recruiting a Fleet Services Coordinator. **2012 Management Update:** Staff is currently meeting with the existing fleet management software vendor to schedule a system upgrade which includes a more user friendly interface, training for all fleet and administrative staff to ensure a higher level of accuracy within the inventory. Additionally staff will conduct a manual visual inventory to confirm the inventory is accurate.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	15	PWD Fleet Management and ASD Budget should revise the methodology for charging user departments to include the total cost of operating the City fleet, and project CIP budget needs over the five-year CIP cycle.	Public Works	N/A	Completed			**Recommendation reported as completed.** PWD Equipment Management and ASD staff restructured the budget for the Equipment Management Division to more accurately reflect the organization of activities within the division. Additionally, a new shop labor rate was developed and an overhead charge for vehicle replacement projects are included in the calculation of ongoing replacement charges. Staff will complete a review once a full year of actual expenditures and revenues have been recognized. **2012 Management Update:** Staff has evaluated the methodology during and at the end of FY 2012 and the new methodology and cost center structure provide more accurate costs and ease of running reports.
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	18	PWD Fleet Management and the City Manager's Office should develop a strategy to align future fleet replacements with the City's other strategies that promote CPP goals.	Public Works	N/A	Completed			**Recommendation reported as completed.** Although a formal strategy has not yet been developed, staff advises that the vehicle analysis/assessment form (#6) includes criteria for evaluating the suitability of available alternatively-fueled and hybrid vehicles, so that Climate Protection goals will be considered during the purchase review and approval process. **2012 Management Update:** Staff continues to seek alternative fuel options by including them in the proposal for leasing and by evaluating other programs such as THINK City Electric Vehicle (EV) program.
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	19	PWD Fleet Management should work with the Administrative Services Department and Utilities Department (for CNG) to develop a system to reconcile fuel purchases, balances, and consumption reports.	Public Works	Significant	In Process	12/01/13	🔴	Staff is working with the Utilities Department to obtain the data necessary to begin periodic reconciliations of CNG. **2012 Management Update:** Staff continues to work with the Utility Department to obtain necessary data and with the implementation of the software upgrade to FuelFocus will have better reporting capabilities for consumption.
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	20	PWD Fleet Management should complete implementation of the fueling system at all city pumps and evaluate its effectiveness at providing internal controls over fuel Pump transactions.	Public Works	Significant	In Process	06/01/13	🔴	Staff is in the final implementation stage of the new fuel management system. **2012 Management Update:** Staff is currently meeting with the existing fleet management software vendor to schedule a system upgrade which includes a more user friendly interface, training for all fleet and administrative staff to ensure a higher level of accuracy within the inventory. This upgrade will also include the FuelFocus module ensuring accurate data is collected for transaction control.
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	21	PWD Fleet Management should include requirements for securing vehicles and equipment within the fleet policies and procedures.	Public Works	Significant	In Process	06/01/13	🔴	Staff started revising the Vehicle/Equipment Policy to incorporate requirements for securing vehicles and equipment. **2012 Management Update:** Staff and the FRC are continuing to revise the Vehicle/Equipment Policy. Individual policy sections are currently being developed but finalization will not occur until after the operational study.
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	22	PWD Fleet Management should conduct regular inventories of auto parts, develop a system to ensure the parts database is accurate and complete, and secure access to the auto parts inventory.	Public Works	Significant	In Process	12/01/13	🔴	A newly constructed parts storeroom is complete. Equipment Management is working on surveying the existing parts and supply inventories, and finalizing a plan for conducting periodic inventory reconciliation. **2012 Management Update:** Staff is continuing to work toward more accurate parts inventory control; however due to staffing shortages and higher level priorities, staff has not defined a permanent inventory system or reconciliation process.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
— **5. AUDIT OF CITYWIDE CASH HANDLING AND TRAVEL EXPENSES**									**Issued: September 2010**
5	The City's current cash handling policy is outdated and reliant upon a Cash Handling Manual that could not be found	1	ASD should update the Citywide Cash Handling policy and procedures to provide sufficient guidance on internal controls related to cash handling.	ASD	Significant	In Process	10/31/12	🔴	A 1991 Administrative Instruction Manual has been updated to cover all areas of cash handling, including the three areas discussed in the Audit Report – segregation of duties, safeguarding of revenue, and proper documentation of all transactions. Staff also reviewed other jurisdictions' cash handling manuals to integrate the most effective parts of each.

Along with updating the central Cash Handling Manual, staff will review the written procedures from 18 facilities (all facilities covered by the Report, plus others such as Cubberley and the Development Center which were not in the scope of this Audit).

Once the manual receives final approval, it will be distributed to all facilities for reference. Daily operating procedures for all facilities will be updated to ensure all directions in the manual are incorporated. ASD will also provide a checklist to ensure each facility fulfills each of the procedural requirements.

2012 Management Update: Cash Handling Manual has been revised and is posted on-line. The Policy and Procedures document itself is being reviewed and updates and or revisions will be completed by the end of October 2012. |
| 5 | The City should improve training and implement a more proactive oversight program for cash handling operations | 2 | ASD should improve its cash handling oversight program to include: 1) cash handling and internal controls training for employees who handle revenue and 2) routine visits and surprise cash reviews for revenue collection locations based on ASD's risk assessment | ASD | N/A | Completed | | | **Recommendation reported as completed.**

ASD-Revenue Collections is in the process of developing a more robust oversight program even though it has presented a challenge given already-reduced staff resources (e.g., 2.5 FTE reduction in the accounting division since 2005 and 1.5 FTE reduction in Revenue Collections in 2010).

Great advances have been made in the following areas:
- Improving the safeguarding of revenue for Animal Services
- Protecting checking accounts from fraudulent transactions

ASD Revenue Collections is in regular contact with the facilities and conducts site visits and surprise cash reviews on an annual basis. Revenue Collections also works closely with the Accounting Division to identify and resolve any deposit and documentation discrepancies.

Once the Cash Handling Manual is updated and employees are trained in the new manual, they will sign off on their commitment to abide by its procedures annually. Additionally training will be scheduled as needed.

All of the City's cash handling facilities have differing business processes . While all financial data are integrated into SAP, each business area has utilizes a different application system to address their unique business needs. Therefore, Revenue Collections relies on each department to provide some of the training and instruction in their respective systems.

2012 Management Update: ASD has improved its cash handling oversight program. ASD-Revenue Collections is providing training and conducting surprise cash handling visits to locations. |
| 5 | Site visits revealed weaknesses that should be immediately addressed | 3 | ASD should develop procedures for processing on-line revenue (e.g. PayPal) to help ensure proper segregation of duties, safeguarding of revenue and proper authorization and approval of transactions | ASD | N/A | Completed | | | **Recommendation reported as completed.**

Procedures for handling on-line revenue are documented for the sites that handle on-line transactions, but had not been incorporated into a centralized document.

Within Police Department's Project Safety Net/Track Watch program, which is mentioned in the report as an online payment-processing program, the City Manager's Office monitors the PayPal donations, while all checks are processed by Revenue Collections. Previously, the City's web site instructed donors to send checks to the Police Department, which recorded the donations and delivered the checks to Revenue Collections for processing. The Police Department has since initiated a process to change this procedure, and all check donations will now be sent directly to Revenue Collections.

Procedures for accepting on-line payments have been incorporated into the draft of the revised Cash Handling Manual.

2012 Management Update: The updated Cash Handling Manual contains instructions for the establishment of electronic and online transactions. |

