



# City of Palo Alto

## Policy and Services Committee Staff Report

(ID # 6361)

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**Report Type: Agenda Items**

**Meeting Date: 12/15/2015**

**Summary Title: Status of Audit Recommendations: Fleet Utilization/Replacement & Trenching/Electric Structures**

**Title: Staff Recommendation that the Policy and Services Committee Recommend That the City Council Accept the Description of the Status of the Fleet Utilization and Replacement and Trenching and Electric Structures**

**From: City Manager**

**Lead Department: City Manager**

**Recommendation:**

Staff recommends the Policy and Services Committee recommend that the City Council accept the attached Description of the Status of Audit Recommendations for the Fleet Utilization and Replacement Audit and the Trenching and Electric Structures Audit.

**Executive Summary:**

City Staff have been working with the City Auditor's Office to address open audit recommendations. Over the next few months staff will be presenting status updates to the Policy and Services Committee to communicate progress made in addressing recommendations made from past audits. The attached status reports provide an update on recommendations made regarding the Fleet Utilization and Replacement Audit and the Trenching and Electric Structures Audit. As documented in the attached reports, staff is still in the process of completing the audit recommendations. During upcoming Policy and Services meetings staff will schedule updates on remaining open audit recommendations.

**Background:**

The City Auditor previously issued audits regarding Fleet Utilization and Replacement and the Trenching and Electric Structures. Staff has been working to implement the Auditor's recommendations. The attached reports provide an update on the status of the audit recommendations for the Fleet Utilization and Replacement Audit and the Trenching and Electric Structures Audit. The audit recommendations are in process of being completed as documented in the attached status reports; staff will provide an update in six months. During upcoming Policy and Services meetings staff will schedule updates on additional open audit recommendations from previous audits including: Inventory Management, Utility Meters and Animal Services. Following presentation to the Policy and Services Committee and the City

Council, updates will be scheduled every six months for any remaining open audit recommendations. As new audits are completed updates will be scheduled six months following the Auditor's presentation to the City Council to keep the City Council updated on progress made.

**Attachments:**

- -: Attachment A: Fleet Utilization and Replacement Oct2015 (4) (DOCX)
- -: Attachment B: Contract Oversight - Trenching Status Update Dec 2015 (2) (DOCX)

**STATUS OF AUDIT RECOMMENDATIONS  
FLEET UTILIZATION AND REPLACEMENT – ISSUED 4/14/10**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
<b>Finding 1:</b> The City recently avoided spending about \$2.5 million in FY 2010 through a temporary freeze on non-urgent fleet replacements, but longer term efficiencies can be realized through right sizing the City’s vehicle and equipment fleet				
8. Public Works Fleet Management should have the authority and responsibility to manage and operate the City fleet to ensure optimized use of fleet resources.	Public Works	<b>Target Date Not Provided</b> Staff and the Fleet review Committee (FRC) will revise the Vehicle/Equipment Policy to include a new description of PWD Fleet Management's authority and responsibility to manage and operate the City fleet.	In Process	<p><b>October 2015 Management Update:</b> We are in the process of amending Policy and Procedures 4-01/PWD: Vehicle and Equipment Use, Maintenance and Replacement throughout to include PWD Fleet Management’s authority and responsibility to manage and operate the City fleet. Staff expect to present a draft policy to FRC in early 2016 for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. <b>Expected Completion Date: March 2016</b></p> <p><b>June 2014 Management Update:</b> Policy and Procedures (P&amp;P) 4-01 gives the Fleet Manager the responsibility and authority to operate the fleet. In addition, the Fleet Review Committee oversees important fleet issues and provides direction to the Fleet Manager. The authority for vehicle use comes from the Fleet Review Committee who approves all vehicle replacements and acquisitions. The Fleet Review Committee's roles will be memorialized in the revised policy. A policy update and integration of new sections are in process and will be fully complete by the end of the calendar year. The draft policy will be presented to FRC in September/October for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. <b>Expected Completion Date: 12/31/14</b></p> <p><b>2013 Management Update:</b> Individual policy sections are currently being developed but finalization will not occur until after the operational study recommendations are brought to Council by the end of the calendar year.</p>
10. PWD Fleet Management should revise the policy and procedures to clarify the take-home policy and conduct routine follow-ups with departments to document adherence to the policy.	Public Works	<b>Target Date Not Provided</b> Staff and the FRC are revising the Vehicle/Equipment Policy to include clarifications to the take-home policy and will require take-home vehicle users to provide documentation to ensure their adherence to the policy.	In Process	<p><b>October 2015 Management Update:</b> We are in the process of amending Policy and Procedures 4-01/PWD: Vehicle and Equipment Use, Maintenance and Replacement to clarify the take-home policy and advise of annual follow-ups with departments to document adherence to the policy. Staff expect to present the draft policy to FRC in early 2016 for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. <b>Expected Completion Date: March 2016</b></p> <p><b>June 2014 Management Update:</b> The Vehicle Use policy is being rewritten. Changes to the existing policy, or adherence to the existing policy will be under direction from the Fleet Review Committee. A policy update and</p>

