



## CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

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

November 20, 2001

### Report on the Status of Audit Recommendations

#### Background

The Municipal Code requires the City Auditor to issue an annual report on the status of recommendations from recently completed audits. This report summarizes the status of 132 recommendations from 15 different audit reports. These recommendations are from reports that were issued since the City Auditor's last recommendation status report to the City Council in January 1997, or that were outstanding on that date. It shows those recommendations that have been completed or resolved, those that should be dropped, and provides an agreed course of action to implement remaining recommendations.

We compiled this report based on interviews with appropriate City staff, and have reviewed its contents with them. In the future, we will only list those recommendations that are shown as in process on this report or result from new audits.

#### Summary of Results

City staff have completed or resolved a total of 100 out of 132 audit recommendations, or 76 percent. We recommend dropping 4 recommendations. The remaining 28 recommendations are in process. Staff expects to complete most of these recommendations during the current fiscal year. Completing these recommendations clearly demonstrates staff's commitment to improving the City's administrative processes.

I appreciate the extraordinary cooperation of staff in the City Manager's Office, Administrative Services, Community Services, Human Resources, Planning and Community Environment, and Public Works Departments in compiling this report.

Respectfully submitted,

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

Sharon W. Erickson  
City Auditor

cc: Frank Benest  
Emily Harrison

**SUMMARY**  
**STATUS OF AUDIT RECOMMENDATIONS AS OF NOVEMBER 2001**

Page Number	Audit Report		Completed or resolved	In process	Recommend drop
2	Audit of Payroll	Jul-01	5	1	1
3	Audit of Accounts Payable	Mar-00	4	7	
5	Audit of Class Registration	Jun-99	8	4	1
7	Utilities Operations Overtime	Nov-98	3	1	
8	Audit of Purchase Orders	Nov-98	20	5	
16	Travel Expense Reimbursement	Apr-98	7	8	
19	MacArthur Park Lease	Nov-97	3		1
19	Building Inspection Practices	Apr-97	16	2	1
24	Contract Change Orders	Feb-97	4		
24	Code Enforcement	Jan-97	13		
27	Heavy Vehicles & Equipment	Mar-96	4		
28	Retirees' Health Benefits	Dec-95	4		
29	Contract Administration	Oct-95	3		
30	PASCO Contract	Jan-95	1		
30	Use of City Vehicles	Dec-93	5		
	<b>TOTAL</b>	<b>132</b>	<b>100</b>	<b>28</b>	<b>4</b>

## AUDIT OF PAYROLL (Issued 7/1/01)

<p>1. Collect Human Resource (HR) and payroll data electronically. HR management should complete an evaluation of the net benefits and adequacy of controls of self-service software and prepare a timetable for implementation by the end of the third quarter 2001. If a significant new benefit or cost savings is realized before the projected installation of a complete HR and Payroll replacement, then HR management should work with the Administrative Services Division to install an interim self-service module.</p>	<p><b>X</b></p>	<p>In process. Staff fully supports the concept of employee self-service for human resource, payroll and timecard self-service through a web browser interface. Such applications are components of the Enterprise Resource Planning (ERP) system that is expected to be procured in 2002-03. Therefore, staff does not recommend expending resources on a temporary solution at this time. Target date: TBD.</p>
<p>2. Improve Lawson System Access Security.</p> <p><b>a.</b> HR Management should initiate the move of security administration duties for Lawson to staff in Information Technology. HR and Payroll should then review the security class, which has been authorized to perform all tasks within the Lawson System and remove any user not required to administer the Lawson applications as part of their normal duties.</p> <p><b>b.</b> HR and Payroll management should review and eliminate all security classes created for departments other than HR and Payroll unless necessary for other employees to perform assigned job duties.</p> <p><b>c.</b> Management of HR and Payroll should document a review of the entire Lawson security table semi-annually to determine if existing security profiles for each member of their respective staffs is correct for the performance of their assigned job duties. Also, document any existing security classes for non-HR and Payroll staff to determine they are necessary and current.</p>	<p><b>X</b></p>	<p>Completed. HR and Payroll staff has completed all revisions to the current security profiles. A Senior Technologist in the IT Division of ASD has assumed responsibility for Lawson security management. Cross training is planned for a second Senior Technologist as a backup.</p>
<p>3. We recommend that Payroll Management implement a policy to deactivate obsolete pay codes as soon as they are no longer needed for processing payroll information. Payroll Management should implement a procedure to remove deactivated pay codes a least annually.</p>	<p><b>X</b></p>	<p>Completed. As a result of the audit, 32 pay codes were determined to be obsolete and were deleted. Payroll will annually review pay history files to identify and delete pay codes that no longer have any history associated with them.</p>
<p>4. A Senior Accountant of Payroll should review Payroll's Procedure manual and the City's Policy &amp; Procedures (Chapter 2, Section 6) annually. Any needed revisions should be completed within three months.</p>	<p><b>X</b></p>	<p>Completed. Payroll staff prepared revisions to both the Payroll Policy and Procedure Manual and the City's Policy &amp; Procedures.</p>

Audit Report	Completed or resolved	In process	Recommend drop	Comments
5. HR management should develop time or other criteria for archiving ex-employee master records by the end of fiscal year June 2001. HR should review and archive annually master records for ex-employees meeting the criteria.			<b>X</b>	Drop. In keeping with IRS regulations, payroll history is archived after three years. According to staff, there is ample hardware storage currently for the ex-employee records. In addition, HR staff receives frequent enough inquiries about long past ex-employees to justify leaving these records on the regular system. Therefore, staff does not recommend archiving additional records at this time.
6. Improve employee compliance with timecard completion procedures. a. The Senior Accountant of Payroll should address a memo to all timekeepers and supervisory management advising them to refresh their knowledge of timecard preparation by reading the revised City's Policy and Procedures 2-6, II. The memo should specifically disallow the use of rubber stamps as a substitute for any signature. The memo should also emphasize that all timecard revisions should be initialed and timecards should be completed in permanent ink. b. We recommend the Senior Accountant of Payroll review a sampling of timecards periodically to identify any noncompliance with timecard procedures. Where deemed appropriate, follow-up may be made through timekeepers to resolve any problems.	<b>X</b>			Completed. Payroll staff reinforced timecard completion procedures in a citywide email. Payroll staff continues to review time cards each pay period for compliance. Payroll notifies those departments that consistently fill out timecards in pencil, do not initial changes, or fail to provide all required signatures.
7. We recommend that the Payroll Department initiate a request to the Information Technology Division by the end of 3 <sup>rd</sup> quarter 2001 to correct Lawson's calculation of hourly pay rates for employees on a 56-hour weekly work schedule.	<b>X</b>			Resolved. Payroll staff changed their procedure to correct the problem, and does not recommend any custom programming at this time.

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

1. Employees that currently have access to the database should be re-evaluated. Further, access should be limited to City employees and should exclude those who can process transactions.	<b>X</b>			Completed. Security access is evaluated on an ongoing basis with employees grouped into three security profiles. The profiles ensure appropriate separation of duties.
2. An edit report, reflecting changes, additions, and deletions to the vendor database and the employees processing those edits should be generated and reviewed by management on a periodic basis.		<b>X</b>		In process. In lieu of re-programming the current system, staff will implement additional vendor reports as part of the new ERP system implementation. Target date: TBD.

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3. There were a significant number of inactive and duplicate vendor accounts on the database. Management should continue their efforts to clean up the database and should establish a regular schedule for maintenance.		<b>X</b>		In process. Currently, staff eliminates duplicate vendor accounts when they're identified. The new ERP system will facilitate regular database maintenance. Target date: TBD.
4. Direct/drop ship orders were processed and paid without receiving documentation. Documentary evidence should be required for all payments. Transactions should not be paid until receiving documentation can be provided.	<b>X</b>			Completed.
5. Direct/drop ship orders were paid without acknowledgement of receipt. Proper signoffs acknowledging receipt should be required for all purchases. Transactions should not be processed without such approvals.	<b>X</b>			Completed. Properly authorized Request for Payment Claim Vouchers are required to receive services and materials that are drop-shipped to departments.
6. Orders for services were processed as direct and drop shipments. Short form agreements, or similar documents which provide contractual safeguards, should be used for services purchased.	<b>X</b>			Completed. Short-form agreements are used whenever appropriate.
7. Signature authority for claim vouchers requires review and evaluation. Uniform policies for approval authority should be established. Additionally, dollar thresholds should be established to facilitate efficient processing. Finally, Accounts Payable should review the current list and remove terminated employees from the list immediately.		<b>X</b>		In process. Human Resources staff notifies Accounts Payable staff of terminated employees on a daily basis via an automated email system. The terminated employee(s) is noted on the authorized signature list. Dollar thresholds are being reviewed as part of an overall review of processes and because of increases in volume processed. Expected completion by the end of 2001-02.
8. To improve oversight and facilitate timely resolution of pending items, we recommend that: the Manager of Accounting assign sufficient staff to resolve the current backlog of invoices; the quarterly report be revised to include the nature of the problem, current status, estimated timeframe for resolution, and summarize the number and aging of items contained in the file by type of problem; and the report should be review and approved by the Manager of Accounting. The Manager of Accounting should ensure that there is appropriate follow-up with non-responsive departments.		<b>X</b>		In process. In order to increase the number of items processed and the resolution of pending items, temporary staff has been added in Accounts Payable. In addition, staff conducted two citywide reviews of open encumbrances during the past fiscal year. The current IFAS system does not have the capability to provide the needed report. In lieu of re-programming the current system, staff will implement additional reports as part of the new ERP system implementation. Target date: TBD.
9. Open receivings (received not charged) are not monitored. A report reflecting goods received but not charged should be generated and reviewed with the appropriate follow-up on receivings over 60 days old.		<b>X</b>		In process. The current IFAS system does not have the capability to provide the needed report. In lieu of re-programming the current system, staff will implement additional reports as part of the new ERP