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
5	Site visits revealed weaknesses that should be immediately addressed	4	ASD should: • Work with the departments to immediately address weaknesses noted in the areas of safeguarding revenue, segregation of duties, and proper documentation and approval of certain types of transactions (e.g. voided transactions and issuance of receipts). • Ensure their list of approved revenue collection locations is complete and updated, and these locations have adequate procedures to safeguard revenue.	ASD	Significant	In Process	02/28/13	🔴	The list for approved revenue collection locations has been updated and ASD-Revenue Collections will continue to work with these locations to address weaknesses. For locations with significant space and resource constraints (e.g., Animal Services and Foothills Park), mitigating controls will be considered to balance the relative weakness of the segregation of duties at these sites. Additionally, risk assessment and cost-benefit analysis will be performed to determine the level of controls implemented. Strengthening the controls at the Foothills Park beyond the basic training and monitoring levels would not be as beneficial as focusing on other sites with larger currency transactions, such as the Landfill, and/or larger-volume sites with identified areas of concern, such as Animal Services. ASD-Revenue Collections will work with all facilities beginning in May 2011 to update procedures to incorporate guidelines established by the revised Cash Handling Manual. Due to the number of facilities this process will be lengthy. Seventeen facilities have been identified for revised procedures and this does not include procedures for special events. Additionally all library locations have been counted as one facility. ASD believes that with more structured training and monitoring, the level of compliance among the departments will increase, but departments will also have to proactively improve their compliance with the proscribed procedures. **2012 Management Update**: ASD-Revenue Collections began working with departments after the audit to address areas of concerns. For example, extensive time was spent with Animal Services addressing weaknesses identified in the audit and significant improvement has been made. The revised Cash Handling Manual contains an updated list of approved revenue collection locations. Revisions of policies and procedures for these locations are still in progress.
5	Oversight of employee travel expenses can be improved	5	ASD should ensure all travel payments are adequately and uniformly documented with appropriate oversight by: 1) requiring consistent documentation of travel expenses, including: receipts or other supporting documentation, appropriate travel forms, and explanation of the business purpose of expense, 2) performing spot checks of travel expenses.	ASD	N/A	Completed			**Recommendation reported as completed.** ASD has drafted policies and procedures that address the audit recommendations and clarify and simplify procedures. Travel forms have also been updated but will remain as two separate forms. The updated forms will be discussed as part of employee training. Many of the exceptions occurred prior to the hiring of the current A/P Manager or during a hiring freeze when the position was open. A/P staff currently reviews all employee travel reimbursement paid via check and spot checks other areas. The A/P Manager will also emphasize importance of IRS required documentation with A/P staff and during training of City staff. Any Petty Cash-related changes will be incorporated into the Petty Cash program, and ASD Revenue Collections will reimburse under the new guidelines. In addition, ASD will remind all staff of the Petty Cash documentation requirements. ASD staff will also be more diligent on follow-up with Executive Staff (ES) to ensure adequate documentation on the use of ES Card. ASD director will also discuss the requirements with ES. **2012 Management Update**: The current process for reviewing travel expenses consists of: · Ensuring pre-travel authorization is attached; · Checking calculations; · Checking for proper per diem rates, if applicable; · Reviewing receipts to ensure accurate, complete and appropriate; · Ensuring authorization signature is appropriate; and · Ensuring description is adequate and matches pre-travel authorization.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
5	Oversight of employee travel expenses can be improved	6	ASD should review the nighttime meeting reimbursement policy. If the City decides to maintain this practice, ASD should report the amounts as income on employee Form W-2s to conform to IRS requirements. In addition, ASD should review other types of meal expense to ensure any reportable amounts are included on employee Form W-2s.	ASD	Significant	In Process	08/30/12	🔴	Nighttime meeting reimbursement will be maintained. ASD has established new G/L numbers to capture taxable and non-taxable meals. Budget for the G/L numbers will be included in the FY 2012 budget. ASD has discussed changes needed by Purchasing staff for use of CAL-Cards. Budget and Purchasing changes will be made before implementation date of 7/1/2011. Taxable meals will be captured in a specific G/l account and added to the employees W2 for FY 2011. In addition, updated P&P and forms (A/P & Petty cash) will reflect specific coding for taxable meals. ASD also plans to have City-wide training once ELT approves draft P&P. 2012 Management Update: ASD updated the travel policy and disseminated it to staff citywide. Meal reimbursement has been updated and amounts will be included in the Form W-2, however employees are encouraged to seek reimbursement for only those meals within the IRS guidelines. ASD is in the process of updating the portion of the petty cash policy related to meal reimbursement. 2012 OCA Update: OCA could not validate that the A/P and Petty Cash policies, procedures, and forms have been updated to reflect the changes made in the travel policy. This recommendation will not be considered completed until existing inconsistencies among these policies and procedures are eliminated to clarify the requirements related to meal reimbursement.
5	Oversight of employee travel expenses can be improved	8	The City Manager's Office should include additional guidance to prevent gifts of public resources on the City's Ethics Center intranet site.	City Manager	Useful	In Process	12/31/12	🔴	The City retained the services of Dr. Tom Shanks of The Ethics Company in November 2010 to assist with the development of the City's values based ethics code of conduct, policy development and implementation, employee interviews, training implementation program, and first round of citywide training. The project will last approximately 12-18 months. 2012 Management Update: The CMO determined that guidance regarding the use of travel expenses should most appropriately be updated in the City's Travel & Expense Policy. This clarification was completed in August 2012. The employee Intranet site will be updated once the Ethics Policy is complete.
5	The City should consolidate and coordinate existing travel payment processes	9	ASD should coordinate and improve the travel payment process through the following: • Update the City's Travel Policy and integrate the pre-travel authorization form and travel expense report into one travel report form to document supervisory approval, business purpose of the trip, an accounting of actual expenses, and requirement for employees to certify they did not receive reimbursement from any other source. • Implement the City's policy requirement to file travel expense forms with ASD Accounts Payable. Alternately, ASD could consider activating the travel expense management capabilities of SAP.	ASD	N/A	Completed			ASD has drafted policies and procedures that address the audit recommendations and clarify and simplify procedures. Travel forms have also been updated to require employees to certify that they have not received reimbursement from any other sources; however, they will remain as two separate forms. Filing travel reimbursement forms with A/P: ASD will clearly state in the updated policy that it is the department's responsibility to send ASD complete forms with all supporting receipts regardless of the payment method. Use of SAP for travel expense management: ASD will consider this alternative for the future. To implement a new SAP module requires funding and staff time. Given the City's continued strain on resources, a cost benefit analysis must be considered. For FY 2010, A/P staff reviewed and processed 33,977 transactions for a payment amount of $18.4 million. Of this, 1,695 transactions, or 3%, totaling $530,000, were related to travel. 2012 Management Update: ASD has updated the travel policy and disseminated to staff citywide.
5	The City should revise the Travel Policy to ensure employees select economic travel methods	10	ASD should revise the City's Travel Policy to help ensure employees select the most economical means of travel, including restricting the use of hotels during local travel and authorization for extended travel times.	ASD	N/A	Completed			ASD will emphasize in the Travel Policy that employees should always select the most economical means of travel. The prior audit of travel reimbursement processes instituted several check points to ensure employees took advantage of least-expensive opportunities. ASD will always encourage the use of the most economical means of travel, but it can only encourage the direction; it cannot ensure that employees comply. If it is evident that employees are not seeking such savings, ASD staff will bring it to the attention of the department head to address. ASD agrees that there should be a limitation to overnight stays within a certain distance of home or office. The policy will have exception for stays that require long days or early starts. ASD has drafted policies and procedures that address the audit recommendations and clarify and simplify procedures. Travel forms have also been updated but will remain as two separate forms. 2012 Management Update: ASD has updated the travel policy and disseminated to staff citywide.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
5	The City should reorganize existing budgetary accounts related to travel and meetings to assist in tracking of taxable activities	11	ASD should reorganize the existing budgetary travel-related accounts into a "Travel and Training" account for professional development and a "Meetings" account for tracking taxable forms of reimbursement, such as nighttime meeting meal expenses.	ASD	Useful	In Process	08/30/12	🔴	ASD has established new G/L accounts, changed title of existing G/L account and eliminated use of one G/L account. Budget will reallocate budget to new G/L accounts for FY 2012 budget. Purchasing staff will update CAL-Cards to accept charges for new G/L accounts. Budget & Purchasing changes will be ready for 7/1/2011 implementation. A/P and Petty Cash forms will be updated once ELT approves draft policies and procedures. ASD Director will present draft to ELT for input by end of FY 2011. ASD will provide Citywide training once policies and procedures are finalized. 2012 Management Update: ASD has updated the travel policy and disseminated to staff citywide. New accounts have been established in SAP. 2012 OCA Update: It is not clear which G/L accounts have been added or eliminated to address this recommendation. There are no documented procedures, no budget has been established for G/L Account #33300 (Meals Taxable), and no transactions have been recorded in this account. This recommendation will not be considered completed until additional information is provided by ASD for clarification.

