CITY OF PALO ALTO
OFFICE OF THE CITY AUDITOR

December 2, 2008

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

REPORT ON THE STATUS OF AUDIT RECOMMENDATIONS

Recommendation

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

Background

The Municipal Code requires the City Auditor to issue an annual follow-up report on the implementation status of recommendations from completed audits. This report summarizes the status of 142 open audit recommendations from 14 different audit reports. This includes 86 recommendations that were outstanding after our last status report as of June 30, 2007, and 56 new recommendations from audits that were issued during Fiscal Year 2007-08. The report shows the original department response to the recommendation, and the City Auditor's update for subsequent years. It describes recommendations that have been completed since our last report, and shows an agreed upon course of action for implementing remaining recommendations. We compiled this report based on supporting documentation and interviews with appropriate City staff, and reviewed its contents with them.

Summary of Results

Since our last report, City staff completed and resolved 78 out of 142 (55%) open audit recommendations. A total of 51 recommendations are in process (36%), and 13 (9%) are not started. Most of these audit recommendations (10 of 13) are from the Infrastructure Report Card Audit issued in March 2008. Please see page 1 of the attached report for further details.

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

Respectfully submitted,

Lynda Flores Brouchoud

Lynda Flores Brouchoud
City Auditor

Attachment: Report on the Status of Audit Recommendations as of 6/30/08

STATUS OF AUDIT RECOMMENDATIONS (6/30/08)

The Municipal Code requires the City Auditor to issue an annual report on the status of recommendations from completed audits. This report summarizes the status of all open audit recommendations since our last review as of June 30, 2007. It shows those recommendations that have been completed or resolved, are in process or not started, and provides an agreed course of action to implement remaining recommendations.

Page Number	Report Title	Date Issued	Completed or resolved since last report	In process	Not started	Council Committee
2	Audit of Payroll	07/02/01	1			Finance
3	Audit of Code Enforcement	03/11/03		2		Policy & Services
5	Audit of Overtime Expenditures	11/18/03	6	6	1	Finance
16	Audit of Restructuring Efforts and Management Span of Control	04/20/04		1		Finance
17	Review of Environmental Services Center Proposal	11/15/04	7	1		Finance
25	Audit of Contract Contingencies	03/15/05	1	3		Finance
29	Audit of Parks Maintenance	12/13/05	9	7		Finance
44	Audit of Street Maintenance	03/07/06	8	7		Finance
59	Audit of Community Services Department Class Cost Recovery	10/17/06	3	5		Finance
63	Audit of the Palo Alto Sanitation Company Contract	04/10/07	18			Finance
AUDITS ISSUED SINCE LAST RECOMMENDATION STATUS REPORT:						
73	Audit of Library Operations	07/09/07	20	10	2	Finance
89	Audit of SAP Payroll Controls	09/18/07	5	2		Finance
92	Audit of Employee Ethics Policy	01/23/08		7		Policy & Services
96	Infrastructure Report Card	03/04/08			10	Finance
	TOTAL		**78**	**51**	**13**	**142**

AUDIT OF PAYROLL (Issued 7/2/01)

Finance Committee

The objective of this audit was to evaluate internal controls, operating procedures and practices related to the City's payroll process. Of the original 7 recommendations: 6 were previously completed and 1 was completed this year.

Audit report and recommendation	Department	Current status	Comments
#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 Department to install an interim self-service module.	ASD	Completed	***Original department response:*** Staff fully supports the concept of employee self-service for human resource, payroll and timecard self-service through a web browser interface. Such applications are components of the Enterprise Resource Planning system recommended in the City's Information Technology Strategic Plan. The current expectation is that an ERP will be procured in the next fiscal year. Therefore, staff does not recommend expending resources on a temporary solution at this time.

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

Auditor's update as of Sep-2002: In process. Phase 2 of the City's ERP project, which is scheduled to begin May 2003, fully supports employee self-service. The City's selected vendor, SAP, has a fully integrated HRIS system that will provide employee self-service through a web browser interface. Target date: Jan-2004.

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

Auditor's update as of Sep-2004: In process. A pilot program was implemented with ASD employees to evaluate the Employee Self Service module. Areas of concern have been identified and staff is working on solutions prior to a wider group roll out. Target date: Fall 2004.

Auditor's update as of Sep-2005: Delayed until next SAP upgrade. Due to configuration problems that would require a significant amount of staff time to resolve, and due to changes and work load issues in HR and the reduction of ASD staff available to address SAP enhancements, it is recommended that this recommendation be revisited with the next SAP upgrade, which includes a re-tooled self-service package. It is anticipated this would happen within the next 3 years.

			Auditor's update as of Oct-2006: In process. An RFP will be issued in FY 2006-07 to obtain consulting services to assist in the preparation of scope of service for an upgrade of the SAP system. This will include the employee self service component. Target date: TBD.
			Auditor's update as of Oct-2007: The RFP for the SAP upgrade has been issued and the contract is expected to be awarded in Oct-2007. Employee self service (ESS) is part of the work plan scheduled to be implemented in FY 2007-08.
			Auditor's update as of Nov-2008: Completed. Employee Self-Service and Management Self Service (ESS/MSS) SAP upgrades were completed on July 7, 2008. The SAP upgrades improved internal controls and appear to have addressed the concerns outlined in the audit.

AUDIT OF CODE ENFORCEMENT (Issued 3/11/03)   Policy & Services Committee

The objective of this audit was to assess the program's timeliness, responsiveness, and consistency of enforcement. Of the 17 recommendations, 15 were previously completed, and 2 are in process.

Audit report and recommendation	Department	Current status	Comments
#14: Using the information provided in this report, the City Manager should consider consolidating as many code enforcement responsibilities under one department as is feasible.	City Manager	In process	*Auditor's update as of Oct-2003*: In process. The Planning and Police Departments have initiated discussion about possible restructuring or consolidations of code enforcement responsibilities. Target date: Spr-2004.
			Auditor's update as of Sep-2004: In process. Restructuring has been proposed whereby Code Enforcement Officers would move from Planning to the Police Department. Target date: Jun-2005.
			Auditor's update as of Sep-2005: Not started. Due to budget constraints no action has been taken on this recommendation. Target date: TBD.
			Auditor's update as of Oct-2006: Not started. For budgetary reasons, consolidation of responsibilities was dropped from consideration. A cross-departmental team of code enforcement staff was meeting monthly to coordinate and discuss their enforcement cases, but there have been a number of staffing

Audit report and recommendation	Department	Current status	Comments
			changes, and the group is no longer meeting. As a result, the various departments with various code enforcement responsibilities are still operating independently. ***Auditor's update as of Oct-2007****:* Not started due to budget constraints. ***Auditor's update as of Nov-2008:*** In process. This audit recommendation was originally addressed to the City Manager's Office, but was turned over to the Planning and Building Department. The Planning Department reports that, rather than consolidate enforcement in one department, it will act as a coordinator for code enforcement activities throughout the City. The coordination will entail regular communication and reporting among departments, particularly Public Works, Police, Fire, Community Services, and Utilities. Complaints regarding private projects will be routed to the appropriate department for response, as they often require technical knowledge only available in those departments. For public projects complaints, the Planning and Building Code Enforcement staff will act as a check on other departments to ensure the complaints are followed up. The Planning Department will schedule an inter-departmental code enforcement committee meeting to discuss the proposal. If the Planning Department completes formal policies and procedures that outline and formalize the above coordination responsibilities and goals, requires the code enforcement committee to meet routinely, and the Planning Department maintains meeting minutes to confirm and document the meetings, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.
#17: The ACCELA project manager should involve all code enforcement staff from various departments, particularly in the Planning Division, and the City Attorney's Office in the activation of the ACCELA code enforcement module.	ASD	In process	***Auditor's update as of Oct-2003***: In process. "Go Live" target date for ACCELA in Code Enforcement is November 1, 2003. The Police, Fire, and Public Works Departments are also interested in obtaining access to the system once it is operational. ***Auditor's update as of Sep-2004****:* In process. Accela software is up and running for code enforcement staff. Report writing capabilities are being developed, and other departments with code enforcement responsibilities will be added later. Target date: Dec-2004.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Sep-2005*:* In process. All code enforcement staff, including new staff, have received training on Accela. The City Attorney's Office has also received a session on how to use Accela. The next step is to explore Accela use by ASD staff for collection of penalties. Target date: TBD. ***Auditor's update as of Oct-2006****:* In process. Target date: TBD. ***Auditor's update as of Oct-2007****:* In process. ASD is using CORE (a revenue collection and receipt system) to augment the Accela system. However, data in both systems is not shared among code enforcement and ASD staff. ***Auditor's update as of Nov. 2008:*** In process. Access to the Accela code enforcement module is currently restricted to the Planning and Building code enforcement officers. The Planning Department will meet with the other departments to determine who should have access from other departments. The response to Recommendation #14 will determine which other code enforcement staff may access Accela. Once the Planning Department completes its identification of Citywide code enforcement staff and provides confirmation that these staff members have access to, and are using Accela, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.

AUDIT OF OVERTIME EXPENDITURES (Issued 11/18/03) — Finance Committee

The purpose of our review was to audit actual overtime usage, and identify opportunities to better control overtime expenditures. Of the 32 recommendations, 18 were previously completed and 1 was previously resolved/dropped, 6 were completed this year, 6 are in process, and 1 is not started.

Audit report and recommendation	Department	Current status	Comments
#2: The City should conduct a staffing study to assess the appropriateness of current Fire Department minimum staffing levels in the context of call volume, response times, and employee safety.	Fire	In process	***Original department response:*** Staff concurs and will conduct a "standards of coverage" study to determine the appropriateness of current staffing levels. Staff expects to complete the study by the end of the 4th quarter of the fiscal year with outside assistance.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Sep-2004: In process. The Department has received a proposal for a study from a consultant and is reviewing it. Action on it may be postponed pending the appointment of a new Fire Chief. Target date: Jan-2005.
			Auditor's update as of Sep-2005: In process. Target date: TBD.
			Auditor's update as of Oct-2006: In process. A contractor has been selected to begin a standards of coverage study in November following the end of the wildland fire season. Target date: TBD.
			Auditor's update as of Oct-2007: In process. The standards of coverage study has been deferred. Target date: TBD.
			Auditor's update as of Nov-2008: In process. With input from the new City Manager, staff will be evaluating how a comprehensive standards of coverage study should proceed for the Fire Department. This will be discussed in the context of the proposed Stanford projects. Staff will assess whether it will be possible to proceed with the study in time to request funds in the upcoming FY 2009-11 budget cycle.
#3: The Fire Department should closely monitor whether overfill relief or regular overtime is less expensive. The Department should use a formula that considers the classification and step of employees who are expected to work the relief or the overtime.	Fire	Completed	***Original department response:*** Staff concurs and will work closely with ASD and the Auditor's Office to evaluate the annual variance between overtime costs and overfill relief. Staff will utilize whichever is less expensive to the degree that it does not compromise firefighter safety.
			Auditor's update as of Sep-2004: In process. The Department is waiting for a full year's data from FY 2003-04 to analyze the costs of overfill relief versus regular overtime. Target date: Oct-2004.
			Auditor's update as of Sep-2005: In process. Target date: TBD.
			Auditor's update as of Oct-2006: In process. Target date: TBD.
			Auditor's update as of Oct-2007: In process. Target date: TBD.
			Auditor's update as of Nov-2008: Completed. The Fire Department advises that it now has a process in place to annually review the cost of overtime versus the cost of overfill relief. The Telestaff software system (implemented in July 2008) allows for specific and detailed data collection to analyze costs.

Audit report and recommendation	Department	Current status	Comments
#4: The City should propose a revision to the Palo Alto Professional Firefighters contract that minimizes the frequency in which higher rank employees work overtime in lower rank positions.	Human Resources	Completed	***Original department response:*** Staff concurs and will propose a revision to the Palo Alto Professional Firefighters contract that minimizes the frequency in which higher rank employees work overtime in lower rank positions. ***Auditor's update as of Sep-2004:*** Not started. The Palo Alto Professional Firefighters' contract was recently renegotiated and the current terms extended until June 30, 2006. Human Resources (HR) decided that it was not in the best interest of the City to try to negotiate the recommended changes during these recent negotiations because of need to settle the contract quickly and amicably so that the City could focus on the SEIU contract, which was also recently renegotiated. Target date: 2006. ***Auditor's update as of Sep-2005:*** Not started. This recommendation will be addressed during future negotiations with **the Palo Alto Professional Firefighters.** Target date: Jul-2006. ***Auditor's update as of Oct-2006:*** In process. The City is in negotiations and has proposed contract language that would reduce the frequency of higher rank employees working overtime in lower ranking positions. Target date: Fall 2006. ***Auditor's update as of Oct-2007:*** Not started. No change to the current practice has been negotiated. The current memoranda of agreement will be in effect until June 30, 2010. Target date: TBD. ***Auditor's update as of Nov-2008:*** Completed. The HR Department advises that the City proposed this change during negotiations in 2006. However, HR further advises that the labor bargaining unit (IAFF) was not supportive or agreeable. HR advises that the City will consider proposing again in the 2010 labor contract negotiations.
#5: The Fire Department should track the daily instances of a higher rank employee working for a lower rank, and use this information to assess the cost of this practice.	Fire	Completed	***Original department response:*** Staff concurs and will track the daily instances of higher-ranking employees working at a lower rank to assess the cost. Staff will work with HR to negotiate changes, as appropriate. ***Auditor's update as of Sep-2004:*** In process. As part of daily staffing data, the Fire Department keeps information on higher rank working for lower. This information, however, does not have cost data attached and is not in a format easily conducive to

| | | | compilation and cost assessment. The Department will begin later in FY 2004-05 to compile data in such a format. Department will also retrospectively compile data for FY 2003-04. Target date: Oct-2004. |

Auditor's update as of Sep-2005: In process. The Department is investigating the possibility of determining these costs through the SAP payroll system. Target date: Jan-2006.

Auditor's update as of Oct-2006: In process. Target date: TBD.

Auditor's update as of Oct-2007: Not started. According to Fire Department staff, the Department has purchased Telestaff software that will facilitate data tracking. Target date: TBD.

Auditor's update as of Nov-2008: Completed. The Fire Department advises that it compiled this data via a manual process for FY07-08 and the cost for higher rank working overtime in lower rank positions was $10,831. The new electronic staffing program (Telestaff) implemented in July 2008 now allows for electronic data collection. The Fire Department advises that due to the relatively low cost associated with this practice (based on the recommended analysis), the Department will periodically review the cost data but will not necessarily consistently track it.

| #7: The Police Department should prepare policies and procedures for monitoring training bank hours to ensure all of the 78 training hours are worked, and that total hours do not exceed 171 in an FLSA work period (triggering additional overtime costs). In addition, Payroll should alert the Police Department when training bank hours exceed 171 for employees with training bank hours. | ASD and Police | Completed | *Original department response:* General guidelines in the use of training bank hours for mandated training and flexible training are outlined in the current Memorandum of Agreement (MOA) with the Police Officers Association (POA). Staff concurs with this recommendation and has begun preparing policies and procedures for monitoring training bank hours. The Police Department has initiated a process that requires the supervisor to check a log of remaining training bank hours prior to approving an employee's request for a training class to ensure the minimum use of overtime. Once the SAP Payroll module is implemented, employees and their supervisors will have online real-time access to training bank balances, which will further ensure that all training hours are worked and that overtime costs are not incurred for non-essential training courses. |

Auditor's update as of Sep-2004: In process. The draft of the revised Overtime Authorization Policy for Patrol employees (see Recommendation #8) includes procedures for monitoring training bank hours. Patrol Lieutenants review all submitted training bank

request forms to ensure employees do not submit more than 17 hours of training bank usage in any 28-day cycle. Department timekeepers review each form prior to entering time into SAP and notifies the supervisor of any discrepancies. In addition, Lieutenants evaluate training bank folders on a weekly basis to ensure employees are meeting their required flexible training hours and training balances are listed on employees' pay stubs. ASD staff started tracking the training balances in SAP in the first pay period of fiscal year 2004-05 (July 2004). Supervisors and employees can run reports to view training balances at any time as long as they have access to the system. Target date: Dec-2004.

Auditor's update as of Sep-2005: In process. Immediate supervisors now review all submitted training bank hours before they are submitted to the timekeeper. Department timekeeper continues to review each form prior to entering time into SAP and notifies the supervisor of any discrepancies. ASD staff is working to reconfigure the training bank to match the business process. Target date: Fall 2005.

Auditor's update as of Oct-2006: In process. ASD is in the final stage of reconfiguration of the paycheck stub to correctly reflect the training bank. Payroll and the Police Department are working collaboratively to ensure training bank hours are not exceeded. Payroll will also look into the following:

(1) Payroll will explore the possibilities of setting up a timecard user exit which will not allow employees to exceed their 17-hour training allotment in a 28-day FLSA pay period. The employee would have to correct his timecard before it could be saved or approved.

(2) Payroll will also explore an automated report that will be automatically sent to personnel in the police department for review and, if necessary, action.

Target date: Dec-2006.

Auditor's update as of Oct-2007: In process. According to the Administrative Services Department, the complexity of the training bank components inclusion on the paycheck stub is not feasible and will be removed from the paycheck stub. Payroll and the Police Department continue to work collaboratively to ensure that the training bank hours are not exceeded.

Audit report and recommendation	Department	Current status	Comments
			(1) Payroll and the Police Department reconcile training hours through out the year and make any necessary adjustments. The Police Department staff generates system reports regularly to review training hours coded by employees.
			(2) In order to prevent employees from exceeding their 171-hours FLSA limit, payroll has set up a timecard control preventing employees from exceeding their 17-hour training allotment within the 28 day FLSA pay period. Target date: Oct-2007.
			Auditor's update as of Nov-2008: Completed. The Police Department generates system reports to review, reconcile and adjust training hours as needed. Additionally, timecard control is in place on ESS/MSS entry and on SAP timecard. Payroll reviews training bank hours as well.
#9: The Police Department should update the overtime documentation form to conform to the criteria specified in the revised overtime policy so that Police Department employees will indicate which criteria were met when documenting overtime hours.	Police	Completed	*Original department response:* Staff concurs and will update the overtime documentation to conform to the revised overtime policy.
			Auditor's update as of Sep-2004: In process. The overtime documentation form will be revised following the implementation of recommendation #8. Target date: Dec-2004.
			Auditor's update as of Sep-2005: In process. The Department has revised its policy, and the Auditor's Office will work with the Department to revise the documentation form, if needed. Target date: TBD.
			Auditor's update as of Oct-2006: In process. All officers enter their time in SAP. In addition to completing the forms on detailed information on the reasons for overtime, officers are now required to enter the information in the comments section in the SAP timekeeping system. The Department is working with ASD on retrieving the data in a reportable format. Target date: Dec-2006.
			Auditor's update as of Oct-2007: In process. Administrative Services and the Police Department advise that it is now possible to run an SAP report that indicates the reasons for overtime worked.
			Auditor's update as of Nov-2008: Completed. Officers and dispatchers enter the reason for overtime in the text function of SAP. A Patrol Lieutenant is responsible for auditing this process and produces a report indicating how overtime hours were spent.

Audit report and recommendation	Department	Current status	Comments
#13: Clarify the following contract provisions through use of specific examples: • That call-out pay begins from the time of the call out and specify how much time the employee is allowed for travel. The Merit Rules should be revised to reflect the SEIU call-out provision; • The intent of the rest period provision and how an employee is paid: (a) for the eight-hour rest period, and (b) if the rest period overlaps the regular work schedule; and • The intent of the in-lieu meal provision and its relationship to the rest period. Such clarification should be communicated to employees who are affected by the provisions as well as to timekeepers.	Human Resources	In process	*Original department response:* Staff concurs and HR will update the Merit System Rules and Regulations to correspond with the SEIU Memorandum of Understanding (MOU) provisions following contract negotiations in 2004 to clarify and remedy any inconsistencies between the two documents. *Auditor's update as of Sep-2004:* Not started. During the 2004 SEIU contract negotiations, no changes were made to nor examples added to the contract regarding call-out pay, the rest period, or the in-lieu meal provisions. The next opportunity to address this will be Feb-2005 when negotiations reopen for the current contract that expires in 2006. Target date: 2006. *Auditor's update as of Sep-2005:* Not started. This recommendation will be addressed when the SEIU contract is renegotiated in 2006. Target date: Jul-2006. *Auditor's update as of Oct-2006:* In process. The City has hired a consultant to assist with the revision of the Merit System Rules and Regulations to reflect call-out pay. In addition, 2006-09 SEIU MOA clarifies the meal relationship to rest periods. The City had proposed new language for hours of work and overtime, but was only successful with clarification for meals, overtime, and rest periods. Target date: TBD. *Auditor's update as of Oct-2007:* In process. HR advises that the only outstanding recommendation is the revision of the Merit Rules to reflect the SEIU call-out provision. HR further advises that the Merit Rules revision as been delayed due to ongoing employee contract negotiations but is scheduled to begin in 2008. Target date: TBD. *Auditor's update as of Nov-2008:* In process. The HR department advises that the only outstanding recommendation is the revision of the Merit Rules to reflect the SEIU call-out provision. HR department further advises that the Merit Rules revision will begin in November 2008 and will occur in phases, with the first phase of the update targeted for completion in September 2009. If the HR Department completes the merit rule revision with regard to call-out pay, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Sept-2009.