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				<p>integration of new sections is in process and will be fully complete by the end of the calendar year. The draft policy will be presented to FRC in September/October for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. <b>Expected Completion Date: 12/31/14</b></p> <p><b>2013 Management Update:</b> Individual policy sections are currently being developed but finalization will not occur until after the operational study recommendations are brought to Council by the end of the calendar year.</p>
13. Public Works Fleet Management should develop written criteria for assessing the need of non-rolling stock equipment.	Public Works	<p><b>Target Date Not Provided</b></p> <p>Staff and the FRC are revising the Vehicle/Equipment Policy to include new standards and criteria for assessing the need of non-rolling stock equipment.</p>	In Process	<p><b>October 2015 Management Update:</b> We are in the process of amending Policy and Procedures 4-01/PWD: Vehicle and Equipment Use, Maintenance and Replacement to include department operational needs outside the budget process. Staff expect to present the draft policy to FRC in early 2016 for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. <b>Expected Completion Date: March 2016</b></p> <p><b>June 2014 Management Update:</b> The written 5-year replacement plan addresses “non-rolling” stock. The factors used in assessing this type of equipment are engine hours, regulatory compliance, safety, obsolescence, and maintenance costs. The revised vehicle use policy will memorialize these factors. A policy update and integration of new sections is in process and will be fully complete by the end of the calendar year. The draft policy will be presented to FRC in September/October for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. <b>Expected Completion Date: 12/31/14</b></p> <p><b>2013 Management Update:</b> Individual policy sections are currently being developed but finalization will not occur until after the operational study recommendations are brought to Council by the end of the calendar year.</p>
<b>Finding 3:</b> Internal controls over fuel and parts inventory can be improved.				
21. PWD Fleet Management should include requirements for securing vehicles and equipment within the fleet policies and procedures.	Public Works	<p><b>Target Date Not Provided</b></p> <p>Staff and the FRC are revising the Vehicle/Equipment Policy to incorporate requirements for securing vehicles and</p>	In Process	<p><b>October 2015 Management Update:</b> We are in the process of adding requirements for securing vehicles and equipment to the “Safety” section of Policy and Procedures 4-01/PWD: Vehicle and Equipment Use, Maintenance and Replacement with the language “Employees are responsible for securing their vehicle at all times when the vehicle is unattended. Securing a vehicle</p>

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		equipment.		<p>includes not only locking the doors but also making sure tool boxes and any auxiliary equipment is locked.” Staff expect to present the draft policy to FRC in early 2016 for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. <b>Expected Completion Date: March 2016</b></p> <p><b>June 2014 Management Update:</b> Revisions to vehicle use policy (P&amp;P 4-01) will include modification to section 1, item 2, “Safety”. The existing language in that section will include the following language: “Employees are responsible for securing their vehicle at all times when the vehicle is unattended. Securing a vehicle includes not only locking the doors but also making sure tool boxes and any auxiliary equipment is locked.” A policy update and integration of new sections is in process and will be fully complete by the end of the calendar year. The draft policy will be presented to FRC in September/October for approval, followed by the City Auditor and finally to the City Manager for final approval and dissemination to City staff. <b>Expected Completion Date: 12/31/14</b></p> <p><b>2013 Management Update:</b> Individual policy sections are currently being developed but finalization will not occur until after the operational study recommendations are brought to Council by the end of the calendar year.</p>

**STATUS OF AUDIT RECOMMENDATIONS**  
**CONTRACT OVERSIGHT: TRENCHING AND INSTALLATION OF ELECTRIC SUBSTRUCTURE – ISSUED 10/30/13**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
<b>Finding 3:</b> The Utilities Department did not enforce contract billing terms that were the basis for awarding the contract to Casey Construction, Inc.				
<p>5. The Utilities Department should work with ASD to review existing contract performance management policies and develop procedures to ensure staff appropriately administers the City’s contracts.</p> <p>Procedures should address the following areas:</p> <ul style="list-style-type: none"> <li>● Monitoring of contractor billings to ensure accuracy and compliance with contract terms.</li> <li>● Ensuring contracts are appropriately and timely modified, if required.</li> </ul>	Administrative Services and Utilities Departments	<p><b>3/31/14</b></p> <p>Utilities staff is formalizing the process by which contractor work is requested, approved, inspected, reviewed, and invoiced.</p> <p>Utilities will hire a Project Coordinator to assist Engineering in administrating contracts, verifying invoices, and processing payments. Utilities will be requesting for similar positions in Operations and Customer Support Services in the 2014 mid-year budget.</p> <p>Utilities will also develop a tracking mechanism to monitor contractor work, reconcile invoices, and verify payments.</p> <p>ASD will conduct a review of the entire purchasing process citywide. The departments will collaborate to bring contract management training to appropriate staff. This training will be rolled out to all departments.</p>	In Progress	<p><b>December 2015 Management Update:</b></p> <p>In February 2015, construction contract management training was conducted in conjunction with PWD and ASD. The training covered procurement, project manager responsibilities, project scheduling, change order requests, claims, payments and project closure.</p> <p>In October 2015, ASD provided citywide training on compliance to the new prevailing wage requirements for construction and improvement contracts. The training identified the roles and responsibilities of Purchasing and project managers and reporting requirements to the Department of Industrial Relations.</p> <p>The Utilities Project Coordinator position is currently vacant in Engineering. Utilities is currently reassessing the job classification for this role and evaluating the need for a higher Project Manager classification. Staff will recruit for the position in 2016. Until the position is filled, the project managers will continue administering the contracts with support from administrative staff on invoice verification and payments. All contract, invoice and supporting documentations are managed in a central shared drive.</p> <p>The Invitation for Bid (IFB) template is currently in the process of being revised to simplify and coordinate language between other sections of the contract; the boilerplate language should be completed by the second half of 2016.</p> <p>The firm that ASD selected to implement an invoice management system was unable to deliver on the scope as planned in 2015. ASD will evaluate the possibility of acquiring another invoice management solution or consider waiting until the new ERP system is implemented with built in invoice management.</p>