6. AUDIT OF PURCHASING CARD TRANSACTIONS — Issued: September 2011

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
6	Finding 1: Most purchasing card transactions appear to comply with City policy, but additional improvements could enhance oversight.	1	City departments should ensure, with ASD oversight, that all purchasing card transactions contain descriptive annotations of items purchased and clear explanations of the business purpose of expenses.	Administrative Services Department	N/A	Completed	05/01/12		**Recommendation reported as completed.** **2012 Management Update:** CALCARD Program closed May 2012. In the new PCARD program, the description field is a mandatory field which holds up to 255 characters.
6	Finding 1: Most purchasing card transactions appear to comply with City policy, but additional improvements could enhance oversight.	2	ASD should evaluate options to improve the process related to external unauthorized card activity, ensuring it is consistent and well-documented.	Administrative Services Department	N/A	Completed	05/01/12		**Recommendation reported as completed.** **2012 Management Update:** CALCARD Program closed May 2012. In the new PCARD program, ASD staff is monitoring all purchasing activity, and any unauthorized purchases are followed up on immediately.
6	Finding 1: Most purchasing card transactions appear to comply with City policy, but additional improvements could enhance oversight.	3	ASD should strengthen its CAL-Card policies and procedures to identify clear disciplinary guidelines for policy violations and ensure that they are consistently applied.	Administrative Services Department	N/A	Completed	05/01/12		**Recommendation reported as completed.** **2012 Management Update:** CALCARD Program closed May 2012. In the new PCARD program, ASD has rewritten the policies and procedures in the PCard Guidebook, which includes disciplinary actions consistent with the City's disciplinary process.
6	Finding 1: Most purchasing card transactions appear to comply with City policy, but additional improvements could enhance oversight.	4	ASD should obtain more detailed transaction data and utilize reporting options available from its card provider to enhance oversight of CAL-Card program. In addition, ASD should consider utilizing data analysis software, such as ACL, to further enhance its review.	Administrative Services Department	N/A	Completed	05/01/12		**Recommendation reported as completed.** **2012 Management Update:** CALCARD Program closed May 2012. ASD has implemented some new reports and continues to evaluate the reporting options available in the new Pcard system.
6	Finding 1: Most purchasing card transactions appear to comply with City policy, but additional improvements could enhance oversight.	5	The Finance Committee should consider approving a performance audit of procurement, which would include an assessment of contract pricing accuracy, on the City Auditor's FY 2012 Workplan.	Administrative Services Department	N/A	Completed	05/01/12		**Recommendation reported as completed.** **2012 Management Update:** Audit of Contract Oversight currently in progress.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
6	Finding 2: The City should take steps to increase usage of purchasing card program.	6	ASD should evaluate options to increase usage of purchasing card program, including: 1) evaluating options to mandate purchasing card usage under certain dollar thresholds, and 2) evaluating increasing purchasing card limits.	Administrative Services Department	N/A	Completed	05/01/12		**Recommendation reported as completed.** **2012 Management Update:** CALCARD Program closed May 2012. In the new PCARD program, ASD is increasing number of cardholders utilizing the PCARD program and allowing increased monthly limits based on assessment of operational needs.

7. SAP SECURITY AUDIT — Issued: October 2011

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
7	Finding 1: ASD did not secure powerful system-provided user accounts, resulting in significant security vulnerabilities.	1	ASD should develop and implement formal policies and procedures addressing standard SAP user accounts in order to: • Secure standard user accounts and prevent unauthorized use. • Detect on an ongoing basis any unsecured standard accounts and any unauthorized use. • Ensure standard user accounts can only be managed by a designated individual(s). • Authorize use only if appropriate, and ensure there is accountability for any use. • Ensure any authorized use is monitored.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** • SAP* Account has been locked and authorization removed. • Two levels of monitoring and alert mechanisms have been established to detect SAP* login. • SAP special accounts are now grouped and maintained by a separate individuals rather than just the Basis Administrator. • SAP special account access log will be reviewed on a daily basis.
7	Finding 1: ASD did not secure powerful system-provided user accounts, resulting in significant security vulnerabilities.	2	ASD should further investigate the following: • Staff's account that SAP* was left unsecured after installing an SAP support pack in December 2010. • Responsibility for the deletion and recreation of the SAP* user master record. • Responsibility for missing log records.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that an internal review of all available supporting materials, i.e. the user change log, access log, and security activity log was completed, and that it has collaborated with the Auditor's Office to address the issues identified in this finding. The Department reports that it was unable to continue its investigation due to limited availability of log data, and that it has refocused its efforts on lessons learned and tightening controls over SAP* account maintenance by separating the administration rights from the SAP Basis function.
7	Finding 1: ASD did not secure powerful system-provided user accounts, resulting in significant security vulnerabilities.	3	To ensure the City can appropriately respond to SAP security incidents, ASD should develop and implement a comprehensive incident response plan that meets PCI DSS and NIST control standards and includes provisions to address: • Incident response policies and procedures • Incident response training • Monitoring and reporting • Roles and responsibilities • Business recovery and continuity procedures • Data back-up processes • Legal requirements in reporting compromises	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The SAP Program Management Office (PMO) has implemented an incident management procedure that includes the following elements: • Incident reporting, including date, report by, description, and evidence collection. • Incident recovery, including actions taken and communication. • Incident analysis, including business impact, root cause analysis and mitigation planning. • Incident review and approval: a formal review and sign off procedure is implemented through the SAP Program Office.
7	Finding 2: ASD violated two critical security principles by not properly restricting access for all user accounts.	4	To mitigate risks associated with assignment of unrestricted SAP access, ASD should: • Formally adopt policies and procedures addressing SAP user access that are consistent with the principles of least privilege and segregation of duties. • For emergency purposes, ASD should consider creating a single unrestricted account assigned the SAP_ALL profile that is appropriately secured and controlled in accordance with SAP guidelines and industry standards. • Implement policies and procedures to either prohibit or control the use of all other powerful system-provided SAP profiles. • Ensure needed SAP roles and profiles are approved by management and included in the City's role authorization procedures, and that unauthorized roles and profiles are not assigned. • Develop procedures to detect any unauthorized roles or profiles assigned to users.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that during the audit period, staff updated the relevant processes and procedures, including the SAP Authorization Management process and procedure, SAP Special Account Monitoring, and the SAP System Monitoring Policy and Procedures to address the recommendations. The Department reports it has addressed the following areas: • Roles ownership for business transactions are established and reviewed by the business role owner to ensure that the principles of least privilege and segregation of duties are practiced. • A semi-annual authorization review is in place and findings and improvements are documented. • Adds, changes, and deletions to SAP authorization requests are tracked and approved by the Helpdesk. • Other SAP default special accounts are locked and passwords have been reset. • SAP default special account access logs are monitored daily.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
7	Finding 2: ASD violated two critical security principles by not properly restricting access for all user accounts.	5	To ensure SAP user account administration functions are properly separated, ASD should: • Segregate responsibilities for creating and maintaining roles/profiles, assignment of roles/profiles, and creating and maintaining user accounts. • Prohibit IT staff from maintaining Human Resources Department employee records. • Assign all SAP user administrators to a designated SAP user group, preventing them from managing their own and other administrators' accounts and access levels, and designate an individual to manage the SAP user group.	Information Technology Department	Essential	Not Started	12/31/12		**2012 Management Update**: The Department will be reviewing options to segregate responsibilities for creating and maintaining roles/profiles, assignment of roles/profiles, and creating and maintaining user accounts. The controls will prevent SAP user administrators from managing their own and other administrators' accounts and access levels. The Department has planned to implement an automated SAP user account creation process. The process will result in creation of SAP user accounts and updating email addresses in the SAP HR master file without requiring staff access to HR data. Expected implementation period: Q2-FY13 - Q3-FY13
7	Finding 3: ASD has not effectively managed all SAP user accounts to ensure system security.	6	Develop and implement policies and procedures to ensure SAP access for separated City employees is terminated in a timely manner and coordinated with Human Resources Department processes.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that NT Accounts and SAP user accounts will be terminated upon receiving a Termination Report from HR. The security risk resides largely in the employee termination business process, i.e. having the department fill out a Personnel Action Form (PAF) for each terminated employee. To mitigate the risk, staff has automated the SAP user account termination process and implemented controls to facilitate reconciliation between Human Resources data, Windows NT accounts, and SAP user accounts. These actions will ensure that access to SAP by separated City employees is monitored and terminated.
7	Finding 3: ASD has not effectively managed all SAP user accounts to ensure system security.	7	ASD should either eliminate the 52 generic CAL-Card user accounts, or develop policies and procedures to implement compensating controls to: • Ensure these accounts are secured. • Establish individual accountability for their use. • Allow use on an exception basis in meeting the City's business needs.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that the new Purchase Card program has been fully implemented and that 52 CAL-Card generic user accounts were removed.
7	Finding 3: ASD has not effectively managed all SAP user accounts to ensure system security.	8	ASD should develop formal policies and procedures that clearly classify non-organizational users and define for each class: • Authorized access levels. • Duration of access. • Controls to ensure each class abides by the City's security policies. • Controls to monitor SAP activity and to ensure SAP access levels and duration is consistent with policies and procedures.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The following controls were implemented: • Classification of non-organizational users such as the business partner Greenwaste or support maintenance partners. • Sierra Infosys SAP support logins are reviewed and managed during the semi-annual authorization process. • Non-organizational User account creation to be tracked by the Helpdesk and approved by business owners with an expiration date. • Adds, changes, and deletions of authorizations are tracked by the Helpdesk and approved by the business owner. • Non-organizational user account activities are monitored and reviewed as part of the Daily System Monitoring process.
7	Finding 3: ASD has not effectively managed all SAP user accounts to ensure system security.	9	ASD should develop policies and procedures to address use of non-dialog user accounts. These policies and procedures should address: • Authorization to use and assignment of non-dialog accounts. • Permitted use for each account. • Individual accountability for use. • Controls to monitor use.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that non-dialog user accounts are broken down as follows: 7 "system" accounts, 3 "communication" accounts, 2 "service" accounts, and 1 "reference" user account. The accounts are used by SAP for specific purposes. These accounts cannot be used to logon to SAP; therefore, the risk is relatively low. To mitigate the risk, non-organizational user account activities are monitored and reviewed as part of the Daily System Monitoring process.
7	Finding 3: ASD has not effectively managed all SAP user accounts to ensure system security.	10	ASD should as a rule prohibit the use of generic user accounts, in following PCI DSS and NIST control frameworks. ASD should develop policies and procedures to address the use of any generic user accounts on an exception basis to meet the City's business needs and to ensure adequate compensating controls are implemented and include: • Formal authorization for use • Permitted levels of access • Duration of use and procedures to disable or remove • Permitted use or function • Individual accountability for use	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that Generic SAP user accounts such as "Data Migration" were setup during the Banner to SAP migration. The account has expired. There are other generic accounts such as EARLYWATCH used for SAP support. To mitigate the risk, non-organizational user account activities are monitored and reviewed as part of the Daily System Monitoring process.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
7	Finding 3: ASD has not effectively managed all SAP user accounts to ensure system security.	11	ASD should establish policies, procedures, and processes to ensure: • SAP user administrators are aware of the required identification information for each type of SAP user account, and SAP is configured to require, to the extent possible, input of required information. • SAP user accounts contain all required user identification information, consistent with Human Resources Department records and/or other applicable independent authorized lists for City employees. • The City is compliant with PCI DSS and NIST SP 800-53 standards in its management of SAP user accounts.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that the SAP user account information combines HR employee master information and information from the active Directory (Network and Email accounts). Therefore, any attempt to address the issue with SAP only is limited. Staff has reviewed HR new employee, employee change, and employee termination processes and automated the SAP account maintenance to ensure information consistency between HR, NT accounts and SAP accounts.
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	12	ASD should adopt and implement PCI DSS and NIST SP 800-53 information systems security control frameworks to help ensure security of the City's key information systems.	Information Technology Department	Essential	Not Started	PCI: 03/30/2013 ISO: 06/30/2014		**2012 Management Update:** The Department reports the City's Information Security Committee has determined to implement ISO 27001 Information Security Management Systems (ISMS)] framework and standards at the City. The City's information security manager has planned to implement PCI-DSS security control framework by Q3-FY13. In addition the information security manager has planned to implement ISO 27001 based information systems security control frameworks by Q4-FY14 **Security Countermeasures Implementation Roadmap:** Implement PCI-DSS high risk countermeasures: Q3-FY13 (March 2013) Implement ISO 27001 framework at the City: Q4-FY14 (June 2014)
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	13	ASD should develop and implement a formal and comprehensive security policy consistent with PCI DSS, NIST, the SAP Library, and other industry standards.	Information Technology Department	Essential	Not Started	SAP: 12/31/2012 ISO: 06/30/2013		**2012 Management Update:** The Department reports the City's Information Security Committee has determined to implement ISO 27001 [Information Security Management Systems (ISMS)] framework and standards at the City. Also The City's Information Security Manager has planned to implement an SAP security policy by Q2-FY13. In addition, the Information Security Manager has plans to implement a formal and comprehensive ISO security policy. **Security Countermeasures Implementation Roadmap:** Implement SAP Security Policy: Q2-FY13 (December 2012) Implement ISO Information Security Policy: Q4-FY13 (June 2013)
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	14	ASD should formally assign responsibility for SAP security.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that the City's Chief Information Officer (CIO) has hired an Information Security Manager.
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	15	ASD should implement a formal security awareness and training program that meets minimum control standards stated in PCI DSS and NIST control frameworks. The program should include provisions to ensure SAP technical staff is trained on current SAP security controls and practices.	Information Technology Department	Significant	Not Started	SAP: 12/31/2012 ISO: 06/30/2014		**2012 Management Update:** The Department reports that the City's Information Security Committee has determined to implement ISO 27001 [Information Security Management Systems (ISMS)] framework and standards at the City. Also the City's Information Security Manager has developed a strategy and roadmap to implement a Citywide information security awareness and training program including but not limited to providing PCI-DSS and SAP security controls and practices training to SAP technical staff. The City's Information Security Manager has planned to provide training to all City employees including SAP technical staff. **Security Countermeasures Implementation Roadmap:** Train SAP technical staff for the PCI DSS security awareness: Q2-FY13 (December 2012) Train the City's employees for ISO security awareness: Q4-FY14 (June 2014)