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system implementation. Target date: TBD.				
10. A report which provides information regarding departmental delays in submitting invoices should be generated and reviewed by the Manager of Accounting.		<b>X</b>		In process. The current IFAS system does not have the capability to provide the needed report. In lieu of re-programming the current system, staff will implement additional reports as part of the new ERP system implementation. Target date: TBD.
11. Comprehensive written procedures should be developed immediately.		<b>X</b>		In process. Staff is in the process of reviewing procedures and making several revisions to accounts payable and purchasing procedures. Travel and petty cash procedures are being addressed this fall. Revisions of the remaining procedures will be completed before the end of 2001-02.

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

<p>1. The City should consider additional methods for registering for classes.</p> <p>a. Staff should establish procedures to accept registrations submitted by telephone.</p> <p>b. Staff should ensure that the recent procedures for accepting registrations submitted by FAX are reflected in the registration section of the course catalog.</p> <p>c. Staff should continue their efforts towards obtaining the necessary software to process registration through the Internet. While we understand that the initial CIP request was denied, we encourage Community Services to pursue this project in their efforts to improve processing efficiency and customer service.</p> <p>d. Staff should consider establishing drop boxes at one or more registration sites to accommodate after hour receipts.</p>		<b>X</b>		In process. Customers enjoy a variety of registration methods including having the Enjoy Catalog available on-line with fax-in registration, mail-in registration, drop-off registration, in-person registration, and soon will have fully interactive on-line registration. After much discussion, staff has recommended against implementing and maintaining a phone registration system that would require significant staff time. However, drop boxes will be implemented by Jun-02, and staff continues to work with the IT division of ASD and the class registration system vendor to implement full-service, on-line Internet registration. Target date: TBD.
2. We recommend that Community Services adopt a policy allowing residents to register between one to two weeks in advance of non-residents.			<b>X</b>	Drop. Staff did not agree with this recommendation. Residents are allowed to register before non-residents for the very popular camp programs. For the balance of programs, residents receive a 10 percent discount. Many of the programs have a regional draw, and the practice of allowing non-resident participation has allowed the City to present a far broader array of classes and topics than the City

Audit Report	Completed or resolved	In process	Recommend drop	Comments
				would otherwise be able to provide. Moreover, there are only a handful of classes that have wait lists that residents are not able to get into.
3. To improve customer service, we recommend that the <i>Enjoy</i> catalog be issued in advance of the first day of registration.		X		In process. The <i>Enjoy</i> catalog is distributed through the <i>Palo Alto Weekly</i> . The distribution date will be advanced by one week once the on-line registration system is in place. Target date: Mar-02.
4. We recommend that direct mailings be mailed on the same day that the <i>Enjoy</i> catalog is issued. This will help to ensure that residents are notified of classes at the same time as direct mail recipients, affording them with the same opportunity to register for classes.	X			Completed.
5. Eliminate the waiver requirement at the point of registration. In order to promote the use of electronic registration and improve customer service during peak registration periods, we recommend that students be allowed to submit waivers on the first day of class, with the exception of children's classes.	X			Resolved. Staff worked with the City Attorney's Office to dramatically reduce the length of the waiver document, thereby resolving the issue.
6. Customer surveys could be more effective. <ul style="list-style-type: none"> <li>a. Surveys should be performed on an annual basis.</li> <li>b. The objective of the survey should be clearly defined and the survey streamlined to reflect questions consistent with that objective.</li> <li>c. Community Services should consider additional methods of obtaining feedback to provide sufficient information in evaluating course offerings, the catalog, and the registration process.</li> </ul>	X			Completed. Staff has implemented an Enjoy Catalog survey every two years, a customer satisfaction survey at all recreation front desks, and post-class surveys to measure customer satisfaction. Staff continues to explore ways to improve customer service and will implement a web-based survey in the next three months.
7. In order to improve customer service, we recommend that Community Services consider staggering work schedules or utilizing interns to offer extended office hours during peak registration periods.	X			Completed/resolved. The registration desk is open for business Monday until 6 p.m. and Tuesday through Saturday until 9 p.m.
8. Consider implementing additional customer service enhancements. <ul style="list-style-type: none"> <li>a. Staff should consider establishing express lines to improve registration efficiency and improve customer service.</li> <li>b. Staff should consider providing music or entertainment to reduce the stress of waiting in line during peak registration periods.</li> </ul>	X			Completed. Information booths and roving troubleshooters have been added to the camp registration process. The division is trying to make this year's registration more educational with booths from other non-profits of interest to parents, and are examining the possibility of express lines for those wishing to register for only one camp.

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<p>9. We recommend that staff review the current registration section in the <i>Enjoy</i> catalog and ensure that it completely describes the process for registering for all classes, that such descriptions are clear and unambiguous, and that they are consistent with other policies or procedures presented in the catalog.</p>	X			Completed. The Enjoy catalog has been redesigned to be more clear and user friendly.
<p>10. System information could be used more effectively. We recommend that staff identify, obtain, and utilize management reports available through the system. Staff should consider additional vendor on-site training to become familiar with other system options and capabilities.</p>		X		In process. New reporting capabilities are available for the ESCOM class registration system. The division is in the process of learning how to best use these new reporting capabilities. Target date: Jun-02.
<p>11. Contingency plans for processing registration have not been developed. We recommend that contingency plans be developed to handle the manual processing of registration forms and that the appropriate staff training is provided.</p>	X			Completed. A contingency plan has been developed.
<p>12. We recommend that Community Services work with the City's Budget Division to develop a reasonable methodology for determining the costs of classes. This can be used to determine the level of cost recovery in establishing fees charged to its customers.</p>		X		In process. The Recreation Division is working with ASD to develop a cost methodology that will be a prototype for other divisions. Target date: Jun-02.
<p>13. We recommend that written procedures for the class registration process be developed.</p>	X			Completed.

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## UTILITIES OPERATIONS OVERTIME (Issued 11/98)

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<p>1. Written procedures have not been developed for Utilities Operations timekeeping practices. We recommend that comprehensive written procedures be developed, effective immediately.</p>	X			Completed.
<p>2. Overtime pay codes and hours were not always accurately entered into the timekeeping system. We recommend that Utilities Operations:</p> <ul style="list-style-type: none"> <li>a. Ensure that <i>all</i> pay codes used by the sections for recording overtime are captured and reflected in the TUP system.</li> <li>b. Work with Payroll Division personnel to ensure that <i>all</i> pay codes in the TUP system are consistent with those in the payroll system.</li> <li>c. Work with the Payroll Division to ensure that definitions of pay</li> </ul>		X		In process. Recommendations a, b, and c are completed. An automated timekeeping system is needed to address recommendations d, e, and f, and to eliminate the TUP system. The new ERP system will integrate electronic timekeeping and reporting tools. Target date: TBD.



Audit Report	Completed or resolved	In process	Recommend drop	Comments
<p>codes are consistent between the two systems.</p> <p>d. Payroll system access be assigned to Utilities administrative personnel.</p> <p>e. Administrative staff be assigned responsibility for timecard entry for Utilities Operations.</p> <p>f. Work with Payroll Division personnel to ensure that management reports, including information on overtime, are generated by the payroll system.</p>				
<p>3. We recommend that the Electric Operations section reconcile information reflected on the biweekly Sick Leave and Overtime reports with the weekly time sheets to ensure that hours are properly coded and reported, effective immediately.</p>	<b>X</b>			Completed.
<p>4. Extended day overtime is not identified and approved. We recommend that extended day overtime be recorded on a work authorization form and reviewed and approved by the appropriate supervisor to ensure comparability and accurate reporting. Additionally, we recommend that a pay code for extended day overtime be developed and that extended day hours be reported separately on management's Sick Leave and Overtime Report. It should be noted that, during the audit, procedures requiring the recording of extended day hours and supervisor's approval on authorization forms were established.</p>	<b>X</b>			Completed.