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				<p><b>Expected Completion Date: Q4 2016</b></p> <p><b>June 2014 Management Update:</b> Utilities has developed contract management guidelines and a project charter for large construction projects and professional services. These contracts and documents are stored on a centralized SharePoint website.</p> <p>Utilities Engineering hired a Project Coordinator in March 2014 to assist with contract administration and project management. The coordinator has developed a contract database, coordinated project management training, and formalized policies and procedures. Utilities Operations reclassified a position in the FY 2015 to assist with contract and inventory management.</p> <p>Utilities is working with the City Attorney's Office to strengthen the boilerplate language in the IFB and professional service contract templates.</p> <p>ASD hired a consultant to perform an independent review of the entire purchasing process. The review recommended a new purchasing system, increased training, and additions to the Purchasing Manual among other recommendations. Staff is in the process of implementing the recommendations.</p> <p>ASD has selected an online invoice management system to improve the review, approval and tracking invoices received by the City. This system will be implemented in 2015 and will provide increased accountability and visibility into the invoice review and payment process.</p> <p><b>Expected Completion Date: 6/30/15</b></p>
<p><b>Finding 4:</b> The Utilities Department did not appropriately manage its contract with Casey Construction, Inc. to ensure the City's projects were completed in accordance with plans and cost estimates.</p>				
6. The Utilities Department should work with ASD to review existing contract performance management	Administrative Services and Utilities	Recommendation 5 & 6 are similar. See response to recommendation 5.	In Progress	<p><b>December 2015 Management Update:</b> Utilities is monitoring contractor performance through routine inspections, weekly meetings and communication. During the</p>

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<p>policies and develop procedures to ensure staff appropriately administers the City’s contracts.</p> <p>Procedures should address the following areas:</p> <ul style="list-style-type: none"> <li>• Roles and responsibilities for the contract administrator and any additional training requirements for staff.</li> <li>• Monitoring of contractor performance.</li> <li>• Ensuring payments are made only for services and materials included in the contract scope.</li> <li>• Ensuring there is an adequate process and documentation to show planned work has been completed.</li> </ul>	<p>Departments</p>			<p>inspections, staff reviews and verifies the contractor’s performance by documenting and signing off the work completed (i.e. number of boxes installed, footage of pipe installed). In the weekly meetings, staff reviews the work schedule, scope of work, claims and change orders with the contractor.</p> <p>ASD has updated the City’s procurement training guide including contract administration roles and responsibilities, process workflow, best practices and common pitfalls. ASD will continue to provide procurement training annually and update the guide on an as-needed basis (eg., to reflect changes to prevailing wage laws).  <a href="http://cityconnect.staff.copa/civica/filebank/blobdload.asp?BlobID=4255">http://cityconnect.staff.copa/civica/filebank/blobdload.asp?BlobID=4255</a></p> <p>ASD implemented PlanetBids as the City’s new eProcurement solution. PlanetBids includes a contract management module that provides a structure for managing contracts. This module of PlanetBids will be rolled out to departments beginning in 2016.</p> <p><b>Expected Completion Date: Q2 2016</b></p> <p><b>June 2014 Management Update:</b> Roles, responsibilities, and workflow for contract administration are documented and saved on SharePoint.</p> <p>Utilities Engineering completed a mandatory 3-day project management course in July 2014.</p> <p>ASD provided purchasing and contract administration training to the Executive Team and City staff in 2013 and 2014. This training will continue in 2014 and 2015 as part of an ongoing purchasing training curriculum for City staff.</p> <p>Additional Contract administration training is planned for November 2014 with Purchasing and City Attorney’s Office.</p> <p>See responses above related to vendor performance review</p>



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				and new invoice management system. <b>Expected Completion Date: 6/30/15</b>