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	16	ASD should implement a formal risk assessment process that meets minimum standards stated in PCI DSS and NIST SP 800-53 to ensure key information system threats and vulnerabilities are routinely (at least annually) and effectively identified, ranked, and addressed.	Information Technology Department	Significant	Not Started	PCI: 12/31/2012 ISO: 03/30/2013		**2012 Management Update:** The Department reports that the City's Information Security Committee has determined to implement ISO 27001 - Information Security Management Systems (ISMS) framework and standards at the City. The City's Information Security Manager has developed a strategy and roadmap to implement a formal risk assessment process through ISO 27001 standards, including a PCI-DSS risk assessment through the PCI-DSS Self-Assessment Questionnaire "D" and Attestation of Compliance. Beginning Q2-FY13 the City's Information Security Manager will initiate a formal risk assessment process through PCI-DSS Self-Assessment Questionnaire "D" and ISO 27001 standards. **Security Countermeasures Implementation Roadmap:** Implement PCI-DSS risk assessment process:Q2-FY13 (December 2012) Implement ISO 27001 risk assessment process Q3-FY13 (March 2013)
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	17	ASD should develop and implement formal policies and procedures to ensure SAP security parameters are properly configured and compliant with PCI DSS, NIST SP 800-53, and other applicable industry standards.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** . The Department reports the following SAP Security parameters have been updated to tighten security controls: • Disable multiple sapgui logons (for same SAP Accounts) • Minimum number of digits in passwords • Minimum number of letters in passwords • Minimum Password Length • Minimum number of lower-case characters in passwords • Minimum number of lower-case characters in passwords • Dates until password must be changed • Maximum number of days a password (set by the admin) can be unused (idle) • Maximum number of days a password (set by the user) can be unused (idle)
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	18	ASD should ensure access to SAP system parameters is restricted to only authorized staff, and that policies and procedures incorporate change controls stated in NIST SP 800-53 to ensure all changes are properly planned, authorized, executed, and monitored.	Information Technology Department	Significant	In Process	12/31/12		**2012 Management Update:** The Department reports that the City's Information Security Committee has determined to implement the ISO 27001 [Information Security Management Systems (ISMS)] framework and standards at the City. Also the SAP team may make changes to the profile Parameters based on a number of reasons that may or may not be related to security. For instance, a change to a profile Parameter may be required due to a performance problem and recommendations made by SAP support personnel or a Specific SAP note. Access to the SAP System Parameters is restricted to authorized individuals and change to profile parameters must go through a work order system for tracking and approval. In addition, profile parameter changes can be monitored and reviewed manually at the operating system level by comparing the profile information in the database with the profile existing on the operating system. Expected implementation period: Q1-FY13 - Q2-FY13
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	19	ASD should develop policies and procedures and implement minimum NIST SP 800-53 and PCI DSS controls applicable to log management in order to ensure: • SAP and Oracle log data is secured using appropriate "write-once" media and/or backup procedures. • Access to SAP and Oracle logs is restricted based on the principles of least privilege and segregation of duties. • Accountability is established for monitoring SAP and Oracle logs and for reporting any incidents to the appropriate levels of management. • SAP and Oracle are properly configured to ensure logs capture appropriate information and retain the information for an appropriate duration.	Information Technology Department	Significant	Not Started	06/30/13		**2012 Management Update:** The Department reports that the City's Information Security Committee has determined to implement ISO 27001 - Information Security Management Systems (ISMS) framework and standards at the City. SAP/ IT staff has provided supporting documents per the IT Security Manager's request for his development of new policies and procedures. The IT Security Manager will develop new policies and procedures specifically for the City following the ISO 27001 standard for the four areas addressed in the recommendation. Expected implementation period: Q3 FY13 - Q4 FY13