## AUDIT OF PURCHASE ORDERS (Issued 11/09/98)

<p>1. Blanket orders were not competitively bid and price quotes were not obtained as required.</p> <p>a. Competitive bidding and price quote requirements for blanket orders and purchase orders should be reviewed with all Purchasing staff. Staff should be encouraged to seek more than the required quotes where practicable.</p> <p>b. Staff should develop a control checklist for processing blanket orders and purchase orders. This list should indicate the procurement method (e.g. competitive bids, price quotes) and the number of bids or price quotes obtained. Staff should record their explanations on the checklist when the required price quotes are not obtained.</p>	<b>X</b>	<p>Completed/resolved. A minimum of three quotes or bids are obtained for all purchases over \$3,000 whenever possible. Written quotes are required for all purchases over \$5,000. The number of quotes/bids obtained is documented on the control checklist with appropriate explanations when three quotes cannot be obtained. Purchasing verifies all department-supplied quotes by contacting the vendor. Although staff did not agree with all the specifics of this recommendation, the Purchasing Manager and the City Manager's Office review all blanket orders over \$25,000. In addition, multiple blanket orders with a single vendor are totaled to</p>
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Audit Report	Completed or resolved	In process	Recommend drop	Comments
<ul style="list-style-type: none"> <li>c. The Director of Administrative Services should review a sample of blanket orders and purchase orders processed on a quarterly basis to ensure compliance with minimum bid and price quote requirements. The results of this review should be documented and reported to the City Manager.</li> <li>d. Purchasing should independently verify department-supplied pricing. This can be accomplished by reviewing vendor information including brochures or price lists or contacting the vendor directly to confirm quoted prices. The results of this review should be documented in the procurement files.</li> </ul>				determine required approval levels.
<p>2. Sole source purchases were not properly justified and were not approved.</p> <ul style="list-style-type: none"> <li>a. Purchasing should require that all sole source purchases be properly justified. Written justifications should state why a sole source purchase is warranted and describe how alternative vendors were investigated and why those vendors were not satisfactory. Additionally, a justification of the costs should be included.</li> <li>b. Purchasing should ensure that written justifications are approved by the department head, Purchasing Manager and City Manager as required. Justifications that are not properly approved should be returned to the initiating department.</li> <li>c. On a sample basis, Purchasing should independently verify the sole source condition.</li> </ul>	<b>X</b>			Resolved. All purchases over \$5,000 have sole source justifications provided by the originating department or by the buyer (when multiple departments are end-users). All sole source justifications are reviewed and approved by the buyer or Contract Manager, the Purchasing Manager, and the City Manager's Office. The Purchasing Division independently verifies the sole source condition on a sample basis or if staff has any question as to whether or not competition exists for a sole source purchase.
<p>3. Purchase order amounts and awards did not appear proper.</p> <ul style="list-style-type: none"> <li>a. Purchase order amounts should be consistent with amounts effected on the price quote submitted by the successful vendor.</li> <li>b. Purchases should be awarded to the vendor submitting the lowest quote.</li> <li>c. Purchasing decisions should be based on current pricing information.</li> <li>d. Justifications for any exceptions should be documented on the control checklist and approved by the Purchasing Manager.</li> </ul>	<b>X</b>			Resolved. Purchase award decisions are based on the lowest responsible bidder, which is not necessarily the low price bid. Files now document the reasons for awarding to other than the low price bidder. In cases where verbal changes are made to a quote during the award process, files now fully document the circumstances where quantities were adjusted before the order was placed.
<p>4. Approvals were obtained after receipt of goods or services.</p> <ul style="list-style-type: none"> <li>a. Purchasing should review the dates provided by the departments to ensure that they provide sufficient lead-time for obtaining the</li> </ul>	<b>X</b>			Completed. Purchasing monitors order and receipt dates and now contacts departments that place verbal orders before purchase orders are written and approved. Purchasing has spent time educating

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<p>required approvals. Any exceptions should be reviewed with departments for training purposes.</p> <p>b. Purchasing should not provide departments with blanket order or purchase order numbers until all required approvals have been obtained. This will help to ensure that orders are not placed with vendors without proper approval.</p>				<p>departments to ensure that they understand the risk faced by the City when verbal orders are placed. Purchasing now provides departments with purchase order numbers only when the purchase request is complete, including all required approvals.</p>
<p>5. Blanket order purchases were not presented to the City Council and approved as required.</p> <p>a. Purchasing should obtain an exception report showing blanket order awards in excess of the dollar threshold for City Council reporting and/or approval. The date that the order was approved by Council should be noted on the report.</p> <p>b. Purchasing should use the report described above in developing quarterly information for Council.</p> <p>c. The Director of Administrative Services should compare information on the exception report with the quarterly report to Council prior to issuance to ensure that it is accurate and complete. A statement attesting to the accuracy and completeness of the report should be included in the transmittal to Council and approved by the Director.</p> <p>d. Blanket orders that were not properly approved should be reported to the City Manager.</p>	<b>X</b>			<p>Completed. Staff began issuing quarterly blanket order activity reports to the City Council in 1998, and implemented the procedures recommended in the audit to ensure the information presented to Council is complete.</p>
<p>6. Purchase requisitions and purchase orders were not properly approved.</p> <p>a. Purchasing should distribute copies of the City's current approval requirements as outlined in the Purchasing Manual to all department heads and managers. This distribution should be accompanied by transmittal letters signed by the department heads as evidence of their review and understanding of approval requirements.</p> <p>b. Purchase orders should only be generated after receipt of properly approved purchase requisitions.</p> <p>c. Purchasing staff should initial the appropriate line on the control checklist as evidence that all required approvals have been obtained.</p> <p>d. Purchasing should establish a procedure for notifying department heads or their designees before blanket orders are renewed. This could be accomplished using the City's existing e-mail system.</p>	<b>X</b>			<p>Completed/resolved. The 1999-2001 Purchasing Guide outlines purchase requisition and purchase order approval requirements and processing guidelines. Each buyer reviews all assigned blanket orders each month. After verifying a continuing need for the material or service, the buyer takes steps to renew blanket orders prior to their expiration. Each buyer reports action on his or her blanket orders by the tenth working day of each month.</p>

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<p>This procedure should be incorporated into the Purchasing Manual.</p> <p>e. The Director of Administrative Services should select a sample of purchase orders from the Purchase Order Summary Report and perform periodic spot checks of processed purchase orders. This should include reviewing requisitions and purchase orders to ensure that proper approvals have been obtained. Any exceptions should be discussed with the Purchasing Manager, the appropriate department head, and, if necessary, the City Manager.</p>				
<p>7. Blanket orders are not combined in determining reporting and approval requirements.</p> <p>a. Purchasing should eliminate the practice of issuing multiple blanket orders to the same vendors. This will provide for easy identification of reporting and approval requirements. Consolidating orders will also improve processing efficiency by reducing the number of blanket orders generated.</p> <p>b. The Purchasing manual should be updated to reflect the policy of consolidating departmental blanket orders.</p>	<b>X</b>			<p>Completed. The Blanket Order Report is now utilized to combine multiple blanket orders to the same vendor for reporting and approval requirements. According to the 1999-2001 Purchasing Guide, Purchasing will arrange with the vendor or contractor to submit consolidated monthly billings for each blanket order.</p>
<p>8. Blanket orders did not describe the goods or services being purchased and the related unit costs.</p> <p>a. Using the control checklist, Purchasing staff should indicate that the order reflects detailed descriptions and unit pricing for the materials or services being purchased. Purchasing should not process blanket orders or change orders without this information.</p> <p>b. Purchasing should remind departments that descriptions and unit pricing are required for processing blanket orders.</p>	<b>X</b>			<p>Completed/resolved. According to the 1999-2001 Purchasing Guide, Purchasing is responsible for obtaining bids/quotations. It should be noted that certain low-dollar value, convenience blanket orders for inexpensive, indefinite material or services (such as Home Depot blanket orders) are impracticable to bid. Their function is to hold open accounts with merchants for the convenience of department staff.</p>
<p>9. Amounts and quantities were charged without explanation, justification, or approval.</p> <p>a. In order to facilitate timely processing of purchase requisitions, it is, in our opinion, acceptable for buyers to record changes on the purchase requisition. However, the department should be notified either via phone or through e-mail, of changes to the purchase requisition as originally submitted. This includes adjustments to both pricing and quantities. The communication should be annotated on the purchase requisition, reflecting the date of contact and departmental personnel authorizing the purchase requisition change.</p> <p>b. Purchasing should not process changes to orders without</p>	<b>X</b>			<p>Completed/resolved. Although staff did not agree with all the specifics of this recommendation, staff now documents all changes in requirements including descriptions of additional items or services to be provided. Purchasing informs departmental staff regarding changes in purchase requests that substantially change the price or product. Requests for change orders are reviewed by the buying staff to ensure that they contain an explanation for the change.</p>