Audit report and recommendation	Department	Current status	Comments
#15: The City should conduct a review of the FLSA designation of all positions. The review should consider the impact of proposed revisions to FLSA regulations.	Human Resources	In process	***Original department response:*** Staff concurs. HR began a formal review of FLSA descriptions for all management positions in March 2003 when the proposed FLSA revisions were published. The review has been expanded to include job descriptions and related HR policies and procedures. It is anticipated that the analysis with recommendations including updated job descriptions and policy and procedures will be completed in April 2004. The audit and subsequent recommendations will address all FLSA designations and any exceptions in current practice. ***Auditor's update as of Sep-2004:*** In process. HR' review of the FLSA designations of all City employees is in process. Target date: Jul-2005. ***Auditor's update as of Sep-2005:*** In process. Work on updating FLSA designations has been delayed due to budget and staffing constraints. Resources are now being identified to commence work in Jan-2006. ***Auditor's update as of Oct-2006:*** Project delayed. Target date: TBD. ***Auditor's update as of Oct-2007:*** Not started. HR advises that commencement of this project is scheduled at the completion of the Fox Lawson management classification study. HR advises that the tentative start date is March 2008. Target date: TBD. ***Auditor's update as of Nov-2008:*** In process. HR advises the job descriptions have been revised for the management/professional group. The next step is to conduct the review of the FLSA status of each position in the management/professional group. HR advises that this step of the review will begin in March 2009, following adoption of the mid-year budget. Target date: TBD.
#16: Human Resources should revise job descriptions and overtime policies and procedures to appropriately reflect the FLSA designation of each position. If within a single job classification, it is determined that some employees are exempt while others are non-exempt, then separate job descriptions/ classifications should be written. If the City determines that a particular employee meets the criteria to be deemed exempt for FLSA purposes but the City decides to pay that employee overtime, the job description, policies and procedures, other documentation, and the Lawson computer system should all clearly indicate that the position is exempt but that the City is paying overtime for the position.	Human Resources	In process	***Original department response:*** Staff concurs. Following the completion of the Citywide FLSA review, HR will update job descriptions, policies and procedures, and other documentation as necessary. ***Auditor's update as of Sep-2004:*** Not started. HR plans to implement this recommendation when funds become available. Target date: Dec-2005.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Sep-2005: Not started. Work on revising job descriptions has been delayed due to budget and staffing constraints. Resources are now being identified to commence work in Jan-2006. *Auditor's update as of Oct-2006:* The management classification study will result in new job descriptions. An FLSA **audit will follow. Target date: TBD.** *Auditor's update as of Oct-2007:* Not started. HR advises that commencement of this project is scheduled at the completion of the Fox Lawson management classification study. HR advises that the tentative start date is March 2008. Target date: TBD. *Auditor's update as of Nov-2008:* In process. HR advises the job descriptions have been revised for the management/professional group. The next step is to conduct the review of the FLSA status of each position in the management/professional group. HR advises that this step of the review will begin in March 2009, following adoption of the mid-year budget. Target date: TBD.
#17: After a Citywide review of the FLSA status of positions is completed, Human Resources should work with employee representatives to update union contracts and compensation plans so that they are consistent with other documentation. The Management Compensation Plan should list the positions it covers. Both the Management Compensation Plan and the SEIU contract should distinguish between exempt and non-exempt positions and indicate whether any exempt positions may receive overtime pay.	Human Resources	In process	*Original department response:* Staff concurs and upon completion of the FLSA study, HR will update compensation plans to include exempt/non-exempt status. *Auditor's update as of Sep-2004:* Not started. HR plans to implement this recommendation when funds become available. Target date: Dec-2005. *Auditor's update as of Sep-2005:* Not started. Target date: TBD. *Auditor's update as of Oct-2006:* Project delayed. Target date: TBD. *Auditor's update as of Oct-2007:* Not started. Commencement of this project is scheduled at the completion of the Fox Lawson management classification study. HR advises that the tentative start date is March 2008. Target date: TBD. *Auditor's update as of Nov-2008:* In process. HR advises the job descriptions have been revised for the management/professional group. The next step is to conduct the

Audit report and recommendation	Department	Current status	Comments
			review of the FLSA status of each position in the management/professional group. HR advises that this step of the review will begin in March 2009, following adoption of the mid-year budge. HR advises that the list of management positions is attached to the Compensation Plan. The SEIU salary sheets include the FLSA designation distinguishing between exempt and non-exempt. In addition, the SEIU contract also reflects when contract overtime shall be paid.

The City Attorney's office advises the Management Compensation Plan should not be considered the master list for exempt, non-exempt and overtime positions. Therefore, upon completion of the FLSA study, HR should create and consider where to retain a master list of management positions that indicates which exempt positions receive overtime. Target date: TBD. |
| #18: Human Resources should establish a policy that management leave is granted "in lieu" of overtime pay, and include the policy in the Management Compensation Plan. After conducting a citywide FLSA review, Human Resources should determine how to fairly treat employees who currently receive both management leave and overtime pay. | Human Resources | Not started | *Original department response:* HR will review and confer with management employees.

Auditor's update as of Sep-2004: Not started. HR plans to implement this recommendation when funds become available. Target date: Dec-2005.

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

Auditor's update as of Oct-2006: Project delayed. Target date: TBD.

Auditor's update as of Oct-2007: Not started. HR advises that the FLSA review will be conducted once the Fox Lawson classification study is completed. Target date: TBD.

Auditor's update as of Nov-2008: Not started. HR advises that it will propose such wording be added to the Management Compensation Plan when it is next updated. The Office of the City Auditor notes that after conducting a citywide FLSA review, HR will determine how to appropriately address this category of employees who receive both management leave and overtime pay. Target date: July-2009 |
| #19: Human Resources should clarify, through a policy, union contracts and compensation plans, the appropriate uses of administrative leave and other additional paid time off that may be granted to employees. | Human Resources | In process | *Original department response:* Staff concurs and will prepare additional language which will address administrative leave in future compensation plans. |

			Auditor's update as of Sep-2004: Not started. HR plans to develop a new policy to clarify administrative leave and update all Union contracts and compensation plans. Target date: Dec-2005.
			Auditor's update as of Sep-2005: Not started. Target date: Jun-2006.
			Auditor's update as of Oct-2006: In process. The Merit Rules are being revised and will address this issue. Target date: TBD.
			Auditor's update as of Oct-2007: Not started. The HR Department advises that the Merit Rules revision is scheduled to begin in March 2008. Target date: TBD.
			Auditor's update as of Nov-2008: In process. The HR department advises that the appropriate uses of administrative leave will be clarified through the revision of the Merit Rules that will begin in November 2008. This revision will occur in phases, with the first phase of the update targeted for completion in September 2009.
			If the HR Department clarifies the appropriate uses of administrative leave in the Merit Rules and subsequently revises relevant policies, union contracts and compensation plans to reflect such clarification, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: TBD.
#22: As part of daily log preparation, the Fire Department should compile data on minimum staffing overtime hours and leave hours into a spreadsheet so that this data is easily available for subsequent analysis. The Fire Department should use this data to proactively manage overtime costs.	Fire	Completed	*Original department response:* Staff concurs and will compile the data in an electronic format to allow for subsequent analysis and use by managers.
			Auditor's update as of Sep-2004: In process. As part of daily staffing data, the Fire Department keeps information on minimum staffing overtime hours and leave hours. This information, however, does not have cost data attached and is not in a format easily conducive to compilation and cost assessment. Department will begin later in FY 2004-05 to compile data in such a format. Department will also retrospectively compile data for FY 2003-04. Target date: Oct-2004.
			Auditor's update as of Sep-2005: In process. Target date: TBD.
			Auditor's update as of Oct-2006: In process. The Department continues to keep overtime data manually, but is exploring the purchase of electronic software staffing systems that would

automatically compile this type of data. As an alternative, the Auditor's Office provided a simple spreadsheet that could be used to compile the information. Target date: TBD.

Auditor's update as of Oct-2007: In process. According to Fire Department staff, the Department has purchased Telestaff software that will facilitate data tracking. Target date: TBD.

Auditor's update as of Nov-2008: Completed. The Telestaff software system (implemented in July 2008) allows for specific and detailed data collection to analyze costs and will allow the Department to easily compile cost data on minimum staffing overtime hours.

AUDIT OF RESTRUCTURING EFFORTS AND MANAGEMENT SPAN OF CONTROL (Issued 4/20/04)　　　Finance Committee

The purpose of our review was to conduct an independent review of staffing changes and restructuring over the last two years, assess the feasibility of additional reductions through attrition, evaluate supervisory span of control, the ratio of managers to line staff, and the number of levels of management review. Of the 17 recommendations, 16 were previously completed, and 1 is in process.

Audit report and recommendation	Department	Current status	Comments
#13: Human Resources should reconcile and correct discrepancies in job titles between the SAP and Lawson computer systems and the employees' job descriptions, position titles, compensation plans, the employee directory, organization charts, and the working titles that employees actually use.	HR	In process	*Original department response:* Staff concurs with this recommendation. This process is currently in progress. *Auditor's update as of Sep-2004:* In process. As of Aug-2004, HR and ASD are reconciling all discrepancies as they are identified during the regular course of business. Discrepancies between SAP and Lawson were complicated by the fact that in Lawson, one position number was tied to multiple employees, whereas SAP requires a one-to-one relationship between positions and employees. This was a major shift in position control. With SAP position control, the City will have been reporting capabilities (vacancy reports and headcount reports). However, a comprehensive reconciliation of job titles has not been initiated. Discrepancies that are identified will be corrected in SAP and other documents on a go-forward basis. Target date: TBD. *Auditor's update as of Sep-2005:* In process. A comprehensive reconciliation of job titles will be completed by the end of the year. Target date: Dec-2006.

			Auditor's update as of Oct-2006: In process. The review is in process and will be completed by the end of the year. The management classification study, currently underway, will also contribute to this effort.
			Auditor's update as of Oct-2007: In process. Target date: Jan-2008.
			Auditor's update of Nov-2008: In process. The Office of the City Auditor conducted limited testing of consistencies among SAP, job descriptions, and compensation plans and found that discrepancies remain. If, during the recommendation follow-up process in 2009, the Office of the City Auditor can again test a sample of positions and find that these issues have been resolved, then this recommendation would be considered completed.

REVIEW OF THE ENVIRONMENTAL SERVICES CENTER (ESC) PROPOSAL (Issued 11/15/04) Finance Committee

The purpose of this project was to independently review the assumptions and financial implications of the ESC proposal, and present that information to the City Council before additional monies were expended on the project. Of the 12 recommendations,1 was previously completed, 3 were previously resolved/dropped because they were no longer relevant after the City Council terminated the ESC project, 7 were completed this year, and 1 is in process.

#1: Staff should determine whether the Refuse Fund should pay rent on the unopened portions of the landfill, or complete final closure and open them to the public.	Public Works/ ASD	Completed	***Original department response:*** Staff disagreed with the audit recommendation but, given that this is a major policy decision by the Council, and given that implementation would double the rent currently paid by the Refuse Fund to the General Fund, staff and the Auditor agreed that further discussion of this issue could be referred to the Council Finance Committee, if desired.
			Auditor's update as of Sep-2005: There continues to be on-going research and discussion about this recommendation. Staff will present the results of their research to the City Council in Fall-2005.
			Auditor's update as of Oct-2006: In process. Staff reviewed alternatives with the Finance Committee in Dec-2005. The Committee recommended that the City Council adopt a policy of charging rent on the unopened portions of the landfill, and asked staff to look into the possibility of recovering past-owed rents and reviewing the post-closure costing to include more than just

Audit report and recommendation	Department	Current status	Comments
			grading but also park development. In Oct-2006, the Finance Committee recommended that the City Council establish a policy whereby the Refuse Fund should pay rent at less than full market value in consideration of the fact that the landfill area cannot be readily converted to the specified highest and best use. The Committee also recommended that staff review the recent Army Corps of Engineers' land value estimates, and that the ASD Director should sign a tolling agreement consistent with the applicable statue of limitations for collecting back rent. Target date: TBD. *Auditor's update as of Oct-2007:* In Jan-2007, the City Council adopted a new policy on rent charged by the General Fund to the Refuse Fund on the unopened portions of the landfill. The revised landfill rent schedule (CMR:104:07) includes an additional $13.4 million in rent payments owed on 45.66 unopened acres of the landfill, with payments to be spread over 7 years. Since adoption of the new policy by the City Council, a question has arisen regarding potential rent owed on 1 to 3 acres of parkland that is apparently outside the landfill lease area but is being used by the Public Works Department for storage, and has been proposed to be used for temporary relocation of landfill and recycling facilities from approximately 2008 through 2013. Target date: TBD. *Auditor's update as of Nov-2008:* Completed. According to prior status reports, the City Council adopted a new policy on unopened portions of the landfill. Rent was charged the Refuse Fund and transferred to the General Fund for unopened areas of the landfill used by the Public Works Department. The proposal to place a temporary recycling center on parkland was withdrawn. For a short period of time, Public Works used a small area of parkland between the landfill and the Regional Water Quality Control Plant to store new toters for refuse customers. According to Public Works, these toters were removed and relocated elsewhere. According to Public Works, the parkland is currently not used.
#2: Staff should consider potential effects of waste reduction in planning for needed landfill space, and assess whether those benefits could accrue to the future landfill park in the form of lower and/or smoother contours. Staff should inform the City Council of potential impacts on final landfill grading plans as landfill closure nears.	Public Works	Completed	*Original department response:* Closure of the landfill is dependent on the volume of material being landfilled. The estimated date for closure of the landfill is just that, an estimate. Any revisions to approved grading plans would require CEQA review, and approval by Council and other regulatory bodies. Staff

estimates that the minimum time to accomplish these tasks would be over one and one-half years. While staff recommends staying with the original grading plan, staff agrees with the Auditor that providing the Council with regular reports on actual tonnages, remaining landfill capacity and updates as landfill closure nears is very appropriate.

Auditor's update as of Sep-2005: In process. Staff recently completed an aerial flyover to determine remaining landfill capacities, and is preparing an informational CMR that will discuss the analysis including actual tonnages to date, remaining landfill capacity, and an update on the landfill closure date. Target date: TBD.

Auditor's update as of Oct-2006: In process. Staff presented its first and second annual updates of the Palo Alto Landfill capacity to the City Council in Sept-2005 (CMR:363:05) and Sept-2006 (CMR:377:06).

Auditor's update as of Oct-2007: In process. Reports to the City Council on landfill capacity are being presented to the City Council. However, staff disagrees with this recommendation, is planning to fill the landfill to capacity, and currently has no plans to reduce the capacity of the landfill. The Jan-2007 study of landfill contours by Hargreaves Associates assumed that the maximum permitted trash volume would be landfilled, and did not address a potential for lower volumes leading to lower contours. Staff will provide the third annual update of landfill capacity to the City Council in Nov-2007.

Because of differences between the landfill contours shown in the Byxbee Park Masterplan and the State-approved landfill grading plan (as shown in the Hargreaves report), staff may need to propose changes to the Byxbee Park Masterplan. We recommend that consideration of lower contours be included as part of that review. Target date: TBD.

Auditor's update as of Nov- 2008: Completed. In January 2007, Hargreaves Associates provided consultation and a report on how the closure grading could conform to the intentions of the Master Plan. The Hargreaves Associates report of April 23, 2008 found that the revised final grading plan applied its recommendations and recommended further rounding and smoothing of some areas. Hargreaves Associates approved the revised final grading plan dated April 22, 2008 as an acceptable base for Phase 2 of the Master Plan.

Audit report and recommendation	Department	Current status	Comments
#3: The Public Works Department should utilize the services of a landscape architect to review and help shape refined grading plans prior to landfill closure.	Public Works	Completed	***Original department response:*** Services of a landscape architect would be utilized for any significant changes to the grading plan, which would also be subject to site and design review. These most likely would not be required unless an ESC project is approved. ***Auditor's update as of Sep-2005:*** Staff has contracted with an engineering consultant firm, Golder Associates, to develop a final landfill grading plan. Golder is expected to develop a final grading plan using data from the recent aerial flyover, and based on the current State-approved grading plan and the original Council-approved Landscape Plan provided in the Byxbee Park Masterplan. Target date: TBD. ***Auditor's update as of Oct-2006:*** In process. The Public Works Department is contracting with Hargreaves Associates for these services. Target date: TBD. ***Auditor's update as of Oct-2007:*** In process. In Jan-2007, Hargreaves Associates completed their review of the landfill's current grading plan. Based on their review, Public Works will be doing some re-grading to better conform to the original intent of the Byxbee Park Masterplan, and will be doing some smoothing of slope transitions to match the gentler transitions of the Plan. In their report, Hargreaves further recommended that this would be a good time to begin discussion of *"the implementation of the park elements atop the final landfill closure… The future phases of the park can now be reassessed and elaborated upon, ideally by the Master Plan design team, based on these new conditions, the use patterns of phase one, any successes or failures and lessons to be learned from phase one and any new technological or environmental conditions to be addressed."* It is our understanding that any changes to the approved landfill contours (as shown in the Byxbee Park Masterplan) would require a modification to the Masterplan (requiring review by the Planning and Transportation Commission and the Parks and Recreation Commission, and approval by the City Council). Target date: TBD. ***Auditor's updates as of Nov-2008:*** Completed. The author of the 1991 Master Plan for Byxbee Park, Hargreaves Associates,

Audit report and recommendation	Department	Current status	Comments
			provided professional landscape consultation on the closure grading of the Palo Alto landfill and made recommendations that were incorporated into the revised final grading plan.
#5: Staff should begin planning a request for proposal process for curbside collection services beginning in 2009 that considers whether to continue offering City-owned land for contractor offices and storage.	Public Works	Completed	***Original department response***: Work has already begun planning for the 2009 request for proposal process. Any future contract will evaluate land for the contractor's offices and storage and will evaluate economic trade-offs to see which are the most cost effective.

Auditor's update as of Sep-2005: Staff is preparing a multi-year schedule for a new contract. Staff anticipates a schedule that would potentially award a contract 1 full year prior to the end of the existing contract term in 2009.

Auditor's update as of Oct-2006: In process. A cross-departmental team has been assembled, and the City Council has approved a scope of work to obtain consultant services to assist and advise City staff during the procurement process. Staff anticipates a schedule that would potentially award a contract 1 full year prior to the end of the existing contract term in 2009.

Auditor's update as of Oct-2007: In process. In Mar-2007, the City Council awarded a contract to HF&H Consultants to assist the City in the solicitation process for a new solid waste and recyclable material collection and processing agreement. The development of the refuse contract RFP is underway with the expectation that the new contract will be awarded by July 2008.

Auditor's update as of Nov-2008: Completed. Staff incorporated this recommendation in the RFP and contract for the new Citywide trash hauling contract. Council approved the new trash hauling contract in October 2008. |
| #6: The City Council should request additional information about the benefits of a permanent household hazardous waste facility before committing to building a facility at the proposed ESC that increases annual operating costs. | Public Works | Completed | ***Original Comment:*** On February 14, 2005, the City Council voted to terminate the ESC project however, the proposal to build a permanent HHW facility was part of the 1991 household hazardous waste element that is still in effect.

Auditor's update as of Sep-2005: In process. According to staff, the issue will be discussed by the Zero Waste Task Force which is scheduled to report back to the City Council in Fall-2005.