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	20	ASD should develop policies and procedures consistent with PCI DSS, NIST SP 800-53, and NIST SP 800-122 to ensure: • Any sensitive production data used in the SAP quality assurance system is anonymized or otherwise properly safeguarded through implementation of recommended controls. • Transfer of any sensitive production data is formally authorized by departments or individuals responsible for the data.	Information Technology Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reports that a custom ABAP program was developed to scramble customer sensitive data in the quality assurance environment.
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	21	To enhance the Auditor's Office's efficiency and independence in conducting audits, and its ability to ensure compliance with generally accepted government auditing standards, we recommend ASD implement the AIS tool and provide the Auditor's Office with access to it.	Information Technology Department	Useful	In Process	12/31/12		**2012 Management Update:** The Department reports that two custom made SAP authorization roles (CPA_AUDITOR and CPA_AIS_HR_AUDITOR) were created for testing. Expected implementation period: Q1-FY13 - Q2-FY13
8. AUDIT OF THE USE OF LIBRARY BOND PROCEEDS									**Issued: December 2011**
8	Finding 1: The City has used Library Bond monies appropriately, policies and procedures should be formalized.	1	ASD should complete the IRS Governmental Bond Financings Compliance Check Questionnaire as a basis to evaluate compliance with IRS post-issuance requirements.	Administrative Services Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** The Department reported the IRS form has been completed and provided the following details: 1) Part 1 – "Post –Issuance Compliance – General" This requirement primarily deals with having written procedures for proper use of bond proceeds. Administrative Service Department (ASD) has long established practices which incorporate what more formal written policy and procedures typically contain. Based on these, the City has met all regulatory and debt covenant requirements on all City bonds. ASD does maintain a checklist of debt covenant requirements for all City bonds. Library bonds have been added to this list. In addition, Public Works does have an internal written process for payment processing. To further codify this practice, a "Disbursement of Bond Proceeds Procedure" is being worked on. 2) Part II – "General Record Keeping" City is in compliance – requires City have federal tax filing, audited financial statements, bond issuance documents, Council approved resolution authorizing the bond issuance, trustee statements, etc. 3) Part III – "Investments and Arbitrage Compliance" City is in compliance – requires keeping interest earning records, records on investment instruments that the City isn't using (e.g. bond insurance and guaranteed investments contracts, swaps, etc.), arbitrage documents, etc. 4) Part IV – "Expenditures and Assets" City is in compliance – as the title implies it requires supporting documents to be kept for all bondable expenditures and keeping list of bond financed assets. 5) Part V – Private Business Use
8	Finding 1: The City has used Library Bond monies appropriately, policies and procedures should be formalized.	2	ASD and PWD should formalize policies and procedures regarding the oversight and expenditure of Library Bond funds to ensure continued compliance with federal and state regulations and best practices.	Administrative Services Department	Significant	In Process	09/28/12		**2012 Management Update:** The Department reports that ASD and Public Works are in the process of writing a formal written procedure codifying existing guidelines and practices. This will incorporate the existing written Accounts Payable procedures for paying GO bondable expenditures. A draft has been completed; further work is needed and will be completed as time allows.
8	Finding 1: The City has used Library Bond monies appropriately, policies and procedures should be formalized.	3	The City Council should consider providing policy guidance on the use of bond funds to pay for bondable staff labor costs related to the Library Projects and future bond funded projects.	Administrative Services Department	N/A	Completed			**Recommendation completed.** **2012 City Auditor's Update:** The Finance Committee passed a motion during a December 6, 2011 meeting to recommend the City Council affirm that no Measure N proceeds will be used to pay for bondable Staff costs. The audit report was approved by the City Council on February 21, 2012.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
8	Finding 1: The City has used Library Bond monies appropriately, policies and procedures should be formalized.	4	ASD should ensure that the City's contracting requirements are met prior to the delivery of services or payment and consider developing a checklist of steps to take to properly execute contracts.	Administrative Services Department	N/A	Completed			**Recommendation reported as completed.** **2012 Management Update:** Recommendation reported as completed. The Department reports that the Attorney's Office and ASD have created a checklist that requires the parties to review contract needs for bond issuance services prior to initiation of a bond process in order to provide sufficient time to ensure that contracts are executed in a timely manner.

Attachment C: Status of 'In Process' and 'Not Started' Audit Recommendations

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
3. AUDIT OF EMPLOYEE ETHICS POLICIES									**Issued: January 2008**
3	The City should adopt an employee code of ethics and formalize its employee ethics program	4	The City should develop a code of ethics that employees can use as a guidepost for avoiding conflicts of interest, for ethical behavior, for deciding what actions are needed when conflicts of interest occur, and for making decisions. Employees should be required to read and sign an acknowledgment of the policy.	City Manager	Essential	In Process	Spring 2013	🔴	As of March 2011, the City retained the services of Dr. Tom Shanks of The Ethics Company to assist with the development of the City's values based ethics code of conduct, policy development and implementation, employee interviews, training implementation program and first round of citywide training. The project goal was to be completed by Spring 2012. **2012 Management Update:** The consultant completed the internal staff interviews and met with the City's Executive Leadership Team on numerous occasions. However, the consultant did not complete or provide to the City the deliverables related to the project. The City Attorney is now preparing a formal letter to terminate the contract with The Ethics Company and to collect any and all materials related to the project from Dr. Shanks. Staff is in the process of securing outside assistance to complete the project.
3	The City should adopt an employee code of ethics and formalize its employee ethics program	5	The City should formalize its policy on ethics training and ensure that employees attend periodic training updates.	City Manager	Significant	In Process	Spring 2013	🔴	As of March 2011, the City retained the services of Dr. Tom Shanks of The Ethics Company to assist with the development of the City's values based ethics code of coduct, policy development and implementation, employee interviews, training implementation program and first round of citywide training. The project goal was to be completed by Spring 2012. **2012 Management Update**: The consultant completed the internal staff interviews and met with the City's Executive Leadership Team on numerous occasions. However, the consultant did not complete or provide to the City the deliverables related to the project. The City Attorney is now preparing a formal letter to terminate the contract with The Ethics Company and to collect any and all materials related to the project from Dr. Shanks. Staff is in the process of securing outside assistance to complete the project.
4. AUDIT OF FLEET UTILIZATION AND REPLACEMENT									**Issued: April 2010**
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	3	The Public Works Fleet Management should complete implementation of a centralized Citywide vehicle and equipment pool, and make the Citywide pool accessible to all departments.	Public Works	Significant	In Process	09/30/12	🔴	The existing automated pool vehicle management system located at the Municipal Services Center (MSC), Building B is being expanded and upgraded. Automated motor pools will be established at MSC, Building C, Civic Center, and the Utilities Department's Elwell Court locations. The pool vehicle management system will provide web-based or spontaneous vehicle reservation capability, and automated vehicle key management. Also, the feasibility of contracting out pool vehicles with a third-party provider is being evaluated. **2012 Management Update:** Hardware has been installed in the vehicles and key kiosks installed to implement this program. Vendor is providing training to staff in mid-August and it is anticipated the system will be rolled out to the City in September.
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	4	The City Manager's Office and the Public Works Fleet Manager staff should review the fleet's minimum utilization standards and consider increasing the standards to more cost· effective levels.	Public Works	Significant	In Process	06/01/13	🔴	Staff drafted revisions to the Vehicle/Equipment Policy, including revised utilization standards. **2012 Management Update:** Staff is currently reviewing proposals for Consultant Services for an operational study which will include a review of the City's utilization standards, evaluation of industry standards, other public agencies and recommendations for increasing Fleet operations efficiency and effectiveness.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
4	Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet	8	Public Works Fleet Management should have the authority and responsibility to manage and operate the City fleet to ensure optimized use of fleet resources.	Public Works	Significant	In Process	06/01/13	🔴	Staff is revising the Vehicle/Equipment Policy to include a new description of PWD Fleet Management's authority and responsibility to manage and operate the City fleet.

2012 Management Update: Staff and the FRC will revise the Vehicle/Equipment Policy to include a new description of PWD Fleet Management's authority and responsibility to manage and operate the City fleet. Individual policy sections are currently being developed but finalization will not occur until after the operational study. |
| 4 | Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet | 10 | PWD Fleet Management should revise the policy and procedures to clarify the take-home policy and conduct routine follow-ups with departments to document adherence to the policy. | Public Works | Significant | In Process | 06/01/13 | 🔴 | Staff is revising the Vehicle/Equipment Policy to include clarifications to the take-home policy and will require take-home vehicle users to provide documentation to ensure their adherence to the policy.

2012 Management Update: Staff and the FRC are continuing to revise the Vehicle/Equipment Policy. Individual policy sections are currently being developed but finalization will not occur until after the operational study. |
| 4 | Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet | 13 | Public Works Fleet Management should develop written criteria for assessing the need of non-rolling stock equipment. | Public Works | Useful | In Process | 06/01/13 | 🔴 | Staff is revising the Vehicle/Equipment Policy to include new standards and criteria for assessing the need of non-rolling stock equipment.