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<p>descriptions of the additional items or services to be provided and the circumstances that led to the need for the change order, as shown on the City's standard change order form.</p> <p>c. The Director of Administrative Services should obtain the Blanket Order Report on a quarterly basis and review a sample of blanket orders processed. This review should include examining the supporting purchase requisition and any change orders to ensure that changes to the original blanket order are properly documented.</p> <p>d. In the case of stock purchases, Purchasing should, at minimum, inform the department of the impending replenishment of a stock item and request information regarding the departments' continued need for the item and satisfaction with the current vendor. This will help to ensure that the stock items being reordered are needed and that the quantities ordered are consistent with the department's expected usage. This information should be recorded and retained in the purchase order file.</p>				
<p>10. Blanket orders were not properly used.</p> <p>a. Purchasing should review blanket orders to ensure that their use is appropriate. Staff should then initial the appropriate line on the checklist as evidence that the appropriate method of procurement is being used.</p> <p>b. Purchasing should follow up with departments to ensure that there is a clear understanding as to when blanket orders can be used. Blanket orders should not be used when a standard purchase order, contract, or short form agreement would better serve the City's purpose.</p>	<b>X</b>			<p>Completed. The 1999-2001 Purchasing Guide outlines the proper uses of blanket purchase orders and steps for processing them. ASD staff conduct on-going outreach and one-on-one training using the revised Purchasing Guide.</p>
<p>11. City expenditures exceeded blanket order amounts.</p> <p>a. Purchasing should work with the Information Technology Services (ITS) Division in establishing systemic controls over purchase order payments as described above.</p> <p>b. In the interim, Purchasing staff should establish a regular schedule for the periodic review of the Blanket Order Report.</p> <p>c. The Director of Administrative Services should follow up with the department heads for payments which exceed blanket order amounts by 10% or more. Future payments should not be processed against these orders until the appropriate change orders have been processed.</p>	<b>X</b>			<p>Resolved. The 1999-2001 Purchasing Guide outlines procedures for handling blanket orders that grow at an unanticipated rate.</p>

Audit Report	Completed or resolved	In process	Recommend drop	Comments
<p>12. Buyer assignments are not rotated.</p> <p>a. Purchasing should evaluate current buyer assignments and the respective workloads.</p> <p>b. Purchasing should implement a policy, effective immediately, of assigning buyers to new commodity groups on a three-year basis. This cycle should allow buyers to become knowledgeable in their new commodities while assisting in preventing over familiarity with vendors.</p>	<b>X</b>			Completed. Commodity assignments were rotated in June 1999. Staff plan to rotate commodities on an ongoing basis with rotations occurring at least every three years.
<p>13. Standard material codes are not used for purchases.</p> <p>a. Purchasing should work with ITS to provide for the input of standard material codes into the purchasing module.</p> <p>b. Purchasing should work with ITS to develop a report reflecting purchases by commodity. This report should be provided to Purchasing on a periodic basis and used in negotiating purchases.</p>		<b>X</b>		In process. The City's financial system cannot accommodate standard material codes without costly modifications. Commodity information is now gathered and collected manually and reports of purchases by commodity are generated as needed. This feature will be incorporated into specifications for the new ERP system. Target date: TBD.
<p>14. A mechanism for gathering information on vendor performance has not been established.</p> <p>a. Purchasing should meet with department representatives to discuss some common vendor performance criteria, such as adherence to delivery dates, quality of goods and services, etc.</p> <p>b. Based on departmental feedback, Purchasing should develop a standard vendor performance report to be completed by the department.</p> <p>c. Vendor performance results should be entered into a separate vendor history database indexed by vendor name and/or commodity or services purchased and which is accessible to buying personnel.</p>		<b>X</b>		In process. Vendor performance is collected on an informal basis. Although staff recognizes the value of establishing a vendor performance database, staff has concluded that collecting and verifying the validity of the data on a more formal basis would be costly at this time. The number of marginal performers may be too small to make this effort worthwhile on a routine basis. Staff will reassess this recommendation when a new financial system is in place that has the capability to automate vendor performance information. Target date: TBD.
<p>15. Comprehensive management reports are not generated.</p> <p>a. In addition to the aforementioned, Purchasing should identify additional information which would be helpful in the procurement process.</p> <p>b. Purchasing should work with ITS to generate these management reports.</p>	<b>X</b>			Resolved. Management information reports have been generated and are used to monitor performance on a monthly basis. Examples include a Blanket Order Report that was designed to monitor blanket order activity, a Purchasing Transaction Report, and a Buyer Processing Report. Expanded reporting capabilities will be incorporated into specifications for the new ERP.
<p>16. Files were missing.</p>	<b>X</b>			Resolved. Purchasing files were consolidated from four to two locations to improve file organization and

Audit Report	Completed or resolved	In process	Recommend drop	Comments
<ul style="list-style-type: none"> <li>a. The Director of Administrative Services should investigate the missing orders. This should include following up with the appropriate department management.</li> <li>b. The importance of good file maintenance should be reviewed with the Purchasing staff. A checkout log to monitor blanket orders and purchase orders taken from the files should be developed.</li> </ul>				control. In addition, staff implemented the use of checkout cards to monitor files taken.
<p>17. Written procedures have not been revised and distributed to departments.</p> <ul style="list-style-type: none"> <li>a. Purchasing should distribute updated policies and procedures to all departments. This distribution should include a transmittal to be signed by the assigned department personnel as evidence of their review and understanding of the operating procedures. The transmittal should be forwarded to the Director of Administrative Services.</li> <li>b. Purchasing should conduct training sessions for all departments in order to review and highlight changes to the purchasing process.</li> </ul>	<b>X</b>			Completed/resolved. Staff completed and distributed a new Purchasing Guide for 1999-2001, and offers formal training session to City staff on an on-going basis.
<p>18. Purchase orders with term contracts were not properly reviewed.</p> <ul style="list-style-type: none"> <li>a. Purchases with term contracts should be properly reviewed prior to approving the purchase orders. The term contract file, including all salient information, such as bids and documentation supporting vendor award recommendations, should be provided to the Purchasing Manager and City Manager.</li> <li>b. Review requirements for term contracts should be incorporated into the Purchasing manual.</li> </ul>	<b>X</b>			Resolved. Term contracts are reviewed and approved when the contract is established. Staff believes that reviewing the contract each time an order is placed against it would be duplicative and time consuming. However, a term contract can be reviewed at any time upon request.
<p>19. More multi-year blanket orders should be negotiated.</p> <ul style="list-style-type: none"> <li>a. Purchasing should review the current list of blanket orders and identify goods and services which are purchased annually and which could be subject to multi-year arrangements.</li> <li>b. The Purchasing Manager should instruct buying personnel to confirm the ongoing need for the goods and services with departments and negotiate long-term agreements in order to take advantage of price breaks and discounts.</li> <li>c. The Purchasing Manager should review the term limits for blanket orders set forth by the Code and determine if any revisions are necessary.</li> </ul>	<b>X</b>			Resolved. According to staff, approximately 10 percent of the City's blanket orders are established on a multi-year basis. Training in use of blanket orders is on-going.

Audit Report	Completed or resolved	In process	Recommend drop	Comments
<p>20. Purchasing does not issue citywide blanket orders.</p> <p>a. Using the Blanket Order Report, Purchasing should identify vendors with multiple blanket orders and determine if a consolidated blanket order is practicable.</p> <p>b. Purchasing should work with the departments to ensure that citywide orders are generated for subsequent purchases.</p> <p>c. Purchasing should adopt a policy regarding citywide blanket orders and incorporate it into the Purchasing Manual.</p>		<b>X</b>		<p>In process. Although citywide blanket orders would have merit, staff determined that due to limitations in the financial system, it would be impractical to expand their use at this time due to additional administrative efforts in the areas of receiving and invoice payment. Staff will explore whether the new ERP system would facilitate central blanket orders. Target date: TBD.</p>
<p>21. Buyer performance measures have not been established.</p> <p>a. Performance measures for Purchasing staff, such as those described in the text of the finding, should be established.</p> <p>b. Performance measures should be used for monitoring and evaluating buyer performance.</p>	<b>X</b>			<p>Completed/resolved. Impact measures tracing buyer performance have been incorporated into the budget. Additional workload measures are used to monitor and evaluate buyer performance.</p>
<p>22. A vendor list is not maintained.</p> <p>a. Purchasing should develop a vendor list, using established commodity codes, effective immediately.</p> <p>b. Purchasing should ensure that the list is properly updated and maintained.</p> <p>c. Any other relevant information, including price lists and catalogs, should be filed with the vendor list for easy access and reference.</p>	<b>X</b>			<p>Completed/resolved. The Purchasing Division's web page includes an interactive vendor registry using commodity codes.</p>
<p>23. Current price quote requirements for small dollar purchases are too restrictive.</p> <p>a. Purchasing should eliminate the requirement to obtain three price quotes for purchases under \$3,000, effective immediately.</p> <p>b. Purchasing should develop procedures which allow departments to handle purchases under \$3,000.</p> <p>c. Purchasing should incorporate these changes into the Purchasing Manual.</p>		<b>X</b>		<p>In process. Staff eliminated the requirement to obtain three price quotes for purchases under \$3,000. According to the 1999-2001 Purchasing Guide, purchases of \$3,000 and below require "only a sufficient number of bids... to insure the economic advantage of the City." Written quotes are now only required for purchases over \$5,000. The Purchasing Guide is being changed to reflect this policy. Target date: TBD.</p>
<p>24. Purchasing should expand and expedite the testing of procurement cards.</p> <p>a. The pilot program should be expanded to include issuance of cards to operating departments.</p>		<b>X</b>		<p>In process. The Procurement Card pilot project will be completed by December 31, 2001.</p>