Auditor's update as of Oct-2006: In process. Target date: Nov-2006. |

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Oct-2007: In process. The June 2007 draft Zero Waste Operational Plan (ZWOP) concludes that the City needs to continue to be prudent in addressing removal of HHW, and recommends a permanent HHW Facility to replace current HHW collection activities at the PARWQCP and the City's Recycling Drop-Off Center. According to the accompanying staff report (CMR:300:07), *"the main benefit of Palo Alto developing a permanent HHW facility is that it would provide more frequent and convenient service to residents, thereby collecting more HHW with less illegal disposal."* Staff concludes that *"a Recycling Drop-Off Center with HHW is the highest priority to be able to accommodate locally… Should this option be chosen, a detailed site selection study subject to environmental assessment will be conducted."* While this general statement of benefits is useful, we recommend a more specific and detailed cost-benefit analysis be performed. For example, attachment B to the ZWOP indicates the labor costs to operate the facility would be from $168,000 - $367,000 per year, but does not indicate estimated diversion as a result of the proposed new facility. Target date: TBD.
			Auditor updates as of Nov-2008: Completed. According to the original audit recommendation in 2005, the City Council voted to terminate the ESC project, and thereby also terminated the plans for a permanent household hazardous waste facility at the ESC site. Subsequently, in September 2007, the City Council approved the general direction of a Zero Waste Operational Plan, but conditioned the approval stating "…with the possible exception of the relocation of the Recycling Center as well as the Hazardous Facility and to remove any size reference of the program" (Source: 9/17/07 Council meeting minutes). Based on this approval and according to the Public Works Department, there are no current proposals pending for a permanent HHW facility. In the future, if PWD proposes a permanent facility for HHW, we recommend they provide complete and timely cost/benefit data to the City Council. If a permanent facility for HHW is proposed in the future, the Administration has agreed to provide a cost-benefit analysis.
#8: Planning staff should immediately review landfill grading plans for conformance to the approved Byxbee Park Plan. If necessary, staff should request the assistance of a landscape architect to make this determination. If Planning staff determine that the grading plan is different from the approved park plan, landfill staff should be directed to grade to levels indicated in the park plan or lower, while filing an	Planning/ Public Works	Completed	***Original department response***: Public Works staff will consult with the landscape architect, Hargreaves Associates, and an engineering firm to resolve the differences between the grading plan and the approved landscape plan in Phase IIC. If any changes are proposed to the Council-approved landscape plan, it will be subject to site and design review.

Audit report and recommendation	Department	Current status	Comments
application for site and design review and a park improvement ordinance.			***Auditor's update as of Sep-2005***: In process. Planning staff determined that the current landfill grading plan was not in conformance with the approved Byxbee Park Plan. Public Works staff is preparing a final landfill grading plan and will be sending final grading plan to the original landscape architect, Hargreaves Associates, in Sep/Oct-2005 for their review for conformance with the original Council- approved landscape plan for Byxbee Park.
			Auditor's update as of Oct-2006: In process. An agreement is being negotiated with Hargreaves Associates to conduct the review. Target date: TBD.
			Auditor's update as of Oct-2007: In process. In Jan-2007, Hargreaves Associates completed their review of the landfill's grading plan. The Planning and Community Environment Department has reviewed the report and concurs with the conclusions and recommendations for modifications to the grading to conform to the Master Plan approved by the City Council in 1991. Public Works has hired Golder Associates to prepare plans and specifications to carry out the recommended re-grading.
			However, Hargreaves pointed out several areas of difference between the Byxbee Park Masterplan and the State-approved grading plan. It is our understanding that any changes to the approved landfill contours (as shown in the Byxbee Park Masterplan) would require a modification to the Masterplan (requiring review by the Planning and Transportation Commission and the Parks and Recreation Commission, and approval by the City Council). It is also our understanding that a park improvement ordinance and site and design review would not be required until the final park plan is proposed. Target date: TBD.
			Auditor's update as of Nov-2008: Completed. Hargreaves Associates, the author of the Byxbee Park Master Plan, provided consultation on the closure grading, recommendations to conforming with the Master Plan, and approved the revised final grading plan dated April 22, 2008 as an acceptable base for Phase 2 of the Master Plan.
#10: As they compile an update to the Baylands Master Plan, the Planning Department should clearly spell out the existing boundaries, names, and acreages of dedicated parklands in the Baylands.	Planning	Completed	***Original department response***: Staff agrees with the recommendation.
			Auditor's update as of Sep-2005: The Baylands Masterplan update will be undertaken after the completion of the golf course

Audit report and recommendation	Department	Current status	Comments
			preliminary feasibility study.
			Auditor's update as of Oct-2006: In process. Hargreaves Associates has been engaged to do the review. Target date: TBD.
			Auditor's update as of Oct-2007: In process. A staff retirement and competing priorities have delayed the project. Target date: Feb-2008**.**
			Auditor's update as of Nov-2008: Completed. The Planning Department updated and included a new map in the Baylands Master Plan that shows the park acreage, name, and boundaries.
			Planning staff advises that acreage differences in past estimates are in large part due to the amount of water included. Planning staff also advises that the newly developed map recognizes the components now in use.
#11: The Community Services Department should develop a natural resources management plan.	Community Services	In process	***Original department response***: The Parks and Recreation Commission have made the development of a natural resources plan for the Baylands a priority for calendar year 2005. Staff and the Commission will determine the scope of the project and will provide the Council with the timeline and process details for implementing the plan's development.
			Auditor's update as of Sep-2005: In process. CSD has received a $24,000 grant for this study from the US Fish And Wildlife Service, and has finalized the request for proposals with feedback from the Parks and Recreation Commission. CSD hopes to be able to award the contract this fall.
			Auditor's update as of Oct-2006: In process. The consulting firm ESA has been hired to prepare a comprehensive Baylands Conservation Plan over the next two years. The consultants are gathering data on native and non-native plants at the Baylands, including the flood basin and along San Francisquito Creek. Staff plans to give the Parks and Recreation Commission an update on status-to-date of ESA's study in Nov-2006. Target date: Mar-2008
			Auditor's update as of Oct-2007: In process. The consultant firm of ESA is working on the development of the plan, starting with an analysis of the plant resources in the marshes and flood basin. The consultant plans to return with a final draft in Dec-2007.

| | | | *Auditor's update as of Nov- 2008:* In process. In April 2008, the consultant firm of ESA completed the first chapter of the comprehensive Baylands Conservation Plan on vegetation management at the Palo Alto Baylands. ESA has submitted a draft wildlife habitat assessment for the open and closed portions of the landfill area of the Baylands. Additional chapters for wildlife management strategies were initiated in October 2008 and are anticipated to be completed by November 2009. According to CSD, the Baylands Conservation Plan will cover vegetation, weed management, wildlife management & habitat and pubic access (as it relates to wildlife habitat and vegetation restraints). Target date: Nov-2009. |

AUDIT OF CONTRACT CONTINGENCIES (Issued 3/15/05)   Finance Committee

The purpose of this audit was to evaluate the appropriateness of contingency levels, the approval process for using contingencies, and actual contingency usage. Of the 15 recommendations, 11 were previously completed, 1 was completed this year and 3 are in process.

Audit report and recommendation	Department	Current status	Comments
#2: Purchasing should maintain records on valid complaints related to contractors for consideration in future contract awards.	ASD	Completed	*Original department response:* Staff will incorporate a process to maintain such information in SAP under the vendor's master file. If there are system limitations, staff will then keep a separate electronic file of valid complaints to review prior to awarding contracts. Purchasing and Department Project Management staff will communicate on ongoing basis to keep complaints current. Target Completion Date: Fall 2005
			Auditor's update as of Sep-2005: In process. ASD has met with the Attorney's office regarding this matter and it was agreed that certain documentation regarding vendor performance should be maintained as it relates to vendors. Determining what specific information can be retained while ensuring fairness to vendors requires additional research and discussion. Purchasing and the Attorney's Offices are continuing to work on it. Target completion date: June 2006.
			Auditor's update as of Oct-2006: In process. ASD is finalizing a procedure for the maintenance of customer complaint records for the Purchasing Manual. The procedure has been reviewed by the City Attorney's Office. Target date: Fall-2006.
			Auditor's update as of Oct-2007: In process. ASD advises that a procedure has been resubmitted to the City Attorney's Office for

Audit report and recommendation	Department	Current status	Comments
			review and approval. Additionally, an SAP procedure has been developed to collect data on vendors. Target date: Oct-2007.

Auditor's update as of Nov-2008: Completed. ASD completed and added a chapter entitled "Contract Performance Documentation" to the Purchasing Manual. |
| #3: Departments that receive resident requests for service should establish criteria for responding to such requests and incorporate those criteria into a Departmental construction manual (if applicable) and provide them to Purchasing for inclusion in the Purchasing Manual. The Purchasing Manual should also provide guidance on when it is appropriate to issue a change order to expand the scope of a contract versus amending the contract or issuing a new contract. Departments approving contingency spending should ensure that the work is within the scope of the original contract. | ASD | In process | *Original department response:* Staff will collaborate to incorporate in the Construction and Purchasing Manuals criteria on processing requests for services based on the scope of the capital project and the contract. The manuals will include examples on when to do a change order or a contract amendment. Department heads or designees will approve contingency spending based on the established criteria. Target Completion Date: Fall 2005.

Auditor's update as of Sep-2005: In process. Infrastructure project managers have been trained regarding the type of changes and additional work that is compliant with the contract scope. Any deviation from these changes or additional services will require approval by the appropriate authority. The Purchasing Manager will work with the Public Works Department to incorporate the necessary criteria into the Department Construction Manual that is scheduled to be revised (see also recommendation #9). Target completion date: Dec-2005.

Auditor's update as of Oct-2006: In process. Purchasing Manual changes are complete. Public Works will incorporate the necessary criteria into its Construction Manual. Target date: Spring 2007.

Auditor's update as of Oct-2007: In process. Staff advises that a Citywide Construction Manual is pending that will address resident requests, and clarify that the requested item would have to fall within the scope of the contract. Target date: Summer 2008.

Auditor's update as of Nov-2008: In process. Public Works staff advises that such criteria for responding to resident requests will be incorporated into the Citywide Construction Manual which is expected to be completed by Fall 2009. Public Works staff further advises that they will review whether they could potentially develop and adopt such criteria sooner. The Purchasing Manual includes guidance on change orders and contract amendments. |

Audit report and recommendation	Department	Current status	Comments
			If the Public Works Department develops and adopts the criteria for responding to resident requests (either separately from the update of the Citywide Construction Manual or as a part of it), the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Fall 2009.
#9: Departments should use the Public Works Construction Contract Administration Manual as a template for additional procedures regarding extra work authorizations, field orders, change orders, and authorization signatures, as needed. Departments should ensure that their procedures for contingency spending are consistent with the Purchasing Manual with regard to additional services spending. Departments should review their procedures with Purchasing to ensure conformance to Citywide standards.	ASD, Public Works, and Utilities	In process	*Original department response:* Public Works will update the Construction Contract Administration Manual in collaboration with the Utilities Department and Purchasing Division Staff to ensure consistency with the Purchasing Manual and Citywide standards. Target Completion Date: Fall 2005.

Auditor's update as of Sep-2005: The update of Public Works Construction Contract Administration Manual has not yet started. Target completion date: Winter 2005.

Auditor's update as of Oct-2006: The update of the Public Works Construction Contract Administration Manual has not yet started. Target completion date: Jun-2007.

Auditor's update as of Oct-2007: In process. Staff advises that a Citywide Construction manual is pending. Target date: Summer 2008.

Auditor's update as of Nov-2008: In process. According to the Public Works Department, the Invitation for Bids Streamlining Committee is working on new templates for invitations for bids. Public Works staff is awaiting these templates and any associated new processes before revising the Citywide Construction Manual. Public Works staff advises that all updates will be consistent with Chapter 13 of the Purchasing Manual.

If Public Works updates the manual and the Utilities department can provide documentation that procedures/templates for extra work authorizations, field orders, change orders and authorization signatures are consistent with the revised manual, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Fall-2009. |
| #12: The City Clerk's Office, in consultation with the City Attorney's Office and the Administrative Services Department, should review the records retention schedule and update it to ensure that critical contract records (including scopes of work and bid submittals) are retained for appropriate lengths of time, accountability is clear, the schedule is easy to | City Clerk, City Attorney, and ASD | In process | *Original department response:* Staff from the Office of the City Attorney, Clerk and Administrative Services will work together to update the records retention schedule. The current practice in Purchasing is to maintain a complete set of contract documentation while they are open. The Purchasing Manual |

understand, and that duplication is minimized. In our opinion, both Purchasing and the originating department should have a complete set of contract documents readily available while a contract is open.

and/or guidelines will be updated to include language that departments are responsible for keeping a complete set as well. Target Completion Date: Fall 2005

Auditor's update as of Sep-2005: In process. Staff from the City Clerk's and City Attorney's Offices have met individually with several RIM coordinators to begin the process of updating retention schedules. Target date: Spring 2006.

Auditor's update as of Oct-2006: In process. The City Attorney's Office is reviewing proposed records retention schedule changes. Target completion: Winter 2006.

Auditor's update as of Oct-2007: In process. The City Clerk's Office updated the records retention schedule in February 2007. The Clerk's Office is working to ensure that complete copies of contracts are retained by them as required by the new schedule, Target completion: Summer 2008.

Auditor's update as of Nov-2008: In process. The records retention schedule was updated by the City Clerk's Office in February 2007, as noted above. However, subsequent to the update, the City Clerk's Office noted that certain documents that the schedule states the City Clerk's office should retain, have not historically been provided to or kept by the City Clerk's Office. These include certain documents related to external vendors including: (1) indexes (proposal logs, purchase orders and contract list), (2) unaccepted bids, and (3) order, blanket, change, signature authorizations and software purchase records. Therefore, the City Clerk's Office has advised that the schedule will be amended during its next update to reflect the fact that the City Clerk's Office does not retain these items.

The original audit found that when we requested certain open contracts, in some cases key documents related to those contracts were not readily available from Purchasing. We further found that some department staff were not certain what supporting documentation they were responsible for retaining versus what Purchasing was responsible for retaining. We stated in the recommendation that in our opinion, both Purchasing and the originating department should have a complete set of contract documents readily available while a contract is open.

As part of the 2008 follow-up, the Office of the City Auditor selected a random sample of five contracts and reviewed the

| | | | document files for those contracts that are stored with the Purchasing Division, the originating department, and the City Clerk's Office. For all five contracts, the Purchasing Division had complete contract files. For four of the five contracts, the originating departments had complete files. In one case, for a Utilities contract, the department did not have a copy of the contract. The City Clerk's Office did not have a copy of one of the selected contracts. The Palo Alto Municipal Code 2.08.110(a)(2) requires that the City Clerk's Office keep copies of contracts and agreements. The City Attorney's Office advises that they have interpreted this to apply solely to Council-approved contracts. (All five of the contracts we selected for the random audit follow-up test were Council-approved contracts.) The City Clerk advises that the office has initiated a process to track the status of a contract once it is approved by the City Council.

If another random contract sample is taken from the originating departments and the City Clerk's Office and all files sampled are available, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. The Purchasing Manager has advised that he will work with Departments throughout the year to emphasize the importance of their having complete copies of their open contracts readily available for purposes of managing the contract and paying the contractor. |

AUDIT OF PARKS MAINTENANCE (Issued 12/13/05)   Finance Committee

The objective of this audit was to assess the cost-effectiveness of parks maintenance. Of the 22 recommendations, 6 were previously completed, 9 were completed this year, and 7 are in process.

Audit report and recommendation	Department	Current status	Comments
#4: The Parks Division should document its existing and ongoing playground safety inspection training practices and maintain this documentation in a master file.	CSD	Completed	***Original department response:*** Staff concurs. The Parks Division has developed a successful training program but it is not fully documented. Target date: Sep-2006. ***Auditor's update as of Oct-2006:*** In process. Ongoing training is documented and entered into the employees personnel file (maintained by the Parks Division) until implementation of *PlaySafe* an application that monitors inspections of playground equipment. Target date: Jan-2007.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Oct-2007: In process. According to the Department, the Parks Division continues to document playground inspection training accomplishments and includes photocopies or related certificates in the personnel files of each field inspector. Training objectives for the upcoming year are outlined in each inspector's annual written evaluation. Once the PlaySafe database is implemented in March 2008, training records will also be logged there. Target: date: Mar-2008.
			Auditor's update as of Nov-2008: Completed. The Community Services Department (CSD) advises that with the successful implementation of the PlaySafe database in November 2007, training records and certifications for each playground inspector are kept up-to-date, together with playground inspection records, in the database.
#5: The Parks Division should provide its inspectors with a more descriptive and detailed checklist for weekly playground safety inspections, and should clarify what additional work is to be performed during the annual inspections.	CSD	Completed	***Original department response:*** Staff concurs. Parks staff is presently using the checklist from the California Parks and Recreation Society playground inspector certification training, which has proved to be an excellent instrument. Additionally, the Parks Division is currently adopting an automated database application to better identify and track playground repairs in addition to reducing staff time for manual data entry. Target date: Jun-2006.
			Auditor's update as of Oct-2006: In process. Safety inspection data will eventually be entered into a computerized system (*PlaySafe*) and the checklists will be on this system. The checklists have been updated and the software is currently being tested. Critical staff vacancies have slowed progress. Target date: Jan-2007.
			Auditor's update as of Oct-2007: In process*.* CSD advises that staff continues to use the standardized California Parks and Recreation Society-approved checklist for documenting all playground inspections. Staff continues to work with the Information Technology Division to test and implement the PlaySafe software system for playground inspection record keeping. Target date: Mar-2008.
			Auditor's update as of Nov-2008: Completed. Use of the PlaySafe database for maintaining a systematic and complete playground inspections was implemented in November 2007. According to Parks' staff, annual inspections will begin in

Audit report and recommendation	Department	Current status	Comments
			November 2008. The Parks Division staff advises us they are documenting the annual inspections in more detail than the weekly inspections.
#7: The Parks Division should track playground performance including: • Turnaround time on repair/service/complaint requests • Dollar value of claim losses and number of reported injuries on playgrounds • Customer/user satisfaction	CSD	Completed	***Original department response:*** Staff agrees with this recommendation. Turnaround time on repairs, service and complaints should be rectified through implementation of Recommendation 1, instituting a repair and complaint tracking system. Setting up a system that tracks the number and value of park injuries is not within the purview of the Parks Division. These are handled through the City Attorney's Office. It should be noted that in the past decade there have only been three reported claim losses from playground accidents. Customer satisfaction is also challenging to obtain. Most use of playground equipment is by children who are problematic to survey. Parents can be surveyed, but staff will only get their perspective, not that of the true users. Staff believes the existing customer service questions used in the Auditor's annual Service Efforts and Accomplishments Report qualify as user satisfaction for all elements of our urban park system, including playgrounds, and as such should continue to be relied on for user input. Other methods of input will be evaluated. ***Auditor's update as of Oct-2006:*** Not started. Target date: TBD. ***Auditor's update as of Oct-2007:*** In process. Staff uses a shared log that includes the date a concern, compliment or inquiry is received, the date the situation was delegated to repair personnel, the name of the person the task was assigned to, and follow-up notes. The Department will update this log to include the resolution date or the complaint or service request. The Department may be able to use this information to track timeliness. Target date: TBD. ***Auditor's update as of Nov-2008:*** Completed. With the implementation of the PlaySafe database for facility and playground inspection and repair, service requests (including citizen complaints) are now tracked from the date the issue was reported until the date the request was completed. Although CSD is not privy to the dollar value of claim losses, since November 2007, the PlaySafe software database has been employed to track reports of injury or claims received from the public or City Attorney's Office. The PlaySafe database is also used to record commendations from the public, as well as customer complaints.

Audit report and recommendation	Department	Current status	Comments
			Since February 2008, staff has used *Yelp.com*, an on-line customer satisfaction and information sharing website, to monitor customer satisfaction comments on playground performance. In addition, staff continues to also provide self-addressed, postage-paid program evaluation postcards to every class, campfire and program participant in Open Space & Parks nature programs.
#9: The Parks Division should obtain bids for landscape maintenance work including mowing at Mitchell, Rinconada, and Greer Parks and should consider contracting for such work if it proves more cost beneficial.	CSD	In process	*Original department response:* Staff concurs and will conduct a comparative analysis of contracting vs. in-house crews, but that analysis must consider the service level provided by current staffing levels. Given existing contract obligations, implementation would be expected in July 2007.
			Auditor's update as of Oct-2006: Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Target date: Spring 2007.
			Auditor's update as of Oct-2007: In process. City staff continues to maintain these parks. CSD advises that bids were solicited in January and seven firms attended the pre-bid conference. Two landscape companies submitted bids for four of the six sections of work. The Community Services Department advises that on July 1, 2007, Loral Landscaping assumed responsibility for maintenance of all of the areas previously contracted by Gachina and Loral landscaping (2004-07).
			However, Community Services advises that it is still working with ASD to evaluate bid submittals for Mitchell, Rinconada and Greer. A recent analysis by ASD based on current bids estimated that by contracting out Mitchell, Rinconada, and Greer for the next five years, Community Services could save $641,561.
			Community Services further advises that SEIU has asked for an opportunity to present a proposal to take back in-house some of the contracted sites while keeping the staffing levels the same as at present. This proposal is under consideration. A decision on whether to contract out Mitchell, Rinconada and Greer has been delayed until after the SEIU proposal has been reviewed. Target date: TBD.
			Auditor's update as of Nov-2008: In process. Parks staff advises that they met and conferred with SEIU in August 2007 regarding a proposal by SEIU to take back in-house some sites

Audit report and recommendation	Department	Current status	Comments
			that are currently contracted out. However, after making the initial proposal, SEIU decided not to pursue it further.