2012 Management Update: Staff and the FRC are continuing to revise the Vehicle/Equipment Policy. Individual policy sections are currently being developed but finalization will not occur until after the operational study. |
| 4 | Finding 1: The City recently avoided spending about $2.5 million in Fiscal Year 2010 through a temporary freeze on non-urgent fleet replacements (of which $948,000 would have been for underutilized units), but longer term efficiencies can be realized through right sizing the City's vehicle and equipment fleet | 14 | Public Works Fleet Management should routinely review the database inventory for completeness and accuracy and develop necessary processes for departments to provide accurate and timely utilization data. | Public Works | Useful | In Process | 06/01/13 | 🔴 | Staff shortages have delayed the implementation of this recommendation. Equipment Management is currently in the process of recruiting a Fleet Services Coordinator.

2012 Management Update: Staff is currently meeting with the existing fleet management software vendor to schedule a system upgrade which includes a more user friendly interface, training for all fleet and administrative staff to ensure a higher level of accuracy within the inventory. Additionally staff will conduct a manual visual inventory to confirm the inventory is accurate. |
| 4 | Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance | 19 | PWD Fleet Management should work with the Administrative Services Department and Utilities Department (for CNG) to develop a system to reconcile fuel purchases, balances, and consumption reports. | Public Works | Significant | In Process | 12/01/13 | 🔴 | Staff is working with the Utilities Department to obtain the data necessary to begin periodic reconciliations of CNG.

2012 Management Update: Staff continues to work with the Utility Department to obtain necessary data and with the implementation of the software upgrade to FuelFocus will have better reporting capabilities for consumption. |

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	20	PWD Fleet Management should complete implementation of the fueling system at all city pumps and evaluate its effectiveness at providing internal controls over fuel Pump transactions.	Public Works	Significant	In Process	06/01/13	🔴	Staff is in the final implementation stage of the new fuel management system. **2012 Management Update:** Staff is currently meeting with the existing fleet management software vendor to schedule a system upgrade which includes a more user friendly interface, training for all fleet and administrative staff to ensure a higher level of accuracy within the inventory. This upgrade will also include the FuelFocus module ensuring accurate data is collected for transaction control.
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	21	PWD Fleet Management should include requirements for securing vehicles and equipment within the fleet policies and procedures.	Public Works	Significant	In Process	06/01/13	🔴	Staff started revising the Vehicle/Equipment Policy to incorporate requirements for securing vehicles and equipment. **2012 Management Update:** Staff and the FRC are continuing to revise the Vehicle/Equipment Policy. Individual policy sections are currently being developed but finalization will not occur until after the operational study.
4	Finding 2: Funding stability and improved processes are needed to adequately fund fleet replacement and maintenance	22	PWD Fleet Management should conduct regular inventories of auto parts, develop a system to ensure the parts database is accurate and complete, and secure access to the auto parts inventory.	Public Works	Significant	In Process	12/01/13	🔴	A newly constructed parts storeroom is complete. Equipment Management is working on surveying the existing parts and supply inventories, and finalizing a plan for conducting periodic inventory reconciliation. **2012 Management Update:** Staff is continuing to work toward more accurate parts inventory control; however due to staffing shortages and higher level priorities, staff has not defined a permanent inventory system or reconciliation process.
5. AUDIT OF CITYWIDE CASH HANDLING AND TRAVEL EXPENSES									**Issued: September 2010**
5	The City's current cash handling policy is outdated and reliant upon a Cash Handling Manual that could not be found	1	ASD should update the Citywide Cash Handling policy and procedures to provide sufficient guidance on internal controls related to cash handling.	ASD	Significant	In Process	10/31/12	🔴	A 1991 Administrative Instruction Manual has been updated to cover all areas of cash handling, including the three areas discussed in the Audit Report – segregation of duties, safeguarding of revenue, and proper documentation of all transactions. Staff also reviewed other jurisdictions' cash handling manuals to integrate the most effective parts of each. Along with updating the central Cash Handling Manual, staff will review the written procedures from 18 facilities (all facilities covered by the Report, plus others such as Cubberley and the Development Center which were not in the scope of this Audit). Once the manual receives final approval, it will be distributed to all facilities for reference. Daily operating procedures for all facilities will be updated to ensure all directions in the manual are incorporated. ASD will also provide a checklist to ensure each facility fulfills each of the procedural requirements. **2012 Management Update:** Cash Handling Manual has been revised and is posted on-line. The Policy and Procedures document itself is being reviewed and updates and or revisions will be completed by the end of October 2012.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
5	Site visits revealed weaknesses that should be immediately addressed	4	ASD should: • Work with the departments to immediately address weaknesses noted in the areas of safeguarding revenue, segregation of duties, and proper documentation and approval of certain types of transactions (e.g. voided transactions and issuance of receipts). • Ensure their list of approved revenue collection locations is complete and updated, and these locations have adequate procedures to safeguard revenue.	ASD	Significant	In Process	02/28/13	🔴	The list for approved revenue collection locations has been updated and ASD-Revenue Collections will continue to work with these locations to address weaknesses. For locations with significant space and resource constraints (e.g., Animal Services and Foothills Park), mitigating controls will be considered to balance the relative weakness of the segregation of duties at these sites. Additionally, risk assessment and cost-benefit analysis will be performed to determine the level of controls implemented. Strengthening the controls at the Foothills Park beyond the basic training and monitoring levels would not be as beneficial as focusing on other sites with larger currency transactions, such as the Landfill, and/or larger-volume sites with identified areas of concern, such as Animal Services. ASD-Revenue Collections will work with all facilities beginning in May 2011 to update procedures to incorporate guidelines established by the revised Cash Handling Manual. Due to the number of facilities this process will be lengthy. Seventeen facilities have been identified for revised procedures and this does not include procedures for special events. Additionally all library locations have been counted as one facility. ASD believes that with more structured training and monitoring, the level of compliance among the departments will increase, but departments will also have to proactively improve their compliance with the proscribed procedures. **2012 Management Update**: ASD-Revenue Collections began working with departments after the audit to address areas of concerns. For example, extensive time was spent with Animal Services addressing weaknesses identified in the audit and significant improvement has been made. The revised Cash Handling Manual contains an updated list of approved revenue collection locations. Revisions of policies and procedures for these locations are still in progress.
5	Oversight of employee travel expenses can be improved	6	ASD should review the nighttime meeting reimbursement policy. If the City decides to maintain this practice, ASD should report the amounts as income on employee Form W-2s to conform to IRS requirements. In addition, ASD should review other types of meal expense to ensure any reportable amounts are included on employee Form W-2s.	ASD	Significant	In Process	08/30/12	🔴	Nighttime meeting reimbursement will be maintained. ASD has established new G/L numbers to capture taxable and non-taxable meals. Budget for the G/L numbers will be included in the FY 2012 budget. ASD has discussed changes needed by Purchasing staff for use of CAL-Cards. Budget and Purchasing changes will be made before implementation date of 7/1/2011. Taxable meals will be captured in a specific G/I account and added to the employees W2 for FY 2011. In addition, updated P&P and forms (A/P & Petty cash) will reflect specific coding for taxable meals. ASD also plans to have City-wide training once ELT approves draft P&P. **2012 Management Update**: ASD is in the process of updating the portion of the travel and petty cash policy related to meal reimbursement. Once the policy is finalized it will be implemented and will incorporate the changes established above.
5	Oversight of employee travel expenses can be improved	8	The City Manager's Office should include additional guidance to prevent gifts of public resources on the City's Ethics Center intranet site.	City Manager	Useful	In Process	12/31/12	🔴	The City retained the services of Dr. Tom Shanks of The Ethics Company in November 2010 to assist with the development of the City's values based ethics code of conduct, policy development and implementation, employee interviews, training implementation program, and first round of citywide training. The project will last approximately 12-18 months. **2012 Management Update:** The CMO determined that guidance regarding the use of travel expenses should most appropriately be updated in the City's Travel & Expense Policy. This clarification was completed in August 2012. The employee Intranet site will be updated once the Ethics Policy is complete.

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
5	The City should reorganize existing budgetary accounts related to travel and meetings to assist in tracking of taxable activities	11	ASD should reorganize the existing budgetary travel-related accounts into a "Travel and Training" account for professional development and a "Meetings" account for tracking taxable forms of reimbursement, such as nighttime meeting meal expenses.	ASD	Useful	In Process	08/30/12	🔴	ASD has established new G/L accounts, changed title of existing G/L account and eliminated use of one G/L account. Budget will reallocate budget to new G/L accounts for FY 2012 budget. Purchasing staff will update CAL-Cards to accept charges for new G/L accounts. Budget & Purchasing changes will be ready for 7/1/2011 implementation. A/P and Petty Cash forms will be updated once ELT approves draft policies and procedures. ASD Director will present draft to ELT for input by end of FY 2011. ASD will provide Citywide training once policies and procedures are finalized. **2012 Management Update**: See Recommendation #6 above.