Audit Report	Completed or resolved	In process	Recommend drop	Comments
<ul style="list-style-type: none"> <li>b. A timetable for completion of the pilot program should be established. We found that other municipalities have completed the pilot program and subsequent evaluation in six to nine months.</li> <li>c. The City Auditor's Office should assist with evaluating the effectiveness and adequacy of internal controls of the program as part of the pilot program.</li> </ul>				
25. Purchasing is not utilizing Internet capabilities.	<b>X</b>			Completed. In August 1999, Purchasing introduced its own web site that can be accessed on the City of Palo Alto home page ("ePost, Doing Business with the City").
<ul style="list-style-type: none"> <li>a. As part of the development of the City's web page, Purchasing should work with ITS in establishing an electronic bulletin board for posting bid and price quote requests, effective immediately.</li> <li>b. Purchasing should consider establishing an interactive web site to facilitate timely communications with potential vendors, as described above, and to reduce or eliminate paperwork inherent with the current procurement process.</li> </ul>				

## TRAVEL EXPENSE REIMBURSEMENT (Issued 04/27/98)

1. Distribute copies of the City's travel policies and procedures to all department managers, highlighting authorization, approval, and documentation requirements. This distribution should be accompanied by a transmittal letter to be signed by department managers as evidence of their review and understanding of these procedures. Signed letters should be returned to the Director of Administrative Services Department.		<b>X</b>		In process. The update of the travel policy has been delayed due to staff turnover in the Accounting Division. Staff has met with the new City Auditor to review proposed changes to both the travel and petty cash policies. Staff will complete changes by the end of 2001-02.
2. Provide signature blocks on the travel authorization forms and travel expense reports which require the signature of the department head or designee. The signature block should indicate that the approving party certifies that the employee's payment request complies with the City's travel policies and procedures.		<b>X</b>		In process. To be completed as part of the updated policies and procedures in 2001-02.
3. Develop a comprehensive list of travel expenses which will not be paid by the City. This list should include hotel/meal charges for extended travel stays, hotel charges at double occupancy rates, and fees for social events, such as golf tournaments and sightseeing tours. This list should be distributed to all department heads and incorporated into the City's travel policies and procedures. Exceptions should be justified in writing by the traveler (in advance when possible) and should include		<b>X</b>		In process. Staff developed a list of disallowed expenses which was included in the Accounts Payable Quick Reference Guide. Staff will include the list in the 2001-02 update of the travel policy.

Audit Report	Completed or resolved	In process	Recommend drop	Comments
supporting documentation. All exceptions should be approved by the City Manager.				
<p>4. Ensure that Accounts Payable staff and management are familiar with City travel policies and procedures as well as authorized travel expenses. Requests for travel advances and reimbursements which are not properly authorized, approved, and/or lack proper documentation (including conference brochures) should be rejected and returned to the submitting employee. Payment for unauthorized expenses, such as those cited in Recommendation #3 above, should be disallowed. Finally, travel advance requests which exceed authorized amounts shown on the travel authorization form should be rejected.</p>	<b>X</b>		Completed.	
<p>5. Require that the Accounts Payable supervisor perform periodic spot checks of processed travel payments to ensure compliance with City policies and procedures. Any exceptions should be followed up with the responsible personnel and used for training purposes.</p>	<b>X</b>		Completed.	
<p>6. Consider revising the five-day requirement for submission of travel expense reports to two weeks. Employees should be required to submit written justification for late reimbursement submissions to be approved by their respective department heads. Any late submissions lacking proper justification and approval should be rejected by Accounts Payable.</p>	<b>X</b>			Completed/resolved. Staff has revised the requirement for submission of travel expense reports from five-days to thirty-days. The new travel policies and procedures incorporate this requirement. Staff enforces the thirty-day submission requirement, but does not plan to require written justifications for all late submissions.
<p>7. The City could save money if employees request government discount rates for hotels. Provide a block on both the Travel Expense Report and Request for Travel Authorization form requiring employees to indicate whether discounted government hotel rates were obtained. Employees should provide justification when such rates are not obtained.</p>		<b>X</b>		In process. Few transactions occur that do not have group rates set, and not all hotels offer government rates. However the form will be updated and language will be included in the revised travel policies and procedures to be completed in 2001-02.
<p>8. Update the City's travel policies and procedures relating to obtaining discounted government rates and providing documentation requirements when discounted rates cannot be obtained.</p>		<b>X</b>		In process. To be completed in 2001-02.
<p>9. Develop a monthly report reflecting all outstanding travel advances that have not been cleared within the prescribed time frame. This report should be submitted to the employee's department head, requesting an anticipated date of submission for the travel expense report. Outstanding travel advances that are more than 90 days old should be reported to the City Manager for follow up.</p>	<b>X</b>			Completed/resolved. Outstanding travel advances are reviewed monthly, and a report of outstanding advances is sent monthly to department heads for follow-up. The Assistant Director of ASD will receive a copy of the outstanding advance report.

Audit Report	Completed or resolved	In process	Recommend drop	Comments
10. Ensure that the signature block for the travel authorization form (see recommendation #2) also states that the employee certifies that the expense report will be filed within the time frame established by the City's travel policies and procedures.		X		In process. The form will be revised and this change will be included in the revised travel policies and procedures to be completed in 2001-02.
11. Require that documentation evidencing attendance be provided with all travel reimbursement requests. Expense reports submitted without this documentation should include an explanation as to why proof of attendance could not be provided.	X			Completed/resolved. A list of required documentation was included in the Accounts Payable Quick Guide, and will be added to the revised travel policies and procedures update in 2001-02.
12. Update the City's travel policies and procedures relating to obtaining and submitting evidence of attendance.		X		In process. A list of required documentation was included in the Accounts Payable Quick Guide, and will be added to the revised travel policies and procedures update in 2001-02.
13. Review the City's meal per diem rates annually. In evaluating per diem rates, the federal government's standard meal allowance as well as actual meal costs currently incurred by employees should be considered.	X			Completed. Staff updated per diem amounts in June 1999, and will revise the amount again in the 2001-02 update.
14. Review the current account descriptions to clarify how expenditures should be coded. Copies of the descriptions should be distributed to all departments. Any expense items which appear to be miscoded should be returned by Accounts Payable to the submitting department.	X			Resolved. Staff reviewed the coding of expenditures and determined that the vast majority of travel expenditures were properly coded with only minor exceptions. ASD staff reviews and follows up on those exceptions, but in the spirit of MDB allows departments flexibility in determining how to code expenditures.
15. Review and update current written procedures to provide clear direction in processing travel advances and expense reimbursements. Departments could also benefit from more user-friendly procedures which provide step-by-step guidance in completing travel authorizations and expense reports. A bullet format or use of flowcharts could be very helpful. The procedures should also include a list of allowable expenses.		X		In process. Updated procedures were included in the Accounts Payable Quick Reference Guide and will also be included in the revised travel policies and procedures manual to be completed in 2001-02.

Audit Report	Completed or resolved	In process	Recommend drop	Comments
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## MACARTHUR PARK LEASE (Issued 11/10/97)

<p>1. MacArthur Park under-reported gross revenues resulting in underpayments totaling \$11,062. We recommend that the Real Estate Division notify Spectrum of the underpayment resulting from MacArthur Park's omission of catering revenues in their gross sales and pursue collection of these past due amounts, together with the related interest and fees. Additionally, the Real Estate Division should require that supporting documentation of annual gross sales, including yearly audited financial statements, be provided by MacArthur Park to preclude under-reporting of receipts in the future.</p>	X			Completed.
<p>2. We recommend that the Real Estate Division review MacArthur Park's payment records and properly bill the sublessee for outstanding late payments. Additionally, the Real Estate Division should consider increasing the late charge from the current 1% to encourage prompt payment of sublease payments.</p>	X			Completed.
<p>3. Real estate appraisals were not considered in determining amounts due. We recommend that the Real Estate Division staff work with the City Attorney's Office to determine whether the situation described in this finding has resulted in an overpayment by the sublessee. Additionally, staff should ensure that the minimum annual rent is adjusted to reflect changes in property values based on the five-year appraisals, as required.</p>	X			Completed.
<p>4. We recommend that staff work with the City Attorney's Office to ensure that contract terms for the MacArthur Park agreement are clear and not contradictory and that changes are properly reflected in the contract or supporting contract amendments.</p>			X	Drop. The City of Palo Alto's lease agreement with Stanford has been modified. The City no longer has an agreement with MacArthur Park restaurant.