CSD staff further advises that the City is in the process of considering a requirement that state-mandated prevailing wages be paid for contracted work. CSD has advised that this would likely increase the cost of contracting out and negate potential savings. However, the Office of the City Auditor noted that for certain types of landscape work, the effect on the cost of contracted work would likely be minimal as the contractor's proposed salaries appear to be consistent with the State's current prevailing wages. A detailed analysis would be required, however, to determine which rates apply to Palo Alto.

Additionally, CSD advises that although the bid proposals indicate the City could obtain savings through contracting out landscaping maintenance and mowing services, the department believes its level of service provides additional customer and intrinsic value. CSD has offered to evaluate its own operations to identify additional efficiencies and cost savings and will provide a plan to reduce its costs through the development of the 2009-10 budget. If CSD can complete their analysis and provide a reasonable cost savings plan that justifies keeping the services in-house, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. |
| #10: The Parks Division should obtain bids for landscape maintenance work including mowing at Baylands Athletic Center, El Camino Park, and the Bowling Green, and should consider contracting for such work. | CSD | In process | *Original department response:* Staff will collect and evaluate bid information as stated in recommendation #9.

Auditor's update as of Oct-2006: Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Target date: Spring 2007.

Auditor's update as of Oct-2007: In process**.** City staff continues to maintain these parks. The Department advises that bids were solicited in January. Seven firms attended the pre-bid conference. Bids were received from two landscape companies for four of the six sections of work. Bids were received, but have not yet been accepted, for the maintenance of the Baylands Athletic Center, El Camino Park (and playing fields), and the Lawn Bowling Green. A recent analysis by ASD based on current bids estimated that by contracting out El Camino Park and the Bowling Green for the next five years, Community Services could save $327,855. Based on |

current bids, Baylands Athletic Center was estimated by ASD to lose about $45,000 if contracted out.

SEIU has asked for an opportunity to present a proposal to take back in-house some of the contracted sites while keeping the staffing levels the same as at present. This proposal is under consideration. A decision on whether to contract out Baylands Athletic Center, El Camino Park, and the Bowling Green has been delayed until after the SEIU proposal has been reviewed. Target date: TBD.

Auditor's update as of Nov-2008: In process. Parks staff advises that they met and conferred with SEIU in August 2007 regarding a proposal by SEIU to take back in-house some sites that are currently contracted out. However, after making the initial proposal, SEIU decided not to pursue it further.

CSD staff further advises that the City is in the process of considering a requirement that state-mandated prevailing wages be paid for contracted work. CSD has advised that this would likely increase the cost of contracting out and negate potential savings. However, the Office of the City Auditor noted that for certain types of landscape work, the effect on the cost of contracted work would likely be minimal as the contractor's proposed salaries appear to be consistent with the State's current prevailing wages. There may be other types of contracted park work, though, that would cost more if prevailing wage is adopted by the City. A detailed analysis would be required, however, to determine which rates apply to Palo Alto.

Additionally, CSD advises that although the bid proposals indicate the City could obtain savings through contracting out landscaping maintenance and mowing services, the department believes its level of service provides additional customer and intrinsic value. CSD has offered to evaluate its own operations to identify additional efficiencies and cost savings and will provide a plan to reduce its costs through the development of the 2009-10 budget. If CSD can complete their analysis and provide a reasonable cost savings plan that justifies keeping the services in-house, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process.

Audit report and recommendation	Department	Current status	Comments
#11: The Parks Division should obtain bids for mowing work as part of future landscape maintenance contracts at the contracted neighborhood parks, and contract for mowing at those sites if it proves cost-beneficial.	CSD	Completed	***Original department response:*** Staff agrees that bids information would be useful to evaluate. ***Auditor's update as of Oct-2006:*** Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Target date: Spring 2007. ***Auditor's update as of Oct-2007:*** In process. The Department advises that bids for mowing services were solicited in January. The Department has concluded that in-house crews can more efficiently and effectively mow turf at these parks. However, the Auditor's Office notes that although a high level cost-benefit analysis was performed comparing contracting out to in-house services, such analysis did not include the full costs of the City-provided services. The Auditor's Office recommends further analysis. Target date: TBD. ***Auditor's update as of Nov-2008:*** Completed. The City's labor cost for mowing the parks under consideration is about $45,635. The equipment cost per year can add between $5,000 to $10,000 on average to this price (note replacement costs of $50,000 per mower are depreciated based on their useful life). In comparison, the contractor's price of $48,650 appears to offer some cost savings when compared to the City's cost, however, CSD has noted additional customer service and coordination value from keeping the service in-house, which does not appear to be unreasonable given the proximity in price. However, the other contracts under consideration in Recommendations #9 and 10 do appear to have a noticeable cost difference and should be considered in CSD's cost reduction proposal.
#12: The City should discuss with the PAUSD the possible cost savings and issues related to contracting for routine athletic field maintenance at school sites. Depending on the outcome of those discussions, the City should obtain bids and contract for routine maintenance at those sites if it proves cost-beneficial.	CSD	Completed	***Original department response:*** Staff agrees and will implement discussions in September 2006. There is a question as to the ability of an outside contractor to do this type of work at school sites within limitations of not working during recess, lunch and PE periods. ***Auditor's update as of Oct-2006:*** Not started. Invitations for bids are expected to be issued in November or December. Bids would be received and reviewed in January or February. Results would be reported to the City Council in March or April as part of the annual budget process. Follow up discussions with PAUSD will

Audit report and recommendation	Department	Current status	Comments
			then be required regarding process and any potential issues with contract staffing on school sites. Target date: TBD.
			Auditor's update as of Oct-2007: In process. The City conferred with PAUSD over contracting field maintenance services. Bids for mowing services were solicited in January. No bids were received for school field mowing. We recommend including school field maintenance in any future solicitation. Target date: TBD.
			Auditor's update as of Nov-2008: Completed. CSD staff continues to assert that the level of irrigation staffing is appropriate for the extensive amount of park, school fields, open space, median and miscellaneous irrigation systems (pipes, values, sprinkler heads and specialized drip watering systems) that must be continuously maintained and repaired. Even though park staff has realized some efficiency in using computerized water management systems to reduce the amount of water used, these systems still require human monitoring of site conditions and manual adjustments in order to ensure the proper maintenance of landscaping and turf. Since the audit, the irrigation staff has taken on responsibility for nearly 32 additional acres of turf including: Cubberley Community Center turf and landscaped areas (13 acres), Heritage Park (1.70 acres), and Stanford/Mayfield athletic fields (1.08 acres), Foothills Park (14 acres), and the Pearson Arastradero Preserve-Matadero creek corridor (2 acres).
#13: The Parks Division should reduce or redirect irrigation staffing after systems are renovated and efficiencies are realized.	CSD	Completed	*Original department response:* Staff will evaluate this alternative in conjunction with the contracting analysis as stated in recommendation #9.
			Auditor's update as of Oct-2006: In process. As of March 2006, due to reorganization and downsizing, parks irrigation staff have been redirected to maintenance and irrigation tasks. Parks irrigation staff has taken on additional work for Cubberley fields, Homer underpass, Heritage Park, and Stanford/Palo Alto Fields. Staff does not recommend further reductions. In addition, Parks staff is implementing irrigation audit recommendations at El Camino, Seale, Briones and Hoover Parks. Target date: TBD.
			Auditor's update as of Oct-2007: In process. The Community Services Department advises that staff continues to evaluate the effectiveness of the organization to maintain irrigation systems throughout the City and at newly acquired sites such as the Cubberley Community Center (which was under a contract), Homer underpass, Stanford/Palo Alto Community Playing Fields

Audit report and recommendation	Department	Current status	Comments
			and Heritage Park. CSD further advises that the response time to calls-for-service for irrigation repair and water system monitoring continues to be acceptable. CSD staff has concluded that further reduction in staffing levels is not prudent at this time.
			The Auditor's Office notes that the Capital Improvement Program Budget (Project PG-98001) specifically cites efficiencies that could be realized from renovated irrigation systems*: "Irrigation improvements will allow for centralizing irrigation management and reducing staff time needed to manually adjust controllers and inspect for irrigation problems."* In our opinion, CSD staff should reconsider potential reductions or redirection of irrigation staffing in the upcoming budget cycle. Target date: TBD.
			Auditor's update as of Nov-2008: Completed**.** CSD staff continues to assert that the level of irrigation staffing is appropriate for the extensive amount of park, school fields, open space, median and miscellaneous irrigation systems (pipes, values, sprinkler heads and specialized drip watering systems) that must be continuously maintained and repaired. Even though park staff has realized some efficiency in using computerized water management systems to reduce the amount of water used, these systems still require human monitoring of site conditions and manual adjustments in order to ensure the proper maintenance of landscaping and turf. Since the audit, the irrigation staff has taken on responsibility for nearly 32 additional acres of turf including: Cubberley Community Center turf and landscaped areas (13 acres), Heritage Park (1.70 acres), and Stanford/Mayfield athletic fields (1.08 acres), Foothills Park (14 acres), and the Pearson Arastradero Preserve-Matadero creek corridor (2 acres).
#14: The Parks Division should track and follow up on all interdepartmental work orders to ensure that they are completed timely.	CSD	In process	*Original department response:* Staff concurs. This recommendation will be accomplished as part of the implementation of recommendation #1. Target date: Jun-2006.
			Auditor's update as of Oct-2006: In process. This will be further discussed and analyzed as part of the City Manager short-term task force to identify ways to improve efficiencies (see recommendation #16). Implementation of an email tracking system when requesting tree work will begin Fall 2006. Requests are forwarded to Public Works-Trees when unforeseen work is required at Palo Alto Parks and other city locations. A follow-up to the request will be initiated to monitor the status. Requests to Public Works Facilities for park related work is already implemented with a tracking number. This may be a system that

Public Works Operations can also provide to Parks. Target date: Winter 2007.

Auditor's update as of Oct-2007: In process. CSD staff advises that they track and follow-up on all reported park maintenance issues to ensure the timely resolution of problems and concerns. The name of the person and department taking responsibility for addressing the issue is noted in a log. Public Works Operations, Facilities Management and the Street – Tree Division are the interdepartmental units contacted most frequently for assistance. We are holding this recommendation open until the Department can provide assurance that work orders are completed timely. Target date: TBD.

Auditor's update as of Nov-2008: In process. As mentioned in response to Recommendations #4, 5 and 7 above, the successful implementation of the PlaySafe database in November 2007, has allowed staff to follow-up on interdepartmental work orders to ensure they are completed in a timely manner. To complete implementation of this recommendation, CSD staff is planning to gather statistical information to track the percentage of calls-for-service completed within 3 days of being reported. Target date: Spring 2009.

Audit report and recommendation	Department	Current status	Comments
#15: The City Manager should assign responsibility for flushing storm drains in parks and for the routine maintenance of pathways.	CSD	Completed	***Original department response:*** Staff concurs. Staff will determine responsibilities by June 2006. It is important to note that there are no resources assigned to Parks or Public Works for the maintenance of pathways. (Note that pathways have been improved through CIP projects.) Staff will request maintenance resources as part of next year's budget process. ***Auditor's update as of Oct-2006:*** Not started. This will be addressed by the City Manager's short term task force that is expected to convene in Fall 2006. Target date: Winter 2007. ***Auditor's update as of Oct-2007:*** Not started. CSD advises that Parks staff has worked closely with Public Works Operations staff to repair broken and uplifted pathways at Rinconada Park, El Camino Park and within the Baylands Nature Preserve in a timely manner. CSD advises that their staff is working with the City Manager's Office to ensure that the review of this recommendation is completed. Target date: Nov-2007. ***Auditor's update as of Nov-2008:*** Completed. CSD staff advises that they have worked closely with Public Works Operations to

			develop a clearly defined matrix of responsibilities including storm drain flushing and pathway maintenance. Staff has determined which storm drains can be safely accessed by Public Works trucks, and which storm drains will require service by a contractor with suitably-sized equipment that will not damage park pathways, turf surfaces or irrigation systems. In fall 2007, Public Works staff worked cooperatively with Open Space & Parks staff to repair 2,000-feet of asphalt pathways at the Baylands Preserve and 1,000-feet of pathways at Rinconada Park. A newly approved CIP project (OS-09007) for the maintenance and repair of park pathways and off-road bicycle paths will enable staff to continue to make timely repairs to pathways and bike trails.
#16: The City Manager's Office should convene a short-term task force to identify ways to improve efficiencies in park maintenance by assigning as much responsibility as possible to the Parks Division in CSD, along with the necessary transfer of resources.	CSD	In process	***Original department response:*** Staff concurs that a task force should be assigned, but their goal should be slightly modified to identifying the most effective way to coordinate cross-departmental park maintenance given organizational restructuring and resources. Target date: Dec-2006.
			Auditor's update as of Oct-2006: Not started. The task force is expected to convene in Fall 2006. Target date: Winter 2007.
			Auditor's update as of Oct-2007: Not started. CSD advises that staff is working with the City Manager's Office to ensure that the review of this recommendation is completed. Target date: Nov-2007.
			Auditor's update as of Nov-2008: In process. The City Manager's Office has committed to bring together key employees from the relevant departments to identify potential efficiencies. If the City Manager's Office can demonstrate and document that a concerted effort was made to identify potential efficiencies, then the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: June 2009.
#17: One department or division should be solely responsible for all lighting in parks. The Parks Division, Public Works Department, and Utilities Department should work together to decide who should be responsible, and consider transferring the necessary resources to the responsible department.	CSD	In process	***Original department response:*** Staff concurs that a more efficient way of coordinating lighting could be achieved, although the existing distribution of responsibilities has never caused major issues. The Utilities Department maintains utility standard fixtures throughout the City, no only in parks. Facilities Management generally maintains all other park fixtures. The standard fixtures are tied in to the street light circuit, and Utilities crews use specialized equipment to maintain and replace them. CSD maintains tennis court lighting at the Palo Alto High school site. It might be feasible for Facilities Management to take on the tennis

Audit report and recommendation	Department	Current status	Comments
			court lighting if adequate resources were provided. Solutions will be evaluated by July 2006.
			Auditor's update as of Oct-2006: Not started. This will be addressed by the City Manager's short term task force that is expected to convene in Fall 2006. Target date: Winter 2007.
			Auditor's update as of Oct-2007: Not started. CSD staff advises that they are working with the City Manager's Office to ensure that the review of this recommendation is completed. Target date: Nov-2007.
			Auditor's update as of Nov-2008: In process. The City Manager's Office is working with the relevant departments (Community Services, Public Works and Utilities) to clarify who should be responsible for which type of lighting. According to the Departments, the matrix of responsibilities will be updated to clearly specify such responsibilities. If the City Manager determines that the responsibilities cannot be consolidated, clear, written explanations of the reasons why will allow the Office of the City Auditor to consider this recommendation completed at the time of the next follow-up process. Target date: Spring 2009.
#18: The Parks Division and Public Works should consider how to increase the frequency of tree trimming in parks, and consider contracting for this work.	CSD	In process	***Original department response:*** Staff concurs, and will evaluate whether including parks in the Public Work's Area Tree Trimming program is an effective approach for parks tree maintenance. Public Works Operations Tree Maintenance Section annually obtains bids for tree maintenance in parks. The annual Area Tree Trimming contract provides for trimming of trees in Parks that are within the area scheduled for street tree trimming. Having the Parks staff obtain bids for tree trimming would potentially increase cost per tree for trimming, since the Area Tree Trimming contract involved a larger quantity of trees which usually means contractors bid lower prices. Staff will evaluate and implement a solution by December 2006.
			Auditor's update as of Oct-2006: Not started. This will be addressed by the City Manager's short term task force that is expected to convene in Fall 2006. Target date: Winter 2007.
			Auditor's update as of Oct-2007: CSD staff advises that they have been working closely with the newly-appointed manager of Street/Trees Operation to inspect and evaluate park trees on an "as-needed" basis. Staff continues to actively participate with the City Manager's Office in the development of an updated Urban Tree Master Plan. This updated plan is intended to include targets

			for tree inspections and pruning in park areas as well as along City streets. Target date: TBD.
			Auditor's update as of Nov-2008: In process. Parks staff advises that they have worked closely with Public Works Operations (Tree Maintenance) to coordinate tree work in Parks. Public Works Operations' staff advises that they are now using a hazard rating system that allows them to prioritize work.
			However, Public Works Operations advises that they are not able to inspect trees around play structures annually (as requested by Parks staff) due to insufficient staffing. They advise that they are working on converting an existing vacant position to a tree inspector position.
			Parks staff has recommended and the Office of the City Auditor agrees that the City Manager's Office should assist in addressing the staffing shortage and identify ways to provide the appropriate levels of inspections to ensure public safety.
			If Parks and Public Works can provide documentation showing that the frequency of tree trimming has increased and that the trees near play structures are inspected at least annually, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: July-2009.
#20: Utilities should conduct irrigation audits of significant systems that have been installed or renovated on Park Division-maintained sites during the last 10 years to establish baseline data on the efficiency and effectiveness of those systems.	Utilities	Completed	*Original department response:* The Utilities Department agrees that audits are a good method to measure irrigation system efficiencies before and after renovations. Utilities will work with the Parks department to identify sites for the Large Landscape Audits and perform audits, as funding is available.
			Auditor's update as of Oct-2006: In process. CSD has received irrigation audits from Utilities for El Camino park, Seale park, Briones park, and Hoover park. Park irrigation staff is implementing irrigation audit recommendations at these locations. Sites with systems installed or renovated over the last 10 years will be audited as well. Target date: TBD.
			Auditor's update as of Oct-2007: In process. Utilities Marketing Services (UMS) advises that it has focused on auditing the remaining 14 playing fields/landscapes which are managed by Parks, in addition to 6 City parks and Cubberley. They expect to complete the remaining 18 parks by June 2009.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Nov-2008: Completed. Irrigation Evaluation Program (ITAP) audits are complete on the following: 1. Greer 2. Mitchell 3. Bowling Green 4. Bol 5. Boulware 6. Heritage 7. T.Hopkins Creekside 8. Mayfield Park/College Terrace Library 9. Robles 10. Ventura 11. Werry 12. Stanford/Mayfield Soccer Field 13. Cameron 14. Weisshar 15. Bowden 16. Eleanor 17. Peers 18. Ramos
#21: Utilities should update the Landscape Water Efficiency Standards to: (1) clearly assign responsibility for required tasks for City sites (e.g. who is responsible for performing irrigation audits); (2) clearly explain the purpose of the irrigation audits (e.g., to compare water usage before and after new system is installed) with regard to City sites; (3) clarify that medians are covered; and (4) make City sites subject to the maximum water allowance, if deemed appropriate.	Utilities	In process	**Original department response:** Utilities will be reviewing and making appropriate changes to *Landscape Standards*, once the new State AB 2717 is approved by the Governor. (1) Each City project should have a project manager; this would be the person responsible for ensuring compliance with the *Landscape Standards*. (2) These audits will ensure the irrigation system was installed as planned by providing information on the systems distribution uniformity, sprinkler performance, system pressure, and irrigation scheduling. (3) As noted in the Auditor's report, the City is overseeing 26 acres of medians. Redesigning of individual medians would not trigger the *Landscape Standards*. Therefore, Parks staff should ensure water efficient practices are within the Contractor's scope of work or taken on by Parks staff for these small island projects. These changes will be addressed in the revision process of the *Landscape Standards*.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Oct-2006: Not started. AB 2717 passed in September 2004. It asked for a task force to determine recommendations on reducing outdoor water use throughout the state. In December 2005, the task force presented 43 recommendations to the Governor. AB 1881 is now in the process of updating the model water efficient landscape ordinance which incorporates the recommendations produced from AB 2717. The Department of Water Resources must finalize the updated model ordinance by January 31, 2009 and agencies must adopt the ordinance by January 10, 2010. Palo Alto's update would occur by January 2010. Target date: Jan-2010. ***Auditor's update as of Oct-2007:*** Not started. Utilities advises that DWR is still working on updating model ordinance. Target date: Jan-2010. ***Auditor's update as of Nov-2008:*** In process. Utilities advises that the DWR continues to work on updating the model ordinance and expects to adopt it in January or February of 2009. Utilities advises that as soon as it is adopted, the Palo Alto ordinance will then be updated. If the Utilities Department can provide documentation showing that the recommended updates have been incorporated into the Landscape Water Efficiency Standards, the Office of the City Auditor will then be able to consider this recommendation completed during the next follow-up process. Target date: Spring 2009.
#22: Utilities should provide the Parks Division with user-friendly data (e.g. graphs similar to those provided to residential and commercial) that shows water consumption by park (or site maintained).	Utilities	Completed	***Original department response:*** Utilities worked with Parks and the Utility billing department to create a monthly percent of change in water use report, to be e-mailed directly to Parks. UMS will continue to work with Parks staff to produce user-friendly reports for staff. ***Auditor's update as of Oct-2006:*** In process. Utilities are in the process of revising the existing reports to make them more user-friendly based on suggestions from the Parks Division. Reports will be sent to the Parks Division on a quarterly basis and as otherwise requested. Target date: TBD. ***Auditor's update as of Oct-2007:*** In process. The Utilities department has revised the report format to eliminate extraneous data and group meter reading by street address, but the report does not include water usage graphs that show trends (similar to the graphs provided to residential customers). Target date: TBD.