	7. SAP SECURITY AUDIT								**Issued: October 2011**
7	Finding 2: ASD violated two critical principles by not properly restricting access for all user accounts.	5	To ensure SAP user account administration functions are properly separated, ASD should: • Segregate responsibilities for creating and maintaining roles/profiles, assignment of roles/profiles, and creating and maintaining user accounts. • Prohibit IT staff from maintaining Human Resources Department employee records. • Assign all SAP user administrators to a designated SAP user group, preventing them from managing their own and other administrators' accounts and access levels, and designate an individual to manage the SAP user group.	Information Technology Department	Essential	Not Started	12/31/12		**2012 Management Update:** The Department will be reviewing options to segregate responsibilities for creating and maintaining roles/profiles, assignment of roles/profiles, and creating and maintaining user accounts. The controls will prevent SAP user administrators from managing their own and other administrators' accounts and access levels. The Department has planned to implement an automated SAP user account creation process. The process will result in creation of SAP user accounts and updating email addresses in the SAP HR master file without requiring staff access to HR data. Expected implementation period: Q2-FY13 - Q3-FY13
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	12	ASD should adopt and implement PCI DSS and NIST SP 800-53 information systems security control frameworks to help ensure security of the City's key information systems.	Information Technology Department	Essential	Not Started	PCI: 03/30/2013 ISO: 06/30/2014		**2012 Management Update:** The Department reports the City's Information Security Committee has determined to implement ISO 27001 Information Security Management Systems (ISMS)] framework and standards at the City. The City's information security manager has planned to implement PCI-DSS security control framework by Q3-FY13. In addition the information security manager has planned to implement ISO 27001 based information systems security control frameworks by Q4-FY14 **Security Countermeasures Implementation Roadmap**: Implement PCI-DSS high risk countermeasures: Q3-FY13 (March 2013) Implement ISO 27001 framework at the City: Q4-FY14 (June 2014)
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	13	ASD should develop and implement a formal and comprehensive security policy consistent with PCI DSS, NIST, the SAP Library, and other industry standards.	Information Technology Department	Essential	Not Started	SAP: 12/31/2012 ISO: 06/30/2013		**2012 Management Update:** The Department reports the City's Information Security Committee has determined to implement ISO 27001 [Information Security Management Systems (ISMS)] framework and standards at the City. Also The City's Information Security Manager has planned to implement an SAP security policy by Q2-FY13. In addition, the Information Security Manager has plans to implement a formal and comprehensive ISO security policy. **Security Countermeasures Implementation Roadmap**: Implement SAP Security Policy: Q2-FY13 (December 2012) Implement ISO Information Security Policy: Q4-FY13 (June 2013)
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	15	ASD should implement a formal security awareness and training program that meets minimum control standards stated in PCI DSS and NIST control frameworks. The program should include provisions to ensure SAP technical staff is trained on current SAP security controls and practices.	Information Technology Department	Significant	Not Started	SAP: 12/31/2012 ISO: 06/30/2014		**2012 Management Update:** The Department reports that the City's Information Security Committee has determined to implement ISO 27001 [Information Security Management Systems (ISMS)] framework and standards at the City. Also the City's Information Security Manager has developed a strategy and roadmap to implement a Citywide information security awareness and training program including but not limited to providing PCI-DSS and SAP security controls and practices training to SAP technical staff. The City's Information Security Manager has planned to provide training to all City employees including SAP technical staff. **Security Countermeasures Implementation Roadmap:** Train SAP technical staff for the PCI DSS security awareness: Q2-FY13 (December 2012) Train the City's employees for ISO security awarness: Q4-FY14 (June 2014)

Rpt #	Finding	Rec #	Recommendation	Responsible Department	Rating	Current Status	Target Date		Current Status
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	16	ASD should implement a formal risk assessment process that meets minimum standards stated in PCI DSS and NIST SP 800-53 to ensure key information system threats and vulnerabilities are routinely (at least annually) and effectively identified, ranked, and addressed.	Information Technology Department	Significant	Not Started	PCI: 12/31/2012 ISO: 03/30/2013		**2012 Management Update:** The Department reports that the City's Information Security Committee has determined to implement ISO 27001 - Information Security Management Systems (ISMS) framework and standards at the City. The City's Information Security Manager has developed a strategy and roadmap to implement a formal risk assessment process through ISO 27001 standards, including a PCI-DSS risk assessment through the PCI-DSS Self-Assessment Questionnaire "D" and Attestation of Compliance. Beginning Q2-FY13 the City's Information Security Manager will initiate a formal risk assessment process through PCI-DSS Self-Assessment Questionnaire "D" and ISO 27001 standards. **Security Countermeasures Implementation Roadmap:** Implement PCI-DSS risk assessment process:Q2-FY13 (December 2012) Implement ISO 27001 risk assessment process Q3-FY13 (March 2013)
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	18	ASD should ensure access to SAP system parameters is restricted to only authorized staff, and that policies and procedures incorporate change controls stated in NIST SP 800-53 to ensure all changes are properly planned, authorized, executed, and monitored.	Information Technology Department	Significant	In Process	12/31/12		**2012 Management Update:** The Department reports that the City's Information Security Committee has determined to implement the ISO 27001 [Information Security Management Systems (ISMS)] framework and standards at the City. Also the SAP team may make changes to the profile Parameters based on a number of reasons that may or may not be related to security. For instance, a change to a profile Parameter may be required due to a performance problem and recommendations made by SAP support personnel or a Specific SAP note. Access to the SAP System Parameters is restricted to authorized individuals and change to profile parameters must go through a work order system for tracking and approval. In addition, profile parameter changes can be monitored and reviewed manually at the operating system level by comparing the profile information in the database with the profile existing on the operating system. Expected implementation period: Q1-FY13 - Q2-FY13
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	19	ASD should develop policies and procedures and implement minimum NIST SP 800-53 and PCI DSS controls applicable to log management in order to ensure: • SAP and Oracle log data is secured using appropriate "write-once" media and/or backup procedures. • Access to SAP and Oracle logs is restricted based on the principles of least privilege and segregation of duties. • Accountability is established for monitoring SAP and Oracle logs and for reporting any incidents to the appropriate levels of management. • SAP and Oracle are properly configured to ensure logs capture appropriate information and retain the information for an appropriate duration.	Information Technology Department	Significant	Not Started	06/30/13		**2012 Management Update:** The Department reports that the City's Information Security Committee has determined to implement ISO 27001 - Information Security Management Systems (ISMS) framework and standards at the City. SAP/ IT staff has provided supporting documents per the IT Security Manager's request for his development of new policies and procedures. The IT Security Manager will develop new policies and procedures specifically for the City following the ISO 27001 standard for the four areas addressed in the recommendation. Expected implementation period: Q3 FY13 - Q4 FY13
7	Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.	21	To enhance the Auditor's Office's efficiency and independence in conducting audits, and its ability to ensure compliance with generally accepted government auditing standards, we recommend ASD implement the AIS tool and provide the Auditor's Office with access to it.	Information Technology Department	Useful	In Process	12/31/12		**2012 Management Update:** The Department reports that two custom made SAP authorization roles (CPA_AUDITOR and CPA_AIS_HR_AUDITOR) were created for testing. Expected implementation period: Q1-FY13 - Q2-FY13
8. AUDIT OF THE USE OF LIBRARY BOND PROCEEDS									**Issued: December 2011**
8	Finding 1: The City has used Library Bond monies appropriately, policies and procedures should be formalized.	2	ASD and PWD should formalize policies and procedures regarding the oversight and expenditure of Library Bond funds to ensure continued compliance with federal and state regulations and best practices.	Administrative Services Department	Significant	In Process	09/28/12		**2012 Management Update:** The Department reports that ASD and Public Works are in the process of writing a formal written procedure codifying existing guidelines and practices. This will incorporate the existing written Accounts Payable procedures for paying GO bondable expenditures. A draft has been completed; further work is needed and will be completed as time allows.

Policy and Services Committee EXCERPT

Report on the Status of Audit Recommendations (June 2012).

Jim Pelletier, City Auditor, presented the annual report on the status of audit recommendations. The report summarized the status of 64 audit recommendations from eight completed audit reports, including 33 recommendations from the prior status report and 31 new recommendations from audit reports issued during the prior fiscal year. Changes to the report included the finding each recommendation was based on, a rating system for recommendations based on his judgment, and a target date for implementation of audit recommendations. The red circles in the report indicated items he judged were not implemented in a timely manner.