## BUILDING INSPECTION PRACTICES (Issued 04/07/97)

<p>1. Projects were approved without evidence of proper inspections.</p> <ul style="list-style-type: none"> <li>- All areas inspected should be properly approved prior to the final inspection of a project. This requirement should be reviewed with all building inspection personnel.</li> <li>- The building inspection supervisor should follow up on projects with unapproved inspections. This should include identifying such projects by building inspector and working with building inspectors accordingly.</li> </ul>	X			Completed/resolved. The division implemented an automated permit tracking system in December 1999. The on-line system consolidates and makes available current inspection status. For example, upon receiving a customer request for inspection, clerical staff can immediately determine if previous inspections have been completed. In addition,
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Audit Report	Completed or resolved	In process	Recommend drop	Comments
<ul style="list-style-type: none"> <li>- The division should work with the Information Technology Services Division to generate a report which reflects projects that were granted final approval with open (unapproved) inspection areas.</li> <li>- The division should ensure that the new permit information tracking system, currently under development, includes a systemic control which prevents a project from receiving final approval if other inspections remain open (unapproved).</li> </ul>				<p>documentation requirements have been reviewed with the building inspectors. Although the automated system does not flag incomplete inspection records, the Supervisor regularly reviews inspection records at the time the supervisor organizes and distributes the scheduled inspections to the inspectors. This provides an opportunity to note and advise the inspector of irregularities in the inspection records before the subsequent inspections, including those instances where a final approval might be granted with open (unapproved) inspection areas.</p>
<p>2. Inspections with partial approval were not properly documented and monitored. We recommend that building inspectors be required to adequately document all areas subject to partial approval. Additionally, the building inspection supervisor should periodically obtain a listing of projects with partial approval and review the inspection records to ensure compliance with documentation requirements and to ensure the propriety of issuing partial approval for the area(s) inspected.</p>	<b>X</b>			<p>Completed/resolved. The automated tracking system that was implemented in December 1999 has a comment field that is used to enter details of a partial approval. The Building Supervisor conducts periodic inspections of staff's field work and documents discrepancies.</p>
<p>3. Reinspection fees were not consistently charged. To ensure that reinspection fees are consistently charged, we recommend that the building inspection supervisor review and approve any reinspections that may be subject to fee waiver.</p> <ul style="list-style-type: none"> <li>- Additionally, a report reflecting reinspection fees paid should be developed as part of the new permit information tracking system. This report should be reviewed by staff prior to scheduling reinspections to ensure that the appropriate fees have been paid as required.</li> <li>- Reinspection fees should be charged for initial reinspections in certain circumstances. We recommend that reinspection fees be charged for first-time reinspections due to the negligence of owners or contractors.</li> </ul>		<b>X</b>		<p>In process. Staff will develop clear and workable standards for reinspection fees that do not penalize builders or homeowners who are cooperating in good faith with City requirements. Target date: TBD.</p>
<p>4. Reinspection fee amounts have not been analyzed. We recommend that the division perform an analysis of reinspection costs and revise the fee accordingly. Additionally, the division should periodically review these costs to ensure that fees are consistent with actual costs incurred.</p>	<b>X</b>			<p>Completed. Effective August 13, 2001, the reinspection fee amount increased to \$45 to account for ½ hour of an inspector's time.</p>
<p>5. Expired permits were not properly monitored and renewal fees were not properly assessed. We recommend the permits provided to applicants clearly state the conditions under which a permit expires; the renewal fees to reinstate the permit; and that occupying a structure without final approval is a code violation. Additionally, expired permits should be flagged for follow-up.</p>		<b>X</b>		<p>In process. Information about permit expiration is stamped on every permit. The division will add language to the permit stating that a reinstatement fee will be charged. Target date: TBD.</p>

Audit Report	Completed or resolved	In process	Recommend drop	Comments
<p>6. The division should work with the Information Technology Services Division to generate a periodic report on expired permits. Proper follow-up procedures should be developed. These procedures should include sending standard form letters to notify permit holders that the permits have expired, that occupying a structure without final approval is a code violation, and that a renewal fee is required to reinstate permits. In addition, the letter should request a response from the permit holder regarding the status of the project.</p> <p>- Finally, the building inspection supervisor should use the report to ensure that inspections for projects with expired permits are not scheduled until the proper renewal fees have been paid.</p>			<b>X</b>	<p>Drop. The division did not agree that the recommended notification process was necessary. Information regarding the status of any permit is available at the Development Center on request, and staff use the automated permit tracking system (implemented Dec-00) to verify the validity of active permits prior to scheduling any inspection.</p>
<p>7. Amount of renewal fees charged for expired permits differs from the Municipal Code requirements. We recommend that the division work with the City Attorney's Office to ensure that renewal fees per division policies are consistent with the Municipal Code. Such fees should not exceed cost, in accordance with state law.</p>	<b>X</b>			Completed.
<p>8. Use and occupancy permits were not monitored and fees were not properly assessed. We recommend that procedures to monitor use and occupancy (U&amp;O) permits and the required inspections be developed. Specifically, the division should schedule U&amp;O inspections concurrently with final building inspections and coordinate with the Utilities Department to ensure that utilities are not established for new businesses until certificates of occupancy have been issued. Finally, the division should review the businesses noted to determine whether the businesses should apply for U&amp;O permits, and whether inspections should be performed.</p>	<b>X</b>			<p>Resolved. The process has been consolidated so that U&amp;O permit fees are charged at the same time as the building permit fee, and the automated system (implemented in December 1999) ensures that U&amp;O permit fees are consistently charged. However, it should be noted that U&amp;O permits are usually only updated when a business seeks a building permit. The division does not proactively seek out new businesses.</p>
<p>9. Temporary occupancy was not properly monitored. We recommend that procedures to monitor projects with temporary occupancy be developed. Specifically, applicants should be clearly informed of the six-month limitation for temporary occupancy and that occupying a structure without a proper inspection is a code violation.</p> <p>- In addition, permits with expired temporary occupancy should be identified for follow-up. The follow-up should include sending a standard form letter to notify the permit holder that temporary occupancy has expired, and that occupying a structure without an inspection to ensure compliance with use and occupancy requirements after temporary occupancy has expired is a code violation.</p> <p>- Finally, the division should inspect the projects noted in our review to determine whether use and occupancy requirements have been met.</p>	<b>X</b>			Completed.

Audit Report	Completed or resolved	In process	Recommend drop	Comments
10. Fees for inspections for temporary occupancy were not charged. In order to help defray the cost of inspections, we recommend that the City adopt a fee for inspections for temporary occupancy. Such fees should not exceed cost, in accordance with state law.	<b>X</b>			Completed. Effective August 13, 2001, temporary occupancy fees of \$250 are assessed for each such occupancy.
11. Stop work notices were not properly monitored and fees were not properly assessed. In order to properly monitor stop work notices and provide a tool for their follow-up, we recommend that a log to record stop work notices be developed. This log should include the date and nature of the violation, the date of investigation, and the current status. This information should be recorded by the inspector handling the stop work notice, and should be used by the building inspection supervisor for tracking and monitoring progress in resolving violations. Finally, investigation fees should be charged whenever work without a permit has commenced. Such fees should not exceed cost, in accordance with state law.	<b>X</b>			Completed.
12. Complaints were not properly documented, reviewed, and resolved on a timely basis. - A new complaint form should be developed. This form should be in triplicate, providing one copy for the property owner/contractor, assigned building inspector, and building inspection supervisor, and should include sufficient space to record all salient information, including the name and phone number of the complainant. - All complaint forms should be reviewed by the building inspection supervisor to ensure that the form is complete, reflecting all salient information, and that the complaint is investigated and resolved on a timely basis. - A log to record complaints should be developed. This log should include the date and nature of the complaint, the date of the investigation, and the current status of the complaint. This information should be recorded by the inspector handling the complaint, and should be used by the supervisor for tracking and monitoring progress in resolving complaints. - Procedures for notifying the complainant regarding the resolution should be established. These procedures should include proper documentation of complainant notification on the new complaint	<b>X</b>			Resolved. Where building inspectors have complaint and investigation responsibilities, the supervisor prepares a field inspection tag that notes the substance of the complaint. The Division usually handles these inspections within 24 hours. The supervisor of Building Inspection routinely reviews all complaints. If requested, the supervisor or field inspector will phone back the complainant.
13. We recommend that the division develop a comprehensive quality assurance program to determine the effectiveness of individual inspectors.	<b>X</b>			Completed. The field supervisor provides regular evaluation and training for inspectors at the job site, and participates in annual performance evaluations.
14. Procedures for evaluating inspector productivity require improvement. We recommend that meaningful performance standards for inspection	<b>X</b>			Completed/resolved. In May 1999, the division began preparing monthly activity reports that show