Auditor's update as of Nov-2008: Completed. Park staff advises that Utilities now provides them with more useful and user-friendly reports that help them assess water usage and identify anomalies.

AUDIT OF STREET MAINTENANCE (Issued 3/21/06) — Finance Committee

The objective of the audit was to review the criteria for prioritizing street repairs and to determine how well sub-surface work is coordinated. Of the 21 recommendations, 5 were previously completed, 1 was previously resolved/dropped, 8 were completed this year, and 7 are in process.

Audit report and recommendation	Department	Current status	Comments
#1: Public Works and ASD should develop and propose a long-term resurfacing-reconstruction plan and funding strategy to address the street maintenance backlog.	Public Works and ASD	In process	**Original department response**: Staff agrees with this recommendation and has made strides in reducing the backlog by increasing the lane miles maintained per year. The amount of lane miles maintained can vary every year depending on the amount of streets either receiving preventative or resurfacing/reconstruction pavement treatments. Sometimes the number of maintained lane miles is reduced when funds go towards improving street drainage by repairing damaged curb and gutter. The number of maintained lane miles increase when streets receive preventative maintenance such as slurry or cape seals, as less funds are then needed to make curb and gutter repairs. Preventative maintenance slows down deterioration of the streets, allowing staff to stretch dollars and increase lane miles maintained. Staff aggressively pursues additional federal, state and local funding for street maintenance to enhance the street program capital budget and has been very successful compared to other bay area cities. See Attachment A. This year alone, staff expects Surface Transportation (STP) funds for University Avenue, Embarcadero Road and Page Mill Road totaling an additional $788,000. In addition, staff expects to receive Bicycle Transportation Account (BTA) program funds for Hanover Street and Porter Drive totaling an additional $299,000. Federal, state and gas tax dollars are typically tied to selection criteria with priority on maintaining structural integrity. *Auditor's update as of Oct-2006*: In process. Public Works will develop plan to address the backlog and ASD will address the financial issues related to the plan. This will be part of the discussion on increased funding for infrastructure during the 2007-09 budget process. Target date: Jan-2007.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Oct-2007: In process. The current 5-year capital improvement program includes a total of $1.3 million more in funding for the Street CIP (PE-86070) than the previous 5-year CIP. In addition, Public Works has been notified that the City has received additional grant funding in the amount of $1,959,956 to be expended by June 2011. Public Works will continue to seek additional funding to address the street maintenance backlog.

Auditor's update as of Nov-2008: In process. Public Works staff reports three improvements to address the backlog of streets in "poor" condition. First, it has budgeted $2.195M each year in the 5-year CIP to fund street maintenance. The majority of these funds will be used to address streets in "poor" condition, with the residual being used to conduct preventative maintenance to help alleviate future backlogs. Second, Publics Works is aggressively pursuing grant opportunities to augment the $2.195M in annual funds. Third, Public Works has modified its contract structure to reduce mark-up costs and anticipates this new approach will save up to 15% in street resurfacing costs, thereby allowing the City to resurface more lane miles. Through these strategies, Public Works estimates it will reduce the backlog from 100 lane miles in 2008 (21.3% of total lane miles), to 68 lane miles in 2011 (14.6% of total lane miles). Additionally, it estimates the condition of "excellent" streets will increase from 180 lane miles to 208 lane miles. Overall, Public Works staff advises that the City will not be able to completely eliminate the backlog as it is an ever changing figure and funds are limited.

As Public Works completes its implementation of the new PMMS system, it will be able to compare the above results with other jurisdictions to see if this plan adequately addresses the backlog. If Public Works completes the PMMS conversion and obtains data that shows the decreased backlog and funding strategy has improved street conditions to become comparable, if not better, than other jurisdictions, the Office of the City Auditor will be able to consider this recommendation completed. |
| 4: The Public Works Director should perform a study of the impact of street cuts on City streets and quantify the costs of repairing damages caused by multiple street cuts. | Public Works | Completed | **Original department response:** Staff believes this issue has previously satisfied by virtue of the work that was done at the time the street cut fee was originally implemented. Staff has previously performed a validation of the current street cut fees by comparing trench cut studies performed by other cities such as Santa Ana's Utility Trench Cut Evaluation, the San Mateo Trench Study Report and the City of San Francisco' Regulations for Excavating and |

Audit report and recommendation	Department	Current status	Comments
			Restoring Streets among others. Staff will reassess the studies performed by other comparable agencies and adjust the street cut fee accordingly.
			Auditor's update as of Oct-2006: In process. Staff is updating the original street cut fee justification by acquiring new data on what other cities are charging in street cut fees and is reassessing street cut impact studies. City staff will summarize their findings to Council. Target date: Jan-2007.
			Auditor's update as of Oct-2007: In process. Public Works increased the street cut fees in FY 2007-08 to reflect the current construction costs (increasing fees by an estimated $165,000 over the prior year) and will continue to periodically review the fees charged.
			Public Works has found that different cities use different methods to quantify the impact of street cuts. Public Works is continuing to explore options for completing a study of the full cost to repair damage caused by street cuts.
			Auditor's update as of Nov-2008: Completed. Public Works completed an informal study of the cost of resurfacing the city streets and raised street cut fees in FY 2007-08 to reflect the study results and current construction costs. The fees apply to both internal (e.g. Public Works and Utilities) and external sources (telecom vendors and private contractors) of street cuts. The fees will be reviewed annually. Public Works reported the fees are sufficient to cover both direct and indirect costs of repairing the cost of the street cut, but not enough to restore the entire street to a newly paved condition. According to Public Works, the annually reviewed fees do meet the intent of the street cut fees which is to recover the costs associated with degradation of the street and the associated shortened lifecycle.
#5: Based on the study results, the Public Works Director should propose increasing street cut fees to fully recover the projected cost of repairing damages to the structural integrity of streets; recover and repair the damages caused by multiple cuts; fully recover the higher costs of restoring recently resurfaced streets; and mitigate the damages to newly paved streets.	Public Works	Completed	*Original department response:* Staff already imposes a higher street cut fee for recently resurfaced streets to mitigate the damages to newly paved streets. Staff agrees with the recommendation to consider increasing fees for multiple street cuts created by individual projects and will assess this as noted in recommendation 4. It is important to note that it would not be equitable to charge a higher fee for existing street conditions that have street cuts done in the past.
			Auditor's update as of Oct-2006: In process. The FY 2006-07 municipal fee schedule for street cuts was updated to include the

Audit report and recommendation	Department	Current status	Comments
			higher construction costs. Staff will consider additional fees as part of the discussion about increased funding for infrastructure during the 2007-09 budget process. Target date: Jan-2007.
			Auditor's update as of Oct-2007: In process. Public Works increased street cut fees in FY 2007 to reflect current construction costs (increasing fees by an estimated $165,000 over the prior year), and will continue to periodically review the fees charged. Public Works is continuing to explore options for completing a study of the full cost to repair damage caused by street cuts.
			Auditor's update as of Nov-2008: Completed. As mentioned in Recommendation #4, Public Works completed the study and increased the street cut fees in FY 2007-08 to reflect the study results and current construction costs. Public Works reports fees are now reviewed annually as part of the budget process and, if appropriate, are increased to recover additional costs of repairing streets. In the future, we recommend and Public Works agrees to formalize the methodology used to evaluate the street cut fees to ensure the fees are sufficient to cover both the direct and indirect costs of repaving the area of the street cut.
#7: The City Manager should require City departments and contractors (including Utilities) to obtain street work permits and the approval of the Public Works Director or his or her designee before cutting any street; require justification of emergency street cuts to the Public Works Director within 1 business day of the street cut; and consider imposing street work permit fees on City Utilities to cover the cost of permitting and inspection (the same as any other entity).	City Manager	In process	***Original department response:*** Staff agrees with the overall objective to improve coordination, which is addressed in responses to recommendations 6 and 19. Permitting is not the most cost effective or efficient use of resources as most street cuts that occur after the repaving of a street are the result of new utility services and required system repairs to subsurface utilities. The imposition of a permit will not stop the work from occurring. The issuance of a permit will also increase costs for the residents by forcing them to pay additional fees for service and increasing the cost of utilities. Again, the additional procedural processes will not significantly impact the number of street cuts nor will they improve the quality of the street surface. In the last part of the recommendation a proposal is made to charge City Utilities a fee for permitting and inspection of facilities. Currently, Utilities pays the cost of Public Works inspections on CIP and in-house Projects through interdepartmental transfers from the Utility Fund to the General Fund. Staff recommends requiring notification of emergency street cuts on a quarterly basis.
			Staff already requires private development contractors to obtain street work permits. Staff recommends requiring notification of emergency street cuts by in-house crews and contractors to the Public Works Director on a quarterly basis instead of within one (1)

Audit report and recommendation	Department	Current status	Comments
			business day of the street cut as this would be difficult to administer.
			Auditor's update as of Oct-2006: In process. ASD, Public Works and Utilities are developing a street work tracking system in GIS.
			Auditor's update as of Oct-2007: In process. As an alternative to the recommendation, Public Works and the Utilities staffs continue to improve coordination efforts by requiring the Utilities Operations section to provide a quarterly report on all street cut locations (including date, location, size of street cut, and reason for the work) This allows Public Works to monitor reported street cuts retroactively. In our opinion, the weakness of this approach is that it does not facilitate proactive coordination, or coordinated data tracking in the City's GIS system. We will hold this recommendation "in process" while staff experiments with this approach.
			Auditor's update as of Nov-2008: In process. Public Works reports Utilities Operations attends monthly coordination meetings with Public Works and makes non-emergency repairs before streets are resurfaced. This meeting also coordinates Utilities Capital projects with the annual Street Maintenance projects to ensure all planned Utility CIP work is completed before streets are resurfaced. Utilities Operations and Utilities Engineering report they provide a quarterly report to the Public Works Department on all street cut locations. The report includes locations, dates, sizes of the street cuts and the reason for the work. Public Works is drafting formal policies and procedures for coordinating project planning. The Office of the City Auditor will continue to monitor the adequacy and success of these efforts.
			If the Public Works and Utilities Departments can provide formal, written polices and procedures for coordinating projects to minimize and/or prevent street cuts and can provide copies of meeting minutes for the coordinating committees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec-2008
#8: The City Manager should consider adopting and enforcing a 5-year moratorium on street cuts for newly resurfaced streets (with appropriate exceptions), and consider requiring streets to be resurfaced at least one lane width from a cut on a newly resurfaced street.	City Manager	In process	*Original department response*: Staff does not believe that a 5-year moratorium will significantly improve the quality of the pavement in Palo Alto but will consider imposing a penalty for cutting into a newly paved street. Most street cuts that occur after the repaving of a street are the result of private development

requiring new utility services to customers and required system repairs to subsurface utilities. The moratorium will not stop these activities from occurring as the city can not impose a moratorium on private development, telephone companies and other regulated entities. The other cities interviewed do not have comparably sized utility infrastructure work as compared to Palo Alto. Staff implements progressively higher fees for cuts into newly resurfaced streets. Collecting a fee and resurfacing a street when it is necessary is the easiest and most cost effective way to rectify pavement damage rather than require each project to resurface at least one lane width for a cut on a newly resurfaced street. Also, requiring Utilities to resurface at least one lane width would increase the cost of utility work which would need to be passed on to the rate payers in the form of increased utility rates.

Auditor's update as of Oct-2006: In process. An internal staff working group including representatives from Public Works and Utilities has been convened to further define emergency work for City Utilities and require justification for emergency work; consider imposing penalties for street cuts on newly paved streets; and consider increasing street cut fees.

Auditor's update as of Oct-2007: In process. Public Works and Utilities are developing "targeted work zones" in neighborhoods that will encourage all utility work to be completed before the street is paved. The Public Works staff believes a moratorium will not be necessary as the coordination efforts improve. We will hold this recommendation "in process" while staff experiments with this approach.

Auditor's update as of Nov-2008: In process. As stated in Recommendation #7, Public Works is drafting formal policies and procedures for coordinating project planning. Public Works states, due to its current coordination efforts, a moratorium is not necessary as in most cases streets are paved after all the utilities are installed. Targeted work zones (TWZs) in neighborhoods have also encouraged utility work to be completed before final paving. The Public Works Director is waiving street cut fees in the TWZ as an incentive to coordinate work. According to PWD, with these incentives, cutting a newly paved street should happen only in emergency work situations. The City Auditor will continue to monitor the success of this alternative.

The Utilities Department reports it has adopted trenchless construction techniques that are greatly reducing the number of

Audit report and recommendation	Department	Current status	Comments
			street cuts in Palo Alto. By using trenchless technologies in its CIP projects, Utilities reports it has reduced the square footage of its street cuts by nearly 60 % over the past three years and projects trenchless construction techniques will significantly reduce future street cuts and help alleviate the street maintenance backlog. Utilities plans to purchase an additional directional boring machine for its crews to use on their maintenance projects. Utilities states that the use of this equipment should further reduce the size of the street cuts in their operations. If the Public Works and Utilities Departments can provide formal, written polices and procedures for coordinating projects to minimize and/or prevent street cuts and can provide copies of meeting minutes for the coordinating committees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec-2008.
#9: The City Manager should require all divisions who cut City streets to use GIS to coordinate their projects and summarize work completed in a timely manner.	City Manager	Completed	*Original department response:* All enterprise and general fund capital projects are currently coordinated in GIS through the Project Coordinator Program and have been entered into the system for the 5-year period that is covered in the proposed budget. The current system works well for the capital program. However, coordination of on-going maintenance and repairs to the various utility systems is a much more difficult task. This is because maintenance and repair can occur throughout the city and the prioritization of the work is continually changing based on current system needs. There continues to be a need to improve the coordination efforts between the street programs and the operations and maintenance programs. To make significant progress in this area an effort needs to be made to tie the various maintenance programs into the project coordinator program. Staff's goal has been to integrate customized software applications into GIS. This is a complex process because of the number of programs used for system maintenance that would have to be interfaced into the GIS project coordinator. Staff would recommend doing a cost benefit analysis to determine feasibility of integrating these programs. *Auditor's update as of Oct-2006:* In process. Public Works and Utilities WGW Operations staff members have taken GIS classes and are in the process of coordinating their operations through GIS.

			Auditor's update as of Oct-2007: In process. It is our understanding that the Utilities Operations Water-Gas-Wastewater section is integrating GIS into their work efforts. However, it is also our understanding that other sections have not integrated their drawings into GIS. Target date: TBD.
			Auditor's update as of Nov-2008: Completed. Public Works reports that, since Oct. 2007, Utilities and Public Works engineers use the GIS Project Coordinator module to coordinate their CIP project plans. Public Works reports the Utilities and Public Works Operations staff uses GIS to record their work in a separate GIS module that is not used by the engineers for CIP projects.
#10: To facilitate coordination of surface and sub-surface street work, Public Works should consider dividing the City into at least 7 geographic zones with at least a 7-year planning horizon so that other divisions and entities also have a longer planning horizon.	Public Works	In process	**Original department response**: This recommendation would be applicable in a situation where all of the streets were of homogenous state of age, condition, and type of construction. Unfortunately, that is not the case in Palo Alto. The streets vary greatly in these criteria, particularly in type of construction. Palo Alto has a mix of both asphalt and concrete (some of which have been overlaid with asphalt) streets. For asphalt streets, a slurry seal is applicable as a preventative maintenance measure, in order to keep water from penetrating the pavement. For concrete streets, water is not a primary issue and slurrysealing will not correct its primary issue of ride quality. Given limited resources, streets need to be prioritized on a case-by-case basis to make sure the most appropriate and cost effective type of maintenance treatment is being utilized for that specific street's age, condition and type of construction. This is demonstrated by the information shown in Attachment "D". In Palo Alto, street maintenance activities do not lend themselves to geographic district groupings.
			Furthermore, the infrastructure priorities for street paving and utility rehabilitation do not align into geographic zones. Utility infrastructure priorities differ in maintenance and lifecycle replacement needs. Forcing the street maintenance and Utility infrastructure work into geographic zones would add to the required maintenance and infrastructure work scheduled.
			Auditor's update as of Oct-2006: In process. In lieu of dividing the city into 7 or more geographic zones, Public Works and Utilities are working together to rank, coordinate, and prioritize street maintenance and utility work in targeted geographical zones. The South of Forest Area (SOFA) is the first zone; Utility work is in process with Public Works repaving to follow in summer 2007.

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			Auditor's update as of Oct-2007: In process. Public Works and Utilities are developing "targeted work zones" in neighborhoods that will encourage all utility work to be completed before the street is paved. Targeted work zones have been created for two neighborhoods, College Terrace and SOFA. These zones will require several years of planning. After Utilities completes its work, the streets will be resurfaced. We will hold this recommendation "in process" while staff experiments with this approach.
			Auditor's update as of Nov-2008: In process. Public Works is drafting formal policies and procedures for coordinating project planning. Public Works staff recommends using Targeted Work Zones (TWZs) as an alternative to 7 geographic zones. This has been implemented in three neighborhoods: College Terrace, South of Forest Avenue (SOFA) and Crescent Park including several streets such as California Avenue and Arastradero Road. These areas require several years of planning and implementation where resurfacing a street is the last step after all utilities requiring replacement are installed. We will continue to monitor the success of this initiative.
			If the Public Works and Utilities Departments can provide formal, written polices and procedures for coordinating projects to minimize and/or prevent street cuts and can provide copies of meeting minutes for the coordinating committees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec-2008.
#11: The Public Works Director should modify the standard City contract specifications to require City departments and their contractors who lay a metal or temporary plate over street cuts to remove them in 30 days; impose fees for exceeding the 30 days without the permission of the Public Works Director; and require private contractors to provide a certificate of deposit for the work so that the City can be reimbursed for restoring the street if necessary.	Public Works	Completed	*Original department response:* Staff agrees with this recommendation, although it is likely to result in higher construction costs for the City. Pavement restoration is usually done when there is enough work for maximum efficiency. If a contractor is required to pave at several different times to comply with the 30-day rule, those additional costs will be passed on to the City and Utility rate payers.
			The City already requires a performance bond to ensure the work is completed making a certificate of deposit unnecessary.
			Auditor's update as of Oct-2006: In process. Public Works and Utilities are incorporating trench plate requirements into the new Public Works Standard Drawings and Specifications. Target Date: Nov-2006.

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			Auditor's update as of Oct-2007: In process. New trench plate requirements were included in the new 2007 Public Works standard drawings and specifications. Steel plates must now be removed within 14 calendar days after the work is completed or a penalty may be assessed for each day the deadline is missed. However, this appears to be in conflict with the Municipal Code. Furthermore, the new requirements do not address the other aspects of this recommendation. Target date: TBD.
			Auditor's update as of Nov-2008: Completed. Public Works staff report new trench plate requirements were included in the 2007 Department of Public Works Standard Drawings and Specifications. Steel plates shall be removed within 14 calendar days after completion of work. A penalty may be assessed for each day if these deadlines are exceeded. The Public Works alternative satisfies the intent of the recommendation.
#12: The City Manager should consider centralizing street restoration resources, including crews and equipment, in the Public Works Department.	City Manager	In process	*Original department response:* Staff agrees to further review the concept of centralizing street restoration resources though it is important to note that this has been previously considered and rejected due to scheduling and efficiency constraints. Several discussions will need to occur between Utilities Department and Public Works Department to resolve many concerns, which were not pointed out nor discussed in the audit. Coordination between trench restoration (backfilling/compaction) and preparation for trench paving is critical to make sure resources are not wasted. Street restoration is an important aspect of a utilities project and complications will likely occur when pieces of a project are assigned to other departments.
			Auditor's update as of Oct-2006: In process. An internal working group has been convened to consider the cost/benefit of centralizing the City's maintenance crews for trench restoration, tightening trench restoration specifications, and increasing inspection resources.
			Auditor's update as of Oct-2007: In process. As an alternative to this recommendation, the Public Works and Utilities staffs have issued new trench restoration specifications and are discussing where to store input, maintenance, and reference data. The staffs are discussing how to increase inspection resources. We will hold this recommendation "in process" while staff experiments with this approach.