Council Member Espinosa suggested Mr. Pelletier notify Staff when he had concerns. He asked Mr. Pelletier to comment on the many audit recommendations not implemented in a timely fashion.

Mr. Pelletier wanted the Policy and Services Committee (Committee) and ultimately the City Council to indicate if the amount of time that had passed from acceptance of audit recommendations was acceptable.

Council Member Espinosa appreciated the reminder to Council but he did not have the information needed to answer the question. If Mr. Pelletier identified an audit recommendation as needing attention, he presumed Mr. Pelletier would raise the issue with Mr. Keene and the Department head to determine if the Council should be involved.

Mr. Pelletier agreed.

Council Member Klein asked if the City Manager's Staff was prepared to respond.

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Sheila Tucker, Assistant to the City Manager, indicated the City Manager would work with Mr. Pelletier to reach a consensus on a timeline to complete implementation of the audit recommendations.

Mr. Pelletier reported he had not discussed the issue with the City Manager but would do so.

Council Member Klein preferred to have the City Manager response. He requested color copies be used in future.

Council Member Espinosa reiterated the need for discussion with the City Manager and Department heads prior to the Committee or City Council becoming involved.

Mr. Pelletier apologized for the wording in his report and stated it was not intended to be strongly worded. His intent was to notify the Committee to open issues.

Council Member Espinosa recalled previous reports which included a column indicating the Department head's agreement or explanations.

Mr. Pelletier stated the information in the status update column was provided by the Departments.

Council Member Espinosa stated an update was different from agreement or explanation.

Mr. Pelletier indicated the report did not include information on the timeliness of implementation.

Council Member Schmid noted the first two items, overtime and management span of control, dated back to 2003/2004 and had legal issues that needed to be resolved. He asked how Mr. Pelletier would deal with such issues.

Mr. Pelletier reported those two audits were closed. The two audits were unique in that they were very complicated with legal issues that required negotiation.

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Audits taking that long to close may be reasonable based on all those factors. Had they not been completed they would not have been timely.

Council Member Schmid inquired whether the issues were relevant by the time they were settled.

Yuki Matsuura, Senior Performance Auditor, reported the City Attorney's Office provided supporting documentation which indicated past actions addressed the finding and allowed closure of the audits for overtime expenditures and audit restructuring.

Council Member Schmid asked if the audits could have been settled previously.

Ms. Matsuura stated that it was a matter of interpretation but the additional communication helped resolve the issues.

Council Member Schmid believed the base problem was information and personnel changes as the issues aged.

Mr. Pelletier indicated his Staff discussed timeliness and relevance of the issues and had discussions with the departments. The departments had already taken action to address the recommendations; therefore, the audits were closed.

Council Member Schmid stated no update was provided for Number 3, audits open from January 2008.

Ms. Tucker suggested there was an oversight in providing the update to the Auditor. Assistant City Manager Pam Antil reported on the status of this item. The consultant did not complete the work and did not provide the final deliverables. Staff was working with the City Attorney's Office to terminate the consultant's contract and would need to secure outside assistance to complete the project.

Council Member Schmid asked if the issues needed to be redefined.

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Ms. Tucker stated it was an important issue for City Manager Keene. If the records could not be recovered Staff would need to start over.

Council Member Schmid suggested reviewing the audit to ensure it was targeted at the current issues rather than the issues at the time of the audit.

Chair Holman asked when the consultant stopped working and producing information.

Mr. Pelletier believed he stopped working in January 2012.

Chair Holman inquired when the work was expected to be completed.

Ms. Tucker would obtain that information. She believed a work plan was prepared for completion of the work.

Chair Holman stated it was a three to four year plan to accomplish the work.

Ms. Tucker indicated the City did not retain the consultant's services until 2011.

Council Member Schmid said the reports must have been coming in every quarter and the Committee should have raised that issue. He asked for comment on the four target dates of August 30, 2012 regarding packet page 28 regarding cash handling.

David Ramberg, Assistant Director Administrative Services Department reported Staff issued an updated travel policy to City Staff which completed the recommendation; however, it was not issued in time to be included in the report. Item number 1, an updated cash handling policy, had a target date of October 31, 2012 and Staff intended to issue the policy by that date.

Council Member Schmid recalled other groups were providing oversight of the library's finances and asked how the City Auditor's assessment was different or unique.

Mr. Pelletier indicated the Auditor's Office could achieve more detail than the other agencies.

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Houman Boussina, Senior Performance Auditor reported the focus of the audit was to review controls in terms of policies and procedures to ensure bond funds were used in accordance with the bond measure and any applicable Internal Revenue Service (IRS) provisions. The audit perspective was control, effectiveness, and compliance.

Mr. Pelletier stated the major difference was reviewing the processes and controls underlying expenditures.

Council Member Schmid said the Library Bond Oversight Committee (LBOC) was performing a high level review while the Auditor was reviewing the procedures.

Mr. Pelletier indicated the Auditor was reviewing the process of how expenditures were made and how they complied with specific requirements of the bond measure or IRS requirements.

Council Member Schmid inquired whether the Auditor performed a yearly audit.

Mr. Pelletier reported only one time.

Council Member Schmid asked if the Auditor assumed the correct procedures were in place as the project continued.

Mr. Pelletier stated the goal was to identify good controls to ensure ongoing compliance with the requirements.

Council Member Schmid inquired whether the Auditor would perform the same work if another large bond issue was approved.

Mr. Pelletier indicated he would if the Council asked for it or if he felt it was a higher risk.

Council Member Schmid asked if the Council could have confidence that the procedures were correct.

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Mr. Pelletier answered yes.

Council Member Klein recalled the Committee strongly recommended the rating of recommendations and inquired whether the Auditor's Office received the necessary cooperation and implementation of the audit recommendations.

Mr. Pelletier felt Staff considered the recommendations seriously and took action. Staff faced limited resources and many priorities making it difficult to complete all priorities.

Council Member Klein asked for Mr. Pelletier's comments regarding the three recommendations listed under the SAP Security Audit.

Mr. Boussina felt most of the SAP Security Audit recommendations should be high priority. The Information Technology (IT) Department had taken the recommendations seriously as shown by the number of completed recommendations and changes in the IT Department.   With regard to Recommendation Number 5, segregation of duties in terms of account administration functions, one of the significant findings that concerned Staff was potentially having the ability to upgrade their own access in the system. This was a key area of control recognized in information systems.   The recommendation was essential because of the nature of what could happen if someone with technical knowledge and know-how had capabilities that should be separated.

Mr. Pelletier reported the City's Information Security Manager, Raj Patel and Chief Information Officer, Jonathon Reichental were present for additional questions.

Mr. Boussina reported Recommendation Number 12, adoption and implementation of information system security control frameworks, was considered essential because it established a framework and baseline of controls to ensure that IT was secure throughout the system. Payment Card Industry (PCI) and Data Security Standard (DSS) were also mandated.

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Recommendation Number 13, development of the formal and comprehensive security policy consistent with security frameworks, existed to ensure the City had a policy of communicating, understanding, and being aware of security. Because of the security component the Auditor Staff felt it was an essential recommendation.

Council Member Klein noted the recommendations were in progress and asked if Staff was comfortable with the timetable.

Mr. Boussina believed the IT Department was taking the recommendations seriously.

Mr. Pelletier reported the Information Security Manager established a steering committee, developed a comprehensive plan and strategy for information security, and developed a timeline for implementation of the plan and strategy. He was comfortable with their efforts and steps to move in the right direction.

Council Member Espinosa asked why the recommendations were listed as not in progress.

Mr. Boussina indicated there was a plan for implementation of the recommendations. The recommendations were being addressed, even though the specific recommendation had not been started.

Mr. Pelletier stated the IT Department's plan was logical in terms of timing. It was a large and comprehensive undertaking and the plan addressed the entire issue over a reasonable period of time.

Council Member Espinosa believed thought should be given to coming to Committee meetings with recommendations identified as essential as well as recommendations not being addressed in a timely fashion. He suggested Mr. Pelletier, City Manager Keene, and Department heads discuss essential recommendations not being addressed in a timely fashion.

Mr. Pelletier agreed.

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Council Member Klein recommended calling those recommendations essential and not on track.

Ms. Tucker asked the Committee to consider amending the report to note her verbal update.

MOTION: Council Member Schmid moved, seconded by Council Member Klein that the Policy & Services Committee: 1) accept the Auditor's Office Audit Recommendations (June 2012) and recommend City Council approval including the response to the audit recommendation from the Audit of Employee Ethics Policies provided to the City Auditor by the City Manager and the updated travel and Cash Handling policies, and 2) include sections on "essential and not on track"

MOTION PASSED: 4-0