Audit Report	Completed or resolved	In process	Recommend drop	Comments
<p>activities be established. Additionally, the division should ensure that information regarding the actual time for inspections is maintained and compared with established standards. The results should be considered in evaluating the effectiveness of the respective inspectors' performance.</p>				<p>total number of inspections, days worked, and number of inspections per day for each inspector. The field supervisor reviews the comparison data on a monthly basis.</p>
<p>15. Comprehensive management reports are not available. We recommend that comprehensive management reports be developed, in conjunction with the implementation of the new permit information tracking system. These reports should include information by inspector on the number and type of inspections that were conducted. In addition, reports on other areas to be monitored by the division, such as reinspections, expired permits, and expired temporary occupancy, should be developed.</p>	<b>X</b>			<p>Completed/resolved. The Planning and Community Environment Department's monthly activity reports to the City Council (initiated in May 1999) include the total number of permit applications, permits issued, customer contacts, and inspections completed. As noted above, the division also prepares monthly activity reports detailing inspector activity. The automated system has the capability of creating additional reports as needed but is currently unable to track reinspections or expired permits.</p>
<p>16. The Building Inspection Permit system (BIPS) is cumbersome and does not reflect accurate information. We recommend that the division ensure that systemic problems in the Building Inspection Permit System are addressed with the implementation of the new permit information tracking system. Specifically, the system should group inspection records by area of inspection, delete duplicate entries, and provide edit reports reflecting the number of records transferred from the host computer.</p>	<b>X</b>			<p>Completed. The system was replaced in December 1999.</p>
<p>17. We recommend that procedures to ensure accurate reporting of program performance be implemented. These procedures should include the reconciliation of supporting detail with the results shown on the impact measure report, and management review and approval of totals reported.</p>	<b>X</b>			<p>Completed.</p>
<p>18. We recommend that the division establish impact measures that are reasonable.</p>	<b>X</b>			<p>Completed.</p>
<p>19. Comprehensive written procedures have not been developed. We recommend that comprehensive written procedures be developed, effective immediately.</p>	<b>X</b>			<p>Completed. All policies and procedures relating to building inspection have been compiled into one procedures manual. Supervisors refine procedures as necessary, and distribute and review new procedures at weekly staff meetings. To facilitate access to the procedures manual, the division will load the procedures manual onto a shared drive.</p>



## CONTRACT CHANGE ORDERS (Issued 02/24/97)

- | Audit Report   | Completed or resolved | In process | Recommend drop | Comments   |
|--|-----------------------|------------|----------------|------------|
| 1. We recommend that a change order form be developed to describe the nature and justification for the change order, the services to be provided, and the basis for the cost of such services. This form should also reflect the appropriate departmental approval(s) and should accompany the purchase requisition submitted to Purchasing. Finally, the form should be reviewed and approved by the Purchasing Manager.  | <b>X</b>              |            |                | Completed. |
| 2. We recommend that Purchasing require proper approvals on all purchase requisitions. Change orders submitted without properly approved requisitions should be returned to the appropriate departments. Requisitions submitted after the commencement date of the change order should be approved by the City Manager. Finally, Purchasing should update the current approval list to ensure that authorized approvals are consistent with their level of responsibility. | <b>X</b>              |            |                | Completed. |
| 3. We recommend that Purchasing develop a checklist for documents that should be retained in the contract file. The Purchasing Manager should review the files periodically to ensure that contract files are properly maintained.   | <b>X</b>              |            |                | Completed. |
| 4. Written procedures are unclear and not comprehensive. We recommend that written procedures be revised and updated to provide clear and comprehensive guidance in processing change orders.  | <b>X</b>              |            |                | Completed. |

## CODE ENFORCEMENT (Issued 01/13/97)

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|---|----------|--|--|--|
| 1. Complaints were not promptly investigated, followed-up, and resolved on a timely basis, and complaint forms were not properly completed.<br>- The timing requirements for handling dangerous and substandard complaints, including the timing for investigations and resolution, should be reviewed with code enforcement officers.<br>- Separate forms for recording the receipt of and action taken for dangerous and substandard complaints should be developed. The supervisor should review all forms upon confirmation of the condition by the officers. The supervisor and Chief Building Official should review all complaint forms for dangerous and substandard conditions upon completion. The supervisor and Chief Building Official should sign off | <b>X</b> |  |  | Resolved. Timing requirements for handling complaints were reviewed with code enforcement officers, written time frames were adopted, and an administrative citation process has been implemented. Additional support was provided for the administrative penalties process. The division and department director receive monthly reports detailing the number of new cases, the number of cases over 120 days old, and the number of cases completed year-to-date. The department uses these reports to monitor and address the complaint backlog on an on- |
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Audit Report	Completed or resolved	In process	Recommend drop	Comments
<p>on the complaint form as evidence of their review.</p> <ul style="list-style-type: none"> <li>- A log to record dangerous and substandard complaints should be developed. This log should include the date and nature of the complaint, date of the investigation, and the projected date of resolution. This information should be recorded by the officer handling the case and should be used as a management tool for tracking and monitoring progress in resolving complaints. The log should be reviewed by the supervisor, Chief Building Official, and the Director of Planning to ensure that investigations are performed and that dangerous and substandard conditions are eliminated. Division management should follow up on any noted exceptions, and the results should be documented. Finally, this log should be used to compile information for comparing the unit's performance with established impact measures.</li> <li>- A management report on the status of all dangerous and substandard building complaints should be prepared. Using information from the log, this report should reflect outstanding, new, and resolved complaints, and should include the date the complaint was received, the property location, and the current status or disposition of the complaint. Finally, this report should be submitted to the City Manager for review on a monthly basis.</li> <li>- Any complaints which are not resolved within 90 days should be reviewed and approved by the City Manager.</li> </ul>				<p>going basis. As a result, division staff report that in spite of a 31 percent increase in the number of new cases in the last six months (compared to the same six month period two years ago), they are responding to 99.9 percent of complaints within two business days, and have closed 28 percent more cases than in the same period two years ago. Phase II of the automated code enforcement tracking system will include better automated reporting capabilities. The City Auditor's Office is scheduled to review the issues of timeliness, responsiveness, and consistency of enforcement during the 2001-02 audit.</p>
<p>2. Owners were improperly notified of unsafe conditions. A standard form letter for notifying owners of unsafe conditions should be developed. This letter should reflect timing requirements for obtaining permits and initiating and completing work necessary to eliminate the condition. The form letter should also reflect dangerous and substandard code violations and the respective Municipal Code reference.</p>	<b>X</b>			<p>Completed.</p>
<p>3. Timing requirements for investigating property maintenance and other complaints should be reviewed with all code enforcement personnel. Additionally, the supervisor and Chief Building Official should review the code enforcement cases, logs, which reflect the dates that complaints are received and investigated, on a monthly basis. The supervisor should follow up on all exceptions.</p>	<b>X</b>			<p>Completed. Staff respond to complaints within two business days (including a site visit) and take first action within five business days of the complaint.</p>
<p>4. A standard notice of violation should be developed and be hand delivered upon initial investigation or inspection. The standard notice should be a duplicate form, with one copy retained for the case file.</p>	<b>X</b>			<p>Completed.</p>
<p>5. A monthly report reflecting the current age of open cases should be developed. This report should indicate the date of the complaint, the</p>	<b>X</b>			<p>Resolved. The Chief Planning Official monitors detailed case activity. The Planning Department</p>