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			Auditor's update as of Nov-2008: In process. Public Works reports that after reviewing this concept as discussed, it determined that centralizing street restoration would be costly and result in delays in completing street restoration work. As an alternative, Public Works implemented the Targeted Work Zone, ensured Utilities staff attended monthly coordination meetings with Public Works, and is using the GIS project coordinator module to plan and coordinate CIP projects.
			The Utilities Department reports it has adopted trenchless construction techniques that are greatly reducing the number of street cuts in Palo Alto. By using trenchless technologies in its CIP projects, Utilities reports it has reduced the square footage of its street cuts by nearly 60 % over the past three years and projects trenchless construction techniques will significantly reduce future street cuts and help alleviate the street maintenance backlog. Utilities plans to purchase an additional directional boring machine for its crews to use on their maintenance projects. Utilities states the use of this equipment should further reduce the size of the street cuts in their operations.
			In addition, Public Works reports the new trench restoration specifications and better coordination among Public Works and Utilities inspectors have improved street restoration.
			Public Works is drafting formal policies and procedures for coordinating the alternative TWZ planning process. We will continue to monitor the effectiveness of the TWZ initiative. If the Public Works and Utilities Departments can provide formal, written polices and procedures for coordinating projects to minimize and/or prevent street cuts and can provide copies of meeting minutes for the coordinating committees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Dec-2008.
#13: The City Manager should require all entities that cut the street to fill and compact cut streets according to strict, uniform specifications set by the Public Works Director.	City Manager	Completed	***Original department response***: Staff agrees with this and has already provided stricter standards for trench restoration. Staff will issue an update to the Public Works Standard Specifications this year including revised trench standard details requiring improved trench restoration.
			Auditor's update as of Oct-2006: In process. A detailed revision to the 1992 specifications is nearly complete (see recommendation #11). Target Date: Nov-2006.

			Auditor's update as of Oct-2007: In process. The Public Works staff issued new trench restoration specifications in Spring 2007. The Utilities department is required to comply with the new specifications. The staffs are discussing how to increase inspection resources. However, in our personal observation, problems remain with restoring street surfaces to their original conditions. We will hold this recommendation "in process" until the problems we observed are resolved.
			Auditor's update as of Nov-2008: Completed. Public Works reports the new specifications for street restoration were updated in Spring 2007 and Utilities performs all work in accordance with the new City standards. Although unfilled cross saw cuts continue to be found throughout the City, Public Works reports this deficiency is acceptable as the cross cuts are surface-level and do not allow water to deteriorate the subgrade.
#14: The City Manager should consider requiring any entity cutting the City streets to make only temporary fills and to prepare the cut for final paving per Public Works engineering specifications, and require the contractor to reimburse the Public Works Department for all final street restorations made by the Department or its contractors.	City Manger	Completed	*Original department response:* Staff agrees improvements can be made in the quality of the trench restoration with improved specifications and rigorous inspection rather than have Public Works Operation's crews perform the trench restoration work.
			The difficulty with requiring temporary fills is that temporary material would need to be removed and replaced with final backfill and paving material. In cases where concrete streets are restored, time is needed for the concrete to harden and a street would have to be barricaded for several days. Minimizing street impacts using a trench plate is typically more effective by reducing street closures and disruption caused by temporary repairs.
			Requiring reimbursement from any entity that performs a street cut creates a number of problems, especially with who collects the payment and who is responsible if payment is not made. This adds another layer that is unnecessary if strict, uniform specifications are set.
			Auditor's update as of Oct-2006: In process. See Recommendation #12.
			Auditor's update as of Oct-2007: In process. The Public Works staff issued new trench restoration specifications in Spring 2007. The Utilities department is required to comply with the new specifications. The staffs are discussing how to increase inspection resources. However, in our personal observation, problems remain with restoring street surfaces to their original

Audit report and recommendation	Department	Current status	Comments
			conditions. We will hold this recommendation "in process" until the problems we observed are resolved.
			Auditor's update as of Nov-2008: Completed. Public Works reports the street specifications were updated in 2007 and are enforced. Public Works also reports that better coordination between Public Works and Utilities inspectors has improved compliance with the new specifications and contractors are complying with the new street restoration standards.
#18: Utilities should establish a process to ensure street cut fees are correctly tracked and remitted to the General Fund.	Utilities	Completed	***Original department response****:* Staff agrees with this recommendation and has already been in the process of refining the existing procedure.
			Auditor's update as of Oct-2006*:* In process. A draft policy and procedure has been developed for tracking and remitting Utilities street cut fees to the General Fund. Target date: TBD.
			Auditor's update as of Oct-2007: In process. After the audit was issued, Utilities transferred $68,400 in street cut fees that had not been paid to the General Fund. Public Works staff is working with the Utilities CIP project managers to ensure street cut fees are properly transferred for City-initiated projects. Utilities Operations issues reports twice a year that identifies privately-initiated street cut locations and other details. To our knowledge, written procedures have not been finalized. Target date: TBD.
			Auditor's update as of Nov-2008: Completed. Public Works reports a process has been established to remit fees to the General Fund. Utilities Operations provides a comprehensive list to Public Works quarterly that identifies all street cut locations and provides account numbers to charge the street cut fees against. Utilities Engineering capital improvement project fees are now transferred at the beginning of the fiscal year and reconciled at the completion of the project.
			In addition, work orders, sales orders, and invoices are generated in SAP for customer billings. The street cut fees collected are transferred from the Utilities Enterprise Fund to the General Fund account #50040006. In FY 2007-08, total street cut fees transferred to the General Fund totaled $389,622. Our test of SAP confirmed the funds were transferred to the General Fund.

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#19: Public Works should make information on street work permits available to all entities that work on City streets, preferably through GIS.	Public Works	Completed	***Original department response***: GIS, Accela and City Trax are tools to track permits however not all staff are using this information/software consistently. Staff will continue its efforts to implement a single tracking system using GIS integrated with Project Coordinator.
			Auditor's update as of Oct-2006: In process. Public Works street work permits data is now available in GIS. All entities that work on City streets can access GIS. ASD and Utilities are working on a street work tracking system.
			Auditor's update as of Oct-2007: In process. The Public Works and Utilities staffs are discussing where to store input, maintenance, and reference data. This City's IT strategic plan calls for GIS to be the backbone for this type of information. In our opinion, IT staff should be involved in these discussions. Target date: TBD.
			Auditor's update as of Nov-2008: Completed. Public Works reports GIS is the gateway for accessing street work permit data. GIS is used to access Street Maintenance data stored in Accela (new customer connections) and data related to Utilities Operations and CIP projects. Street data may not be timely or accurate because the permit data is batched and uploaded at a later date. The data is stored in the GIS Street Maintenance module.
#20: Public Works should consider switching to the MTC Streetsaver system so that Palo Alto data will be compatible with the other cities in the Bay Area. If Public Works decides to keep PMMS, then it should revise the priority-setting algorithm, add a budget optimization component, review maintenance tables, review PCI breakpoints, and establish a process for reviewing future changes to tables and breakpoints.	Public Works	In process	***Original department response***: Staff will consider these recommendations and report back at the end of the year with the results of the City's PMMS and MTC's StreetSaver comparison and the appropriate application of MTC grant funds.
			Auditor's update as of Oct-2006: In process. The Public Works staff has applied for a grant to compare the City's PMMS and MTC's StreetSaver systems to determine how the City's pavement conditions can be compared with other cities in the Bay Area.
			Auditor's update as of Oct-2007: In process. A consultant was hired to evaluate the City's PMMS software and to compare the City's PMMS with the MTC Streetsaver software. A draft report is expected in Fall 2007.
			Auditor's update as of Nov-2008: In process. Public Works reported a consultant was hired to evaluate the MTC and City pavement software. The consultant developed a model and the City is in the process of beta testing it to determine if the City's

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| | | | pavement management system modifications correlate with pavement condition scores in the MTC Streetsaver system. Testing should be completed by December 2008. The final report will be available in February 2009 and subsequently submitted to MTC for certification.

If Public Works completes the PMMS conversion and can demonstrate system capabilities that are equal to or better than MTC Streetsaver qualities, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. |
| #21: Public Works should apply for an MTC grant either to upgrade its current PMMS system, or to switch to MTC StreetSaver, integrate StreetSaver into the City's GIS, and conduct a survey of street conditions. | Public Works | In process | ***Original department response***: Staff will consider these recommendations and report back at the end of the year with the results of the City's PMMS and MTC's StreetSaver comparison and the appropriate application of MTC grant funds.

As in all pavement management and computer systems, the output of results is only one tool used to determine street selection and does not describe the entire process. This was evident in discussions with other cities. The purpose of this response is to educate and clarify the goals and efforts towards providing the best street quality, minimizing the use of city funds to accomplish street maintenance and staying competitive using the latest technology available.

The goal of the annual street maintenance project is to reduce street deterioration, maintain the structural integrity and ride quality in the most cost effective manner while coordinating with the public and other projects to ensure timely completion.

Auditor's update as of Oct-2006: In process. Public Works has applied for a grant to compare the PMMS system and MTC's Street Saver, with the goal of making PMMS compatible with MTC's StreetSaver while maintaining the PMMS link to the City's GIS system.

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

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			Auditor's update as of Nov-2008: In process. Public Works reports a consultant was hired to evaluate the MTC and City pavement software and developed modifications to the PMMS system that the City is testing to determine if the modifications correlate with the MTC Streetsaver system pavement condition scores. Testing should be completed by December 2008. The final report will be available in February 2009 and submitted to MTC for certification.
			If Public Works completes the PMMS conversion and can demonstrate system capabilities that are equal to or better than MTC Streetsaver qualities, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.

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

Finance Committee

The purpose of our review was to determine to what extent the fees charged cover the cost of offering recreation, sports, art, theater, dance, and music classes and camps. Of the 8 recommendations, 3 were completed this year and 5 are in process.

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#1: CSD should propose and the City Council should adopt a cost recovery policy that includes cost recovery goals for broad categories of Community Services classes. Included for each category should be: (1) a minimum level of acceptable cost recovery (2) a target level of cost recovery, and (3) other fee-setting considerations. The policy should take into consideration direct, indirect, and overhead costs.	CSD	Completed	**Original department response:** This recommendation is consistent with CSD's Strategic Action Plan which includes development of cost recovery targets that both maximize core service value and cost recovery. Staff recently identified all services for determination of core services and will begin to develop an updated cost recovery policy that segments recovery levels by categories of programming such as youth sciences, youth performing arts, and adult recreation. The policy will allow for ranges of cost recovery inclusive of direct, indirect, and overhead costs.
			Once adopted by City Council, the policy will be implemented across all three divisions of the Community Services Department offering fee-based programs: Recreation and Youth Sciences, Arts and Culture, and Open Space.
			Auditor's update as of Oct-2007: In process. The Community Services Department (CSD) drafted a policy that is supported by the Parks and Recreation Commission and has been recommended for approval by the Finance Committee. It is based

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			on a policy used by the City of San Mateo. It includes minimum and target cost recovery levels for broad categories of classes and camps. The policy also addresses fee-setting considerations outside of the minimum and target cost recovery levels. Target date for City Council adoption of the policy: Nov-2007.
			Auditor's update as of Nov-2008: Completed. On November 26, 2007, CSD staff presented to the City Council a recommendation from the Finance Committee to adopt a Class Cost Recovery Policy. Subsequently on that evening, the policy and resolution were passed (Reference CMR: 421:07).
#2: The Community Services Department should annually review and document actual cost recovery results for broad categories of classes. Data from such a review should be used to adjust pricing in accordance with City's cost recovery plan and other relevant factors.	CSD	In process	*Original department response:* Upon implementation of a cost recovery policy, staff will review, document, and track recovery results for consideration in adjusting pricing. In addition to review of actual cost recovery levels, market pricing will also factor into program pricing. Recently, the City's pricing levels were determined to be the highest in 6 of 11 programs compared on a per unit basis with local cities. Of the six programs, the City's rates were 38% higher than the average.
			Auditor's update as of Oct-2007: Not started. Upon adoption by City Council of the proposed Class Cost Recovery Policy and implementation, staff will annually review and document cost recovery results by broad categories. Target date: TBD.
			Auditor's update as Nov-2008: In process. The CSD has begun to implement the Class Cost Recovery Policy in stages. According to the CSD, it plans to review actual cost recovery results after completing the policy implementation and analyzing a year's worth of data. If the CSD can provide documentation of the review of actual recoveries for broad categories of classes, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: TBD.
#3: The Community Services Department should: (1) set prices that take into consideration the cost recovery policy adopted by the City Council (2) provide staff with updated templates to facilitate price-setting; and (3) retain price-setting templates to document the assumptions underlying pricing decisions.	CSD	In process	*Original department response:* Staff concurs and will set program fees in accordance to a City Council adopted cost recovery policy. Pricing models will be provided for programmers to set fees and the factors influencing the results of the models will be documented.
			Auditor's update as of Oct-2007: In process. Fees for select programs were raised at the beginning of Fiscal Year 2007-08. These increases are in response to a motion by the Finance Committee to recover an additional $250,000 from the current

Audit report and recommendation	Department	Current status	Comments
			subsidy. Upon adoption by City Council of the proposed Class Cost Recovery Policy and implementation, staff will be provided with updated fee-setting templates for use within the divisions offering fee based classes and camps: Recreation and Golf, Open Space and Parks, and Arts and Sciences. Target date: Jul-2008.
			Auditor's update as of Nov-2008: In process. Select fees have been increased, and select programs within the Recreation Division are using a fee-setting template. This Fall a department committee consisting of program coordinators will begin to roll out the fee-setting templates across the department. If the CSD can provide copies of the new templates as well as copies of the templates with data filled in to demonstrate the assumptions and rationale underlying given pricing decisions, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jan-2009.
#4: The Community Services Department should reduce refunds and transfers, and track the number of refunds and transfers processed as a workload measure in the annual budget. The Department should identify creative ways to reach the goal. Possibilities include a processing fee for transfers and a "try out" class pass.	CSD	In process	*Original department response:* Staff has begun to reduce transfers and cancellations by implementing a new policy requiring one week notice prior to the start date of a class. A tracking process will be implemented and be included as a benchmark measure in the annual budget when sufficient data is available for a full fiscal year.
			Auditor's update as of Oct-2007: In process. Community Services states that they continue to review and revise cancellation and transfer policies and has begun to track the number of refunds. Target date: Jul-2009.
			Auditor's update as of Nov-2008: In process. The CSD continues to track the number of refunds and transfers and will publish this data in the annual budget. The Department has revised its policies to require five business days' notice in order to cancel a class registration or transfer to another class. Previously, enrollees could cancel an enrollment up until the second class meeting (or, in the case of school year summer camps, single session classes and workshops, up until 72 hours before the class). Transfers that could previously take place up until the second class meeting now require five business days' notice before the class starts. These policy changes are expected to reduce the number of refunds and the number of transfers. Once CSD tracks the number of refund and transfers processed as a workload measure in the annual budget, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jul-2009.

Audit report and recommendation	Department	Current status	Comments
#5: The Community Services Department should reduce the number of cancelled classes, and should track the percentage of classes offered that are cancelled as a performance measure in the annual budget.	CSD	In process	***Original department response:*** Staff concurs. Tracking the percentage of cancelled classes will be included in the annual budget when sufficient data is available for a full fiscal year. ***Auditor's update as of Oct-2007:*** Not started. Staff will begin tracking the number of cancelled courses beginning with the current Fall 2007 session. Target date: Jul-2009. ***Auditor's update as of Nov-2008:*** In process. The CSD has begun to track the number of cancelled classes and will publish this data in the annual budget. If the CSD publishes this data in the budget and can show that the percentage of classes cancelled (out of those offered) has decreased, then the Office of the City Auditor would be able to consider this recommendation completed during the next follow-up process. Target date: Jul-2009.
#6: CSD should decide on a reasonable amount of time that classes should remain open in the CLASS system after a quarter ends, and ensure that the system is closed timely.	CSD	Completed	***Original department response:*** Staff agrees and will discuss with the CSD Business Committee to determine a reasonable time frame to close each quarterly session. ***Auditor's update as of Oct-2007:*** In process. Community Services staff advised that they preliminarily determined that each session/quarter within the CLASS system would need to remain open six months after completion of the session. The Auditor's Office has advised that, in our opinion, six months is too long. Community Services has agreed the reconsider reducing the time down to 2-3 months. Target date: TBD. ***Auditor's update as of Nov-2008:*** Completed. The CSD advises it now closes out classes in the CLASS system three months after the end of each quarter.
#7: The Community Services Department should establish minimum enrollment levels that relate to cost recovery goals, and document the criteria that will be used to decide to offer a class that doesn't meet its minimum enrollment.	CSD	In process	***Original department response:*** Staff concurs. Minimum enrollment guidelines will be tied into the cost recovery policy to be presented to and adopted by City Council. This policy will determine minimum enrollment criteria and establish guidelines to determine whether a class is cancelled or offered when low enrollment exists. ***Auditor's update as of Oct-2007:*** In process. Community Services advises that a staff committee has been established to address issues faced by class and camp programmers and develop consistent guidelines. Community Services advises that

Audit report and recommendation	Department	Current status	Comments
			this committee has been tasked with developing minimum enrollment criteria applicable to different types of classes and camps structures. Target date: Dec-2007. *Auditor's update as of Nov-2008:* In process. Minimum enrollment is being factored in with the fee-setting templates of Recommendation #3. If the CSD can provide documentation of the rationale (related to cost recovery goals and other key criteria) for setting minimum enrollment at certain levels, then the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jan-2009.
#8: CSD should consider increasing the class price differential for nonresidents when it is reasonable in the context of market pricing and reliance on nonresident enrollment.	CSD	Completed	*Original department response:* Staff concurs and will begin to perform pricing and enrollment analysis. When appropriate, the resident and nonresident price difference will be increased beyond the current 15% spread. *Auditor's update as of Oct-2007:* Not started. Community Services advises that a staff committee will discuss this recommendation at a future meeting. Target date: Jul-2008. *Auditor's update as of Nov-2008:* Completed. According to the CSD, it considered increasing the class price differential for nonresidents in the context of market pricing and enrollment levels. However, based on this analysis and current economic conditions, the CSD found that Palo Alto's nonresident fee was already higher than other local jurisdictions and increasing nonresident fees would exacerbate already declining enrollment levels.

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

The purpose of our review was to determine if PASCO is complying with the financial terms of its contract, if contract administration can be improved, and to identify potential recommendations for the upcoming request for proposals (RFP) process and contract award after the present contract expires in June 2009. Of the 19 recommendations, 1 was completed last year, 16 were completed this year and 2 were resolved/dropped due to expiration of the contract.