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<p>nature of the complaint, the status of the complaint, and an estimated resolution date. Detailed explanations for cases which are not resolved within the established time frames should be provided. This report should be submitted to the Chief Building Official, Director of Planning, and the City Manager for review.</p>				<p>reports the number of active, new, and completed code enforcement cases to the City Council on a monthly basis. For internal monitoring purposes, staff manually counts the number of cases outstanding for 120 days. It is expected that phase II of implementation of the automated code enforcement tracking system will include better reporting capabilities.</p>
<p>6. The division should require that all salient information, including the date and nature of the complaint, results of subsequent investigations or inspections, and the current status of the cases, be properly recorded on the standard complaint forms. All forms should be reviewed and approved by the supervisor to ensure that the form is complete and that all information has been properly recorded prior to closing the case. Additionally, the Chief Building Official should perform periodic spot checks to ensure compliance. The results of these checks should be reported to the Director of Planning.</p>	<b>X</b>			<p>Resolved. Summary results are reviewed by the Chief Planning Official. Significant cases with legal ramifications are reviewed by the City Attorney's Office.</p>
<p>7. The Code Enforcement Unit should utilize all available enforcement methods described in the Municipal Code. Additionally, division management should work with the City Attorney's Office to consider other code enforcement tools, such as the assessment of civil penalties for noncompliance.</p>	<b>X</b>			<p>Completed/resolved. The Code Enforcement Unit has worked with the City Attorney's Office to develop a new program that includes the issuance of administrative citations and compliance orders and the assessment of administrative penalties for Municipal Code violations. The City Council approved this program in 1998-99 and the first phase began in 1999-2000. In addition, Code Enforcement Officers went through a special penal code training session on citation authority.</p>
<p>8. Inspections to monitor compliance with conditional requirements were not performed. The Code Enforcement Unit should develop a program for monitoring compliance with conditional requirements. Such a condition monitoring program would include inspections occupancies with use permits to ensure that the conditions of the permits are being fully met and performed periodic inspections of projects to ensure that property owners are complying with development and maintenance requirements established as conditions of approval. The Planning Division should provide the Code Enforcement Unit with a list of all projects with conditional requirements which require ongoing monitoring. The Code Enforcement Unit should then include the ongoing monitoring of conditional requirements as part of their impact measures.</p>	<b>X</b>			<p>Resolved. Staff monitors compliance with conditional requirements as part of the initial approval process. The Code Enforcement Unit periodically reviews previous conditions of approval as staff time allows, and responds to complaints regarding conditional use permits, variances, and other discretionary approvals. Within the past 6 months, the inspectors have started phasing in a proactive monitoring program for conditional uses. Once new projects receive final planning approval, the inspectors establish a tickler file for subsequent annual reviews. Depending on the results of those reviews and their future workload, staff will reassess the need for continuing annual review of conditional uses.</p>

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9. Comprehensive monthly and annual management reports should be developed. These reports should include essential code enforcement information by officer, such as the number and type of complaints that were opened, closed, and active during the period and their respective status; dates of final inspections for cases closed; a description of active cases that are more than 90 days old and the property location. These reports should be submitted to the Chief Building Official, Director of Planning, and the City Manager for review. The Director of Planning should follow up on any exceptions or unusual items noted in the report.	<b>X</b>			Completed. The automated tracking system provides general reporting capabilities. Additional customized reporting will be available in phase II of implementation.
10. Procedures to ensure accurate reporting of program performance should be implemented. These procedures should include reconciliation of case log totals with results shown on the impact measure report and management review and approval of information reported.	<b>X</b>			Completed.
11. The division should establish individual performance standards for code enforcement officers, and use information reflected in the management reports in evaluating officer productivity.	<b>X</b>			Resolved. The automated system provides monthly activity reports for each code enforcement officer. This data is used when preparing the officers' annual performance appraisals.
12. Proactive code enforcement efforts should be considered. The Code Enforcement Unit should track complaints by area and neighborhood, and consider working with the City Attorney's Office in developing a proactive code enforcement program.	<b>X</b>			Resolved. The Code Enforcement Unit's staff of two inspectors has implemented several new initiatives including assigned geographical areas, proactive enforcement of abandoned cars, limited monitoring of conditional uses, and abatement of newsracks. Staff is preparing an abatement program for illegal A-frame signs in the downtown area, and recently completed an inventory of ground-floor businesses in the Downtown and California Avenue.
13. Comprehensive written procedures should be developed, effective immediately.	<b>X</b>			Completed.

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## HEAVY VEHICLES & EQUIPMENT (Issued 03/04/96)

1. The Equipment Management Division should develop a listing or control log to track the issuance and monitor receipt of justification forms for low use units. Additionally, the Fleet Manager should follow up to	<b>X</b>			Completed.
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Audit Report	Completed or resolved	In process	Recommend drop	Comments
<p>ensure that all justification forms have been properly received and should review all justifications submitted and evaluate the responses provided. This should include contacting the responsible division manager for additional explanation and justification as needed. The action taken based on this review should be recorded on the form. Finally, justifications for retaining low use heavy vehicles and equipment should be reviewed and approved by the Director of Public Works and the Deputy City Manager.</p>				
<p>2. The City should consider eliminating or reassigning the 14 underutilized vehicles and equipment identified in this audit. Additionally, the Fleet Manager should implement the procedures to improve the usage evaluation process.</p>	<b>X</b>		Completed.	
<p>3. The Fleet Manager should establish procedures to identify those vehicles which exceed the annual replacement mileage criteria and obtain sufficient justification from the responsible division manager. The results should be reviewed and approved by the Director of Public Works and the Deputy City Manager.</p>	<b>X</b>			Completed. Vehicle usage is regularly reviewed on a program-specific basis.
<p>4. To improve fleet management, written procedures should be developed, effective immediately.</p>	<b>X</b>			Completed. The Equipment Management Division developed several specific policies and procedures as a result of the audit, and has continued to update and revise written procedures to reflect changes in the program.

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## RETIREES' HEALTH BENEFITS (Issued 12/11/95)

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<p>1. Procedures for reviewing the Public Employee Retirement System (PERS) health premium bills should be established. This should include verifying the accuracy of premium rates charged and comparing amounts to the monthly bills, evaluating the propriety of material adjustments, and developing a current list of eligible retirees and comparing it to the PERS billing on an annual basis. Finally staff should pursue collection of the reported overbillings.</p>	<b>X</b>			Completed. Staff verifies the accuracy of premium rates annually, and reviews PERS health premium bills and retiree additions for accuracy on a monthly basis.
<p>2. The Human Resources Department (HRD) should monitor enrollment in supplemental coverage by identifying retirees reaching the age of 65 in the fiscal period and following up with Public Employees' Retirement System (PERS) regarding their enrollment status. Additionally, staff should follow up with PERS regarding the exceptions noted in the audit</p>	<b>X</b>			Resolved. State legislation effective January 1, 1998, requires eligible PERS retirees to enroll in Medicare. The legislation imposes penalties on employees for failing to do so. PERS is responsible for contacting retirees directly about their eligibility for Medicare,

Audit Report	Completed or resolved	In process	Recommend drop	Comments
report.				and follows up with those employees who are eligible. HRD informs City employees of this requirement and the benefits of enrolling in Medicare during the exit interview.
3. The Human Resources Department should periodically review a sample of retirees to determine whether spouses included in health coverage are eligible for health benefits.	X			Completed.
4. Written procedures for managing retiree health care benefits should be developed, effective immediately.	X			Completed.

## CONTRACT ADMINISTRATION (Issued 10/16/95)

1. Updated purchasing policies and procedures should include recommendations from this audit and should be distributed to all department managers. This distribution should be accompanied by a transmittal letter to be signed by the department manager as evidence of receipt and review of these procedures. Signed letters should be returned to Purchasing.	X			Completed/resolved. Updated purchasing procedures are completed and available on the Intranet.
2. The Purchasing Manager should sign off on contract City Manager Reports (CMRs) as an attestation of compliance with City contract policies and procedures.	X			Completed.
3. Bid Evaluations and Contract Pricing. Purchasing should compare consultants' price information recorded at the bid opening with amounts in the contract recommendation from the department. Departments should provide Purchasing with written explanations and justifications for changes to the original scope of services and increases to contract prices proposed by the consultant. These explanations should be reviewed and approved by the Purchasing Manager and included in the respective contract files. Finally, these procedures should be included in the Purchasing Manual.	X			Completed.

Audit Report	Completed or resolved	In process	Recommend drop	Comments
<b>PASCO CONTRACT (Issued 01/19/95)</b>				
1. Comprehensive written procedures for reviewing and monitoring PASCO activities should be developed.	<b>X</b>			Completed.
<b>USE OF CITY VEHICLES (Issued 12/16/93)</b>				
1. The Fleet Manager should develop a standard form for justifying the continued use of low mileage vehicles and submit it to the responsible department manager for completion. All exceptions should be approved by the City Manager or her designee.	<b>X</b>			Completed.
2. The Fleet Manager should review departmental mileage reports and distribute them to the department managers on a quarterly basis. The Fleet Manager should request explanations for usage that appears to be inconsistent with City guidelines and should follow up with the departments to ensure that the fleet is rotated where possible.	<b>X</b>			Completed. The program has been modified over the past 8 years, and the reporting interval is program-specific.
3. Written procedures for fleet management activities should be developed, effective immediately.	<b>X</b>			Completed. The Equipment Management Division developed several specific policies and procedures as a result of the audit, and has continued to update and revise written procedures during the subsequent eight years.
4. Exclusive use vehicles' compliance with City policies and procedures should be established.	<b>X</b>			Completed. Compliance is reviewed annually.
5. An annual review of exclusive use drivers should be performed.	<b>X</b>			Completed. The review is updated annually.