Audit report and recommendation	Department	Current status	Comments
#1: Public Works should continue to closely monitor and limit expenses for PASCO related-party transactions such as parent company expenses, and should include and strengthen limits on related party transactions in the upcoming refuse contract.	Public Works	Completed	*Original department response:* Staff agrees with the recommendation, but needs to clarify the analysis and supporting materials in the report. Staff believes the current practice of the "parent company expense" should continue and if possible expand

Audit report and recommendation	Department	Current status	Comments
			to other line item expenses for future contracts. The parent company expense noted in the Auditor's report is specified in the budget process as "Division, Area, and Corporate Expenses." These expenses are set per the term of the agreement and are only adjusted annually by the CPI index. PASCO is allowed to exceed these line item expenses but when such an instance occurs, they are considered as "disallowed expenses." When expenses become "disallowed expenses" they no longer affect or raise the compensation paid to PASCO. When PASCO exceeds the line item expense for "Division, Area, and Corporate" expenses it only ensures that the City is receiving services equal to or greater than what the City is paying for. *Auditor's update as of Oct-2007*: In process. Public Works staff continues to monitor PASCO expenses. Public Works is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009. *Auditor's update as of Nov-2008:* Completed. Public Works monitored the "Division, Area, and Corporate" expenses during the budget setting process with PASCO for the last year of their contract, FY 2008-09. The PASCO contract expires in FY 2008-09 and a new contract was awarded to GreenWaste of Palo Alto (a new hauler) in October 2008 (CMR:416:08).
#2: Public Works should continue to closely monitor PASCO payment requests, and should strengthen the payment review process by requesting a second detailed review of all contract payments by the Administrative Services Department's Budget and Purchasing Divisions.	Public Works	Completed	*Original department response:* The PASCO compensation is created during the annual compensation review period in which Public Works, Budget and Accounting staff works with PASCO to create a proposed budget for the upcoming fiscal year. The result of this process is presented in the Refuse Fund budget process each year that is reviewed and approved by Council. After the compensation package is approved by Council, it is divided into twelve equal monthly payments. Therefore, there is really no discretionary approval involved in the progress payments. Staff believes that the Auditor's recommendation creates an unnecessary additional review process, duplicates efforts, creates unnecessary processing delays and adds additional cost to the City, which ultimately will not improve the quality of the review process or lower the compensation paid to PASCO. The existing agreement is very specific on how the compensation package is to be reviewed, approved and paid. The payments continue to be accurate, on time and within budget.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Oct-2007: In process. Public Works staff continues to monitor PASCO expenses under the current contract. Public Works staff is working with ASD staff to implement this recommendation. Additional compensation to PASCO for cost increases pertaining to services in FY 2007-08 was $815,000. Target date: Jul-2009.
			Auditor's update as of Nov-2008: Completed. PASCO annual compensation for their last contract year was monitored by both Public Works Department (PWD) and the Administrative Services Department (ASD). The PASCO contract expires in FY 2008-09 and a new contract was awarded to GreenWaste of Palo Alto (a new hauler) in October 2008 (CMR:416:08).
#3: In the upcoming contract solicitations, Public Works should consider simplifying contract administration by switching from a cost-plus to a fixed-price type of contract, and/or consider the City's administrative costs when analyzing and comparing contract proposals.	Public Works	Completed	*Original department response:* Staff agrees to consider and evaluate the recommendation in the development of the new collection services RFP and contract. Staff executed a contract with HF&H Consultants, LLC on March 12, 2007 to assist the City in the solicitation process for a solid waste and recyclable material agreement. In the consultant's scope of services, staff incorporated a task for the consultant to evaluate alternative compensation methodologies and terms used in the California region. Staff will evaluate the various compensation methodology options available and will ensure that the option of the fixed-price contact is explored. Staff will also evaluate and consider the City's administrative costs when comparing compensation methodologies and proposals.
			Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to consider and evaluate a simplified fixed price type of contract for the new refuse contract. Target date: Jun-2008.
			Auditor's update as of Nov-2008: Completed. The recommendation was incorporated into the new RFP and the new contract for the new refuse hauling contract.
#4: If opportunity affords, Public Works should prepare written contract amendments to document additional services that have been added to the existing agreement with PASCO.	Public Works	Resolved/ Dropped	*Original department response:* Staff agrees to consider the recommendation and will refer to the City Attorney's Office for consideration of potential contract re-opener issues. Staff is concerned with the recommendation's potential effects. Opening the existing contract with PASCO may lead to the City having to negotiate issues other than the Auditor's recommendations. The benefits of amending the existing agreement will need to be

Audit report and recommendation	Department	Current status	Comments
			carefully weighed against the potential costs to the City.
			Auditor's update as of Oct-2007: In process. Public Works staff will prepare written contract amendments for any new services added to the existing contract. As opportunity affords, the staff will retroactively prepare written amendments for services previously added to the PASCO contract. Target date: Jul-2009.
			Auditor's update as of Nov-2008: Resolved/Dropped. The PASCO contract expires in FY 2008-09. The new RFP and contract for the new hauler incorporated this recommendation.
#5: The new long-term refuse and recycling contract should include an allowance for additional services approved by the City Council at the time of contract award, and a process for approving change orders.	Public Works	Completed	*Original department response*: Staff agrees and will consider evaluating the recommendation during the development of the future refuse contract.
			Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jun-2008.
			Auditor's update as of Nov-2008: Completed. The recommendation was incorporated into the new refuse hauler RFP and contract.
#6: Public Works should investigate whether the City has recourse to require WMI to credit PASCO the California State CRV and recycling revenues retained by WMI at San Leandro.	Public Works	Resolved/ Dropped	*Original department response:* Staff agrees with the recommendation but needs to clarify the analysis and supporting materials in the report. Staff will work with the City Attorney's office to investigate whether the City has recourse to obtain the California State CRV from Waste Management at San Leandro. Staff believes the City has been receiving the California State CRV revenues indirectly and these monies are part of the formula in how the City is paid. The City today is being paid $30 per ton for the curbside materials being sent to the WMI Davis Street processing facility in San Leandro. Currently the $30 per ton rate is the highest rate being offered at this facility. The $30 per ton revenue is established by the facility after consideration for all revenues (revenues from recyclables + CRV revenues) minus all the expenses (profit, the cost to landfill residue, processing cost and transportation cost) were determined. The Davis Street processing facility handles recycling materials from eleven other cities. Every city is being compensated for the recycling material similar to the City of Palo Alto in regards to the recycling revenues and the California State CRV credits off setting the processing

Audit report and recommendation	Department	Current status	Comments
			costs. PASCO has informed staff that if WMI agrees to separate the CRV value from the current compensation ($30 per ton), the City rate would at a minimum be adjusted to recover their loss in revenue.
			Auditor's update as of Oct-2007: In process. The Public Works staff and the City Attorney's Office is investigating whether the City has recourse to require WMI to credit PASCO the California State Redemption Value (CRV) and recycling revenues retained by WMI at San Leandro. Target date: Jul-2009.
			Auditor's update as of Nov-2008: Resolved/Dropped. The recommendation was dropped because the PASCO contract expires in FY 2008-09.
#7: Public Works should ensure future refuse contracts explicitly state who is to file for and receive California CRV and other recycling payments.	Public Works	Completed	*Original department response*: Staff agrees to consider and evaluate the recommendation in the development of the new collection services RFP and contract.
			Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jun-2008.
			Auditor's updates as of Nov-2008: Completed. The recommendation was incorporated into the new refuse contract with GreenWaste of Palo Alto (CMR:416:08).
#8: Public Works should require PASCO to justify that market rates are being received from the WMI San Leandro facility.	Public Works	Completed	*Original department response*: Staff agrees with the recommendation but needs to clarify the analysis and supporting materials in the report. Staff believes the City is receiving verifiable market rates from the WMI San Leandro facility. Public Works defines "verifiable market rates" as what the processor pays to PASCO/City. The auditor is defining "verifiable market rates" as what the processor is marketing the materials for. There is a difference in opinions in how this is being defined. In FY 05/06, PASCO/City received $60.50 per ton ($960,875 divided by 15,881 tons) for recyclables collected. The SMaRT station partners received $31.56 per ton ($652,061 divided by 20,660 tons) for FY 05/06.
			If PASCO had delivered these materials to the SMaRT station in FY 05/06 it would have caused a loss in revenues for collected recyclables of $459,671 ($960,875-$501,204) to PASCO/City.

| | | | The comparison used by the Auditor may not be equal in comparison (SMaRT station versus PASCO). The City collects a larger variety of materials curbside (36 different types) versus the curbside materials being collected from the cities of Mountain View and Sunnyvale (approximately 25-30 material types). This means that certain market rates will have a different mixture of materials causing different rates to be applied. The SMaRT Station is not designed to handle the single stream materials and cannot accept Palo Alto's recyclables materials. Staff finds the Auditor's recommendations problematic in having staff trying to ensure a regional processing facility markets their materials at a higher rate. There are no advantages to the processor in marketing their materials at a lower rate. In addition, staff has maintained the right that if better rates can be received at another facility, these materials can be redirected at the request of the City.

Auditor's update as of Oct-2007: In process. PASCO continues to provide WMI pricing sheets to Public Works. Public Works directed PASCO to solicit more than one bid price. Public Works staff is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.

Auditor's update as of Nov-2008: Completed. Public Works continues to monitor this issue area. The PASCO contract expires in FY 2008-09. A new RFP and contract were issued, and a new contract with a new hauler was approved by the City Council in October 2008. |
| #9: If feasible, Public Works should require PASCO to maximize revenues from the sale of recyclables from the Palo Alto Recycling Center by soliciting bids from more than one vendor and obtaining multiple bids that are equal to or higher than SMaRT prices. | Public Works | Completed | ***Original department response***: Staff agrees with the recommendation, but needs to clarify the analysis and supporting materials in the report. Staff believes that obtaining multiple bids for the 50 different material types accepted at the Recycling Center is not productive or feasible and believes that the Auditor's recommendation is very labor intense, costly, duplicates current efforts, affects a small portion of the recyclable stream and will not necessarily ensure improved rates for recyclables.

During the time period of the Auditor's review, PASCO was marketing their materials through Waste Management's regional marketing division, a specialist dedicated in obtaining the highest rate of return for the entire Waste Management Bay Area region. There was no incentive in not receiving a high rate of return for these materials for Waste Management. The regional approach brought strength in accepting a wider variety of materials, ensuring |

Audit report and recommendation	Department	Current status	Comments
			highest market rates over a long period of time and maintaining market versatility. Staff believes the cost per ton comparison with the SMaRT Station was not entirely equivalent since the materials at the Palo Alto Recycling Center were being marketed as loose materials, which generated a $10 to $15 lower cost per ton than the baled materials marketed by the SMaRT Station. The Auditor also used the SMaRT Station market rates that include CRV revenues where the PASCO rates exclude CRV rates.

PASCO is no longer using the WMI regional marketing services due to the reduced volume of materials being processed at the Palo Alto Recycling Center. As result, PASCO is currently obtaining bids from more than one vendor where feasible. PASCO obtains monthly price sheets for marketing purposes from vendors for materials such as for mixed paper, newspaper, cardboard, metals. However, there are some commodities such as aluminum where there is only one market/vendor available.

Auditor's update as of Oct-2007: In process. Public Works staff has asked PASCO to routinely solicit more than one bid for each recyclable material to ensure the highest and best prices are received from the sale of recyclables. Public Works staff is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.

Auditor's update as of Nov-2008*:* Completed. Public Works staff continues to monitor this issue area. The PASCO contract expires in FY 2008-09. A new RFP and contract were issued, and a new contract with a new hauler was approved by the City Council in October 2008. |
| #10:   If feasible, Public Works should require PASCO to document recycling sales transactions and require that invoices show the price per ton and tracking numbers that allow PASCO and Public Works to track and reconcile recycling transactions. | Public Works | Completed | ***Original department response****:* Staff agrees to consider the recommendation and will refer to the City Attorney's Office for consideration of potential contract re-opener issues.

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

Auditor's update as of Nov-2008: Completed. Public Works staff continues to monitor this issue area. The PASCO contract expires |

Audit report and recommendation	Department	Current status	Comments
			in FY 2008-09. A new RFP and contract were issued, and a new contract with a new hauler was issued in FY 2008-09.
#11: Depending on the form of the future contract, Public Works should require the contractor to report accurate, reliable, and verifiable recycling data by requiring (1) weight tags and invoices with tracking numbers (and prices per ton, if applicable) and a system that allows recycling transactions to be traced completely through its systems, and (2) reconciliation of recycling reports on a monthly basis.	Public Works	Completed	***Original department response:*** Staff agrees to consider and evaluate the recommendation in the development of the new collection services RFP and contract. ***Auditor's update as of Oct-2007:*** In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009. ***Auditor's update as of Nov-2008:*** Completed. This recommendation was incorporated into the new RFP and contract for the new trash hauler.
#12: Public Works and PASCO and future contractor staff should obtain training and education from the California State Department of Conservation, Division of Recycling, on the various recycling programs and payments available to the City and its contractor.	Public Works	Completed	***Original department response:*** Staff agrees with the recommendation and will inform PASCO of the Auditor's recommendation. In addition, staff will consider and evaluate the recommendation in the development of the new collection services RFP and contract. **Auditor's update as of Oct-2007:** In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009. ***Auditor's update as of Nov-2008:*** Completed. This recommendation was incorporated into the new RFP and contract for the new trash hauler.
#13: Public Works should monitor the State recycling websites and state recycling notices to ensure PASCO, the future contractor, or the City applies for state grants and other state recycling payments.	Public Works	Completed	***Original department response:*** Staff agrees with the recommendation and will monitor the State recycling websites and recycling notices for state grants and recycling payments. **Auditor's update as of Oct-2007:** In process. Public Works staff is currently reviewing the state recycling websites for possible state grants and is applying for state grant monies. Public Works staff is also working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009. **Auditor's update as of Nov-2008:** Completed. Public Works is reviewing the state recycling websites for possible grants. The recommendation was incorporated into the new refuse contract

Audit report and recommendation	Department	Current status	Comments
			with GreenWaste of Palo Alto.
#14: Public Works should require PASCO or the future contractor to compile appropriate data and documents that the City will need to apply for state grants and other funds, including executing a written agreement with WMI that requires WMI to provide PASCO and the City data that can be used to apply for state grants and other recycling payments.	Public Works	Completed	*Original department response:* Staff agrees to consider the recommendation and will refer to the City Attorney's Office for consideration of potential contract re-opener issues. In addition, staff will evaluate and consider the recommendation in the development of the new collection services RFP and contract.
			Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jul-2009.
			Auditor's update as of Nov-2008: Completed. This recommendation was incorporated into the new RFP and contract for the new trash hauler.
#15: Future refuse contracts should designate whether Public Works or the contractor will be responsible for filing for grants, and to whom the grant monies will be credited.	Public Works	Completed	*Original department response:* Staff will consider and evaluate the recommendation in the development of the new collection services RFP and contract.
			Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jun-2008.
			Auditor's update as of Nov-2008: Completed. This recommendation was incorporated into the new RFP and contract for the new trash hauler.
#16: Public Works should require PASCO to divert additional debris boxes to the SMaRT Station so that the City's minimum allocations are satisfied.	Public Works	Completed	*Original department response:* Staff disagrees with the recommendation. The auditor's recommendation to divert debris boxes to the SMaRT Station to meet the minimum requirement will conflict with the Zero Waste Operational Plan's diversion goals and recommendations. The SMaRT Station recovers 18 percent of the material while sending the material to a construction and demolition recycling processing facility will result in up to 90 percent of diversion.
			In addition, staff has been directing PASCO to divert debris boxes to the SMaRT Station since 2000 to meet its allocated minimum commitment with WMI at Kirby Canyon. For the first time the city did not meet its minimum allocation in 2005. In 2005, in the final four months of that year, all PASCO debris boxes that were planned to be delivered to the City landfill were redirected to the SMaRT station. Staff will continue to monitor the minimum

			allocations and will direct PASCO to divert the debris boxes as necessary.
			Auditor's update as of Oct-2007: In process. According to Public Works, all debris boxes which hold waste materials and are serviced by PASCO are being diverted from the City's landfill to the SMaRT Station. Target date: Jul-2009.
			Auditor's update as of Nov-2008: Complet**ed.** PASCO is diverting all debris boxes which hold solid waste materials to the SMaRT Station. The PASCO contract expires in FY 2008-09. The new contract with the new hauler, GreenWaste of Palo Alto, incorporates this recommendation (CMR:416:08).
#17: Future refuse contracts should retain flexibility to divert tonnages to meet minimum allocations at SMaRT and Kirby Canyon.	Public Works	Completed	***Original department response****:* Staff agrees and will consider incorporating the recommendation into the scope of services for the future refuse contract.
			Auditor's update as of Oct-2007: In process. Public Works staff is working with consultants to include in the upcoming refuse contract new requirements to meet the recommendation. Target date: Jun-2008.
			Auditor's update as of Nov-2008: Completed. This recommendation was incorporated into the new RFP and contract for the new trash hauler, GreenWaste of Palo Alto (CMR:416:08).
#18: Public Works should continue its initiative for a thorough internal review for selecting a new solid waste contractor by forming a request for proposal (RFP) committee; hiring a consultant; and using the auditor's office as an advisor.	Public Works	Completed	***Original department response:*** Staff agrees and is currently complying with the recommendation. The Director of Public Works created a committee at the beginning of 2006. The committee meets regularly and includes staff from the Administrative Services and Public Works Departments with the City Attorney's Office and the City Auditor's Office as advisors. Staff also executed a contract with HF&H Consultants on March 12, 2007, to assist the City in the solicitation process for a new solid waste and recycling agreement.
			Auditor's update as of Oct-2007: In process. The Public Works Director has created a committee of various department heads for the purpose of reviewing the process for creating a new refuse contract. The City Auditor's Office serves as an advisor to this committee. Target date: Jun-2008.

Auditor's update as of Nov-2008: Completed**.** The Steering and Advisory Committee with various department heads, with the Auditor's Office and the Attorney's Office as advisors, provided oversight of the process for the new refuse contract including the evaluation of proposals and recommendation to negotiate the agreement terms with GreenWaste of Palo Alto.

AUDIT OF LIBRARY OPERATIONS (Issued 7/9/07) — Finance Committee

The purpose of our review was to identify potential operating efficiencies. Of the 32 recommendations, 20 were completed this year, 10 are in process, and 2 are not started.

Audit report and recommendation	Department	Current status	Comments
#1: The City should address the significant Library facility problems including overcrowding, poor lighting, and inadequate meeting space.	Library	Completed	***Original department response:*** This recommendation is consistent with one of the recommendations in the Library Advisory Commission's Library Service Model Analysis and Recommendations (LSMAR) report. Staff concurs. Staff and consultants are now engaged in evaluating options for facility upgrades at the Mitchell Park, Main, and Downtown libraries to address these problems, and will bring conceptual design options for facility upgrades to Council in September 2007. *Auditor's update as of Nov-2008:* Completed. In November 2008, voters approved a $76 million library construction bond. It will fund the construction of a new combined Mitchell Park Library and Community Center, renovate and expand the Main Library, and renovate the Downtown Library. The renovations and expansion will address the problems of overcrowding, poor lighting, and inadequate meeting space identified in the audit. An infrastructure project was already underway to renovate the College Terrace Library beginning in late FY 2008-09. The renovated and expanded Children's Library reopened in September 2007.
#2: Library facility plans should be analyzed for staffing implications in order to minimize the need for additional staff.	Library	Completed	***Original department response:*** Staff concurs and will work with the consultants to develop this analysis as the facility proposals are developed for the library construction bond. Target completion date is December 2007. *Auditor's update as of Nov-2008:* Completed. The Library advises that the November 2006 space study completed to determine the conceptual plans for a new Mitchell Park Library

Audit report and recommendation	Department	Current status	Comments
			included an analysis of staffing implications of six site and design options. The library consultant who developed the needs assessment for the facility plans determined that the conceptual design selected for the new Mitchell Park Library will require 3 additional library staff. Library staff advises this number may be reduced if automated materials handling equipment is installed in the new facility. After the new Mitchell Park Library opens, the renovation of Main Library will begin. Since staff from Main will be available to work at Mitchell Park, Library staff says that no additional staff will be needed for Mitchell for at least 18 months. This will enable the Library to better gauge the actual staffing needs for Mitchell without immediately increasing staffing. The facility upgrades at Main and Downtown Library will not require additional staff at either facility.
#3: The City should fund ongoing, routine replacement of outdated furniture, shelving and minor repairs in Library facilities.	Library	In process	*Original department response:* This recommendation is consistent with one of the recommendations in the Library Advisory Commission's LSMAR report. Staff concurs. This recommendation will be implemented as a request through the 2009-11 budget process. *Auditor's update as of Nov-2008:* In process. Library staff advises that the additional cost of routine replacement of furnishings and equipment for the three library bond measure projects was included as part of the estimated additional operating expenses for these facilities. The estimate is $25,000 more than the Library's FY 2008-09 allocation of $24,000. According to the Library, a funding proposal to address this recommendation will be developed as part of the Library's FY 2009-11 proposed budget. If the proposal is adopted, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jul-2009.
#4: The City should fund and the Library should begin weekend inter-branch deliveries to help manage the Circulation workload and prevent backlogs.	Library	In process	*Original department response:* This recommendation is consistent with one of the recommendations in the Library Advisory Commission *LSMAR* report. Staff agrees that weekend deliveries will help to prevent backlogs on Mondays and Tuesdays when deliveries are made that include materials processed after mid-day on Fridays, thereby resulting in a more even distribution of circulation workload across the seven day operation. Library staff will review options with the Administrative Services Department to implement this recommendation as a request through the 2007-08 mid-year budget.

Audit report and recommendation	Department	Current status	Comments
			Auditor's update as of Nov-2008: In process. Library staff submitted a request for the 2008-09 Interim Budget to fund deliveries on Saturdays. Budget did not approve the request. The Library will resubmit this request for the FY 2009-11 budget. If the request is approved, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jul-2009.
#5: The Library should consolidate the current nine schedules into no more than five (one per branch) and should identify ways to minimize managerial and supervisory time spent on scheduling. The Library should develop a template so that schedules are uniform across branches and it is easy to see how many employees system-wide are scheduled at a given time. The schedules should be online or in a shared file for access system-wide.	Library	Completed	***Original department response:*** Staff agrees that a more uniform approach to scheduling across the branches would be beneficial and that development of a template is an excellent way to achieve this. Posting all schedules online will facilitate the assignment and analysis of the use of staffing resources. It is probable that a template will also aid in reducing the time spent on scheduling. Currently, non-managers schedule 54% of staff. For example, all hourly library pages are scheduled and assigned work by non-management staff. It is beneficial to have the staff closest to the day-to-day operations assign schedules for work groups, and it has proven to be an important development opportunity for staff interested in acquiring supervisory skills. An online template will enable the schedules of all work groups in each facility to be displayed on one schedule per branch. Implementation of this recommendation will be the responsibility of the Assistant Library Director. Recruitment to fill this position is underway. The target completion date is two months after the new Assistant Library Director is hired.

Auditor's update as of Nov-2008: Completed. The Library advises that a uniform schedule form template has been designed and is used by all five branches and the Technical Services unit of the Library. Support staff at each branch creates monthly schedules which are posted and edited using the Google docs application. Individual staff report their activities daily using a standard set of work codes. Supervisors review the report of activities at the end of each pay period, make any needed adjustments, and upload the completed time sheets to a network drive for collation into a master spreadsheet. |
| #6: In order to assess changes in the workload, the Library should annually calculate the workload impact of self-checkout machines, holds, online renewals, inter-branch transfers, new technologies and services such as RFID and LINK+ as well as future technologies and services as they are added. | Library | Completed | ***Original department response:*** Staff agrees with this recommendation and expects to implement it in FY 2007-08.

Auditor's update as of Nov-2008: Completed. Library staff advises that data on the use of self-checkout machines, the number of holds placed, and number of renewals are gathered and |

Audit report and recommendation	Department	Current status	Comments
			reviewed on a regular basis. The number of inter-branch transfers has been collected using sampling techniques. The impact of LINK+ and RFID will be assessed when these technologies are implemented. Library staff advises that this data is just one factor the Libraries use to determine changes in operations and staffing. For example, the information on holds provides the department with a way to partially assess the impact of the new expired holds fee.
#7: Since check-ins account for most of the Circulation workload, the Library should consider expediting RFID implementation.	Library	In process	***Original department response:*** Staff agrees that installation of an RFID (radio frequency identification) system for inventory control of the library collection will be beneficial, especially in reducing the time spent on checking in returned library materials. A feasibility study, completed in April 2006, for the implementation of RFID and automated materials handling for the Library estimated that between 1,805 and 3,610 staff hours could be reallocated to other tasks. However, a full implementation across the five-system would be costly - over $1 million plus annual costs at $400,000, at the high end. A Technology Fund capital project in the amount of $800,000 has been established for 2008-09.
			Regarding the target completion date, it would be most beneficial to establish the implementation schedule after the outcome of the proposed 2008 bond measure for library construction is determined. An important benefit of RFID is that it enables the use of automated materials handling systems. However, all current library facilities have insufficient space for installing this equipment. Adequate space can be planned in a new Mitchell Park Library, the branch with the highest circulation in the system. This time frame will also coordinate with the completion of the Library Technology Plan, to be completed in 2007-08, which will provide further direction on the potential of RFID. An added benefit of this timeframe is that several libraries in the area are now installing RFID and different models of automated materials handling systems. The experiences of other libraries will better inform an implementation in Palo Alto.
			Auditor's update as of Nov-2008: In process. Staff, the Library Advisory Commission, and a Library Technology Citizens' Advisory Committee worked with consultants to complete a study that provides an evaluation of the use of automated materials handling systems (AMH) and RFID for the Library. The report recommends implementing RFID across the Library and installing AMH equipment at the three principal libraries. The estimated cost is

| | | | $1.2 million. The library technology plan working group began work on the more comprehensive library technology plan in October. Staff anticipates completing this report in 3-6 months. The recommendations of the RFID/AMH report will be considered along with those of the library technology plan with funding proposals developed for the 2009-11 budget. If the Library demonstrates that such plans have been considered and a decision made based upon them, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jul-09. |
| #8: The Library should continue to reduce the number of magazine back issue, hard copies and replace them with electronic versions. | Library | Completed | ***Original department response:*** Staff agrees with the recommendation to provide magazines in electronic format, but needs to clarify the current situation. The Library, through its subscriptions to licensed databases, already provides access to thousands of full-text magazines in electronic format. These are available through the Library's website. With the exception of the Main Library's magazine collection, back issues of print editions are not kept longer than two years. Main Library's collection currently contains issues that predate the time when magazines became available in an online format, which was the early 1980's and, more typically, in the 1990's for the majority of titles. Therefore, access to early issues of most magazines is not available in electronic format. However, staff keeps usage statistics by title of the back issue collection at Main Library and knows that the use of this collection has decreased with the availability of electronic versions. Magazine retention periods are now periodically adjusted based on analysis of usage figures as well as availability of titles in electronic versions. Some print editions have been dropped when electronic versions become available. This in an ongoing process, inherent in the management of a library collection that contains print, media, and electronic resources.

Auditor's update as of Nov-2008: Completed. The Library staff advises that based on the evaluation of statistics from in-house usage of current and back issues of periodicals and the number of checkouts of circulating titles, 68 subscriptions will not be renewed. This reduction, along with other adjustments, will reduce the number of the Library's printed subscriptions by 9%. |

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#9: The Library should set a target for minimizing cataloging modifications and explore ideas suggested by Technical Services staff during the audit such as: (1) using Library of Congress subject headings for media rather than local headings currently used and (2) investigating the use of macros to automate changes to records when they are imported.	Library	Not started	***Original department response:*** Staff agrees it is beneficial to eliminate cataloging modifications that add only minimal value to facilitating searches of the library catalog. The two suggestions listed are examples of modifications that Technical Services staff has decided should be implemented, and the staff remains open to developing other changes. With the understanding, as pointed out in the Auditor's report, that modifying cataloging records is standard and Palo Alto's rate of modification is not higher than those of area libraries consulted, staff will establish a target for the percentage of cataloging records that are modified. These two changes in current cataloging practice will be implemented by December 2007. This timeframe was established with the knowledge that the Senior Librarian responsible for cataloging will retire at the end of July 2007, and staff anticipates it might take 3-4 months to recruit, hire, and train her replacement. The new Senior Librarian will be assigned responsibility for developing recommendations for cataloging modifications and establishing targets. Staff anticipates that targets will be in place by the start of FY 2008-09. ***Auditor's update as of Nov-2008:*** Not started. Library staff advises that implementation of this recommendation has been rescheduled due to staffing vacancies in FY 2007-08. Specifically, the cataloging staff of the Library was 50% staffed for 11 months in FY 2007-08. Target date: Dec-2008.
#10: The Library should develop timeliness performance measures and periodically sample how long it takes to place new materials on the shelves and the amount of time for each phase of the process to identify potential efficiencies.	Library	Not started	***Original department response:*** Staff agrees that these measures would assist in the ongoing analysis of Technical Service operations. A method for sampling will be developed by January 2008 with the intent of conducting two sample measurements before the end of FY 2007-08. This will enable staff to test and adjust the process and, based on the results of these pilot tests, establish performance measures that can be used in FY 2008-09. ***Auditor's update as of Nov-2008:*** Not started. Library staff advises that implementation of this recommendation has been rescheduled due to staffing vacancies in FY 2007-08. The sampling method will be developed by January 2009 and tested in FY 2008-09. The performance measures will be used the following year. Target date: FY 2009-10.

Audit report and recommendation	Department	Current status	Comments
#11: Establish performance measures for "off-desk" reference work to track the volume, outcomes, and community impact of this work.	Library	Completed	***Original department response:*** Staff agrees to review existing measures for any needed modifications and to develop new ones. Develop measures by January 2008 for testing and modification through June 2008. Implement tracking of new measures in FY 2008-09. ***Auditor's update as of Nov-2008:*** Completed. The Library developed, and is using, performance measures to track the key off-desk assignments of reference librarians and the evaluation of programs offered by the Library. Customer satisfaction surveys were created to gauge the community impact of five different service elements of the Library. A schedule of collection of the various measures has been developed. Library staff advises they will conduct the surveys semi-annually and use the results to gauge the impact of library programs and services. All of the performance measures established will be used as part of the Library's ongoing evaluation of programs and services.
#12: The Library should use the data from analyses conducted based on Recommendations #6 and #11 to continually reassess workload changes and adjust the allocation of staffing between Reference and Circulation accordingly, if appropriate.	Library	In process	***Original department response:*** Staff agrees that use of data to measure workload changes is an important tool for analyzing how to allocate public services staff, and has routinely used such data in making decisions on staffing. In recent years, staff has used this type of data to reallocate regular and hourly staffing among library branches as well as to reallocate some staffing from the Reference to the Circulation operations. This is ongoing. ***Auditor's update as of Nov-2008:*** In process. The Library has completed the recommendations regarding tracking changes in circulation workload and measuring off-desk librarian work. As noted in the original response to the recommendation, Library administrators review staffing needs annually and make adjustments based on a number of factors. Library staff advises that In FY 2008-09, a 0.5 FTE professional position was converted to a support position in recognition of the changing nature of reference service. Library staff advises that data from the analyses suggested by the Office of the City Auditor will be maintained on an annual basis to support future staffing adjustments. If the Library can demonstrate that it has used the data analysis from Recommendation #6 and the performance measurement data from Recommendation #11 to decide how to reallocate staffing between Reference and Circulation, the Office of the City Auditor will be able to consider this recommendation closed during the next follow-up process.

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#13: One goal of schedule changes should be to reduce or eliminate overtime pay on Sundays for full-time employees.	Library	In process	***Original department response:*** Staff will explore the feasibility of this recommendation and would be required to meet and confer with SEIU to make changes in the current practice. It has been the practice to pay overtime for Sunday work by full-time regular staff since 1979. The amount spent by the Library for overtime in a recent twelve-month period was $45,500. This represented 1155 hours, or approximately 0.55 FTE, with 80% of the total hours worked on Sundays. Elimination of overtime pay on Sundays would result in a loss of approximately 0.4 FTE, and will require the establishment of alternative work schedules. The target completion date is the end of FY 2007-08 to complete feasibility study and establish need to meet and confer with SEIU. ***Auditor's update as of Nov-2008:*** In process. Library staff advises that the Library and Human Resources are reviewing this recommendation. Sundays are staffed with a combination of regular and hourly staff. It is Library policy to have regular staff assigned to work whenever a library is open as they are responsible for the safety of the public, overall operation of the facilities, and ensuring proper cash handling procedures. When full-time employees work on Sundays, it is in addition to their regular 40 hours per week schedule. The Library staff advises that to eliminate overtime pay for full-time employees would require a reduction in the number of hours that can be worked the rest of the week – typically 5 less hours for each full-time employee working on a Sunday. This would make it difficult to meet the City's standard work week of forty hours worked within five consecutive days, and on average, there would be 16 hours less per week available to staff all libraries Monday-Saturday. This recommendation will be evaluated along with Recommendation #14 since both involved scheduling. If the Library can demonstrate that it has analyzed schedules with serious consideration of how to reduce or eliminate overtime pay, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: June-09.
#14: Before requesting additional staff, the Library should use different approaches to scheduling, including staggering shifts and reducing hours worked while the Library is closed to (1) better correlate staffing patterns to times when the Library is busy (evenings and weekends) and (2) potentially open more hours.	Library	In process	***Original department response:*** Staff will explore the feasibility of this recommendation and would be required to meet and confer with SEIU if alternative work schedules are needed to achieve these goals. Staff acknowledges the value of increasing library hours to the public, and this is one of the recommendations of the Library Advisory Commission's LSMAR report. The LSMAR report recommends adding staffing to support increased hours. The improved ratio of staff to annual hours in recent years has allowed

			the Library to offer some services it couldn't in the past, so it will be critical to evaluate the Auditor's recommendation thoroughly to determine the impact on the current service level now provided by the Library and the department's ability to move in new directions. It is anticipated that adding hours to the current schedule will increase circulation, resulting in the need to increase paging staff to handle the extra shelving. Additionally, some of the recommendations in this audit will have an impact on staffing and operations which also must be analyzed in light of the suggestion that increased hours can be accommodated. This recommendation will need to be evaluated in combination with Recommendation #13. The target completion date is the end of FY 2007-08 to complete feasibility study and establish need to meet and confer with SEIU. ***Auditor's update as of Nov-2008:*** In process. Library staff advises that they have completed the first step in the evaluation of staffing by setting up a standard system for all staff to track their time by activity. The Library tested and revised this system through FY 2007-08 to ensure consistency and accuracy. Once sufficient data has been collected in FY 2008-09, library staff can start the process of evaluating alternatives for increasing public service hours and gauging the potential impact on other library services. If the Library can demonstrate it has analyzed the effect of staggering schedules and better correlating staffing patterns to times when the Library is busy, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. If the Library determines that it is not possible to open more hours by staggering shifts and reducing staff hours worked while closed, the Library should provide clear and compelling evidence of why that is the case. Target date: June-09.
#15: The Library should formalize a list and process for substitute employees who can fill in at various branch facilities.	Library	Completed	***Original department response:*** Staff concurs. Hourly employees provide coverage both for regularly scheduled shifts and for substitute work. The Library maintains lists of hourly staff and contact information that is used to find substitutes to cover unexpected absences. These lists will be reviewed and refined to ensure all needed information is provided. Staff now follows an established process to identify and contact potential substitutes. This process will be reviewed for completeness. The target completion date is September 2007.

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			Auditor's update as of Nov-2008: Completed. A list of hourly staff, including the branches where the individuals have been trained to work, is available on the department's network drive. This is updated regularly. Library supervisors will review it every two months to determine additional training needed to ensure there are enough substitutes trained to work at each branch.
#16: As attrition occurs, the Library should minimize the number of very-low-hour positions (less than 0.20 FTE) and convert them, where possible, to at least 0.20 FTE positions.	Library	Completed	***Original department response***: Library staff will work with the Administrative Services and Human Resources departments to implement this recommendation. This will be ongoing as attrition occurs, but the goal would be to determine, by the end of FY 2007-08, the number of positions to convert. ***Auditor's update as of Nov-2008:*** Completed. Library staff has a process in place to review vacancies in low-hour positions as they occur to consider combining two positions into one. In FY 2007-08, two SEIU hourly positions were created from four limited hourly positions. Budget considerations restrict the ability to convert all limited positions into 0.20 FTE or higher benefited hourly positions.
#17: The Library should propose a simplified job title structure and Human Resources should assist the Library with its implementation.	Library	In process	***Original department response:*** Library and Human Resources staff agrees to review library job titles towards the goals of simplifying the structure and having broader band pay ranges for some positions, while maintaining an adequate career path. As the Auditor points out, changes in job titles or job description will require the City to meet and confer with SEIU. The completion date is to be determined. ***Auditor's update as of Nov-2008:*** In process. Library and Human Resources staff have met to review the Library's job title structure. It was agreed that one library specific classification could be eliminated and that the job descriptions of two classifications should be reviewed and updated as needed. The City will meet and confer with SEIU to submit any proposed changes as part of the 2009-11 budget. If the Library can demonstrate the issues were addressed with SEIU and the decisions about simplifying the job title structure were made accordingly, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date: Jan-2009.

Audit report and recommendation	Department	Current status	Comments
#18: The Human Resources Department should complete as soon as possible the 2003 *Audit of Overtime Expenditures* recommendations #15 regarding an FLSA review of all City job titles and #18 regarding overtime pay to Management employees.	Human Resources	In process	***Original department response:*** The Human Resources Department is currently conducting the first phase of the review by way of a Management Classification/Compensation Study. This study will be completed by December 2007 and will provide current job descriptions and a basis for determining the appropriate compensation method. Following the completion of the study, the HR Department in collaboration with the City Attorney will commission an FLSA audit using the data from the study to address and resolve this issue. Staff agrees to meet and confer with SEIU on this issue by the end of FY 2007-08 and address it through the next round of contract negotiations in 2009. **Auditor's update as of Nov-2008:** In process. With regard to overtime audit recommendation #15, Human Resources advises that management/professional job descriptions are now completed and the FLSA review will begin in March 2009. With regard to this recommendation #18, Human Resources advises that a statement related to management leave and overtime pay will be proposed as an addition to the next revision of the management compensation plan. Target date: for recommendation #15, TBD; for recommendation #18, July-2009.
#19: The Library should set and achieve a target for increasing volunteer hours before expanding the current 0.5 FTE volunteer coordinator position to 1.0 FTE.	Library	Completed	***Original department response:*** Staff concurs and will set a target for increased volunteer hours that can reasonably be achieved with the support of a 0.5 FTE volunteer coordinator and within the time limitations of the staff in the branches who oversee the work of the volunteers. Regarding the target completion date, management of the volunteer operation will be one of the responsibilities of the Assistant Library Director. The target date for implementing this recommendation is four months after this position is filled. ***Auditor's update as of Nov-2008:*** Completed. Library staff established a target of a 10% increase in the number of volunteer hours worked in FY 2007-08 over FY 2006-07. The hours increased by 2% to a total of 5,988 in FY 2007-08. A total of 152 individuals volunteered at the libraries in FY 2007-08, including 46 new individuals. However, turnover of volunteers is an ongoing issue for a variety of reasons. While the Library continues to recruit new volunteers and will seek new avenues for recruitment, no request to expand the volunteer coordinator position to 1.0 FTE will be forthcoming in the foreseeable future.

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#20: Library branch managers should formalize and oversee the current process in which staff at each branch provides suggestions to the Volunteer Coordinator for tasks that could be performed by volunteers.	Library	Completed	*Original department response:* Staff concurs. The Library's current Volunteer Coordinator has developed a structure to facilitate staff requests for volunteer support. The volunteer manual and a variety of forms, including a Volunteer Request form, are posted on the Library shared network drive. Library managers will review available documentation and make it a goal to ensure their staffs are up-to date on this procedure and are proactive in identifying volunteer opportunities. Target completion date is September 2007 and ongoing as the Recommendation #19 is achieved. *Auditor's update as of Nov-2008:* Completed. A "Request for a Volunteer" form has been developed so staff can provide suggestions to the Library's Volunteer Coordinator. Ideas are also discussed at the monthly meetings with branch staff volunteer contacts.
#21: The Library should recruit additional volunteers to assist staff with pulling materials on hold.	Library	Completed	*Original department response:* Staff will explore the feasibility of adding volunteers and may be required to meet and confer with SEIU. Target completion date is June 2008. *Auditor's update as of Nov-2008:* Completed. The Library created a job description to assist with the recruitment and assignment of volunteers for this task. All five branches now have volunteers who have been trained to assist with this task. A total of 23 volunteers provide support with the hold service. On average, volunteers spend 21 hours per week on pulling holds.
#22: The Library should document clear goals for Operation Homebound and consider expanding the program.	Library	Completed	*Original department response:* Staff concurs. Target completion date is November 2007. *Auditor's update as of Nov-2008:* Completed. Goals were established to increase by 20% each the number of residents served and the number of volunteers providing the service. Both goals were exceeded. In addition to delivering materials to the homes of individual customers, volunteers now deliver materials to the Palo Alto Nursing Center and Palo Alto Commons.
#23: The City should immediately ensure all volunteers are fingerprinted and a background check is performed in accordance with the City's enacted Policy 2-28/HRD, or the City should immediately revise Policy 2-28/HRD to provide exceptions as needed.	Human Resources and City Attorney	Completed	*Original department response:* The Human Resources Department and City Attorney's Office concur with this recommendation.

			The target completion date is September 2007 for Library volunteers; to be determined for other departments. Currently all Police Department volunteers are fingerprinted.
			Auditor's update as of Nov-2008: Completed. The City's Fingerprinting Policy was revised in August 2008. It lists exceptions to the fingerprinting requirement. Regular fingerprinting for Library volunteers began Fall 2007.
#24: The Human Resources department should: (1) Review the Volunteer Policy and determine what, if any, exceptions will be allowed to the Fingerprinting Policy, (2) Revise the Fingerprinting Policy to allow exceptions, if any, (3) Centralize volunteer screening and fingerprinting, (4) Adopt a Citywide volunteer application that asks about criminal history and advises applicants that they may be required to undergo a criminal background check.	Human Resources	Completed	***Original department response:*** The Human Resources Department and City Attorney's Office concur with this recommendation. The target completion date is September 2007. ***Auditor's update as of Nov-2008:*** Completed. A Volunteer Policy was completed in August 2008, and a Citywide volunteer form was developed that addresses the recommendations. The City's Fingerprinting Policy was updated in August 2008, and it identifies exceptions. Library staff advises that all library volunteers meeting the criteria have been fingerprinted. The results of background checks on new volunteers are reported to Human Resources who reviews the results with the Library's Volunteer Coordinator.
# 25: To aid in monitoring inventory and detecting unusual losses in the collection, the Library should run more frequent reports on items designated as "missing" and should circulate those reports to librarians for the purpose of identifying trends in losses. The Library should also consider expediting adoption of RFID security features.	Library	Completed	***Original department response:*** Staff recognizes the importance of monitoring the collection and determining the status of "missing" items in order to detect losses, as well as to maintain accuracy in library catalog records and promptly replace titles that are important for the collection. Staff has run reports on "missing" items 3-4 times annually since the online catalog was installed in 1985. After determining that the items are no longer in the collection, the reports are circulated to librarians responsible for the development of the collection. Staff can increase the frequency of running these reports to 6 times per year. However, these reports only include those items with a status already set as "missing"; they do not identify items that have not been reported as missing. Staff does conduct inventories in portions of collections where an unusual amount of loss is detected or suspected. This has been useful for identifying unusual losses, and in certain cases, has been instrumental in prosecuting thieves. Ongoing, large scale inventories are extremely time-consuming as well as challenging to conduct when libraries are open and the inventory is in a constant state of flux. For this reason, very few public libraries

			do such inventories. Staff agrees the RFID provides the potential for improved security and inventory control of the collection.
			Auditor's update as of Nov-2008: Completed. Reports of missing items are run bi-monthly. The study of the use of RFID and automated materials handling systems evaluated the cost and timing to implement materials security gates with RFID capability. Due to the cost - $210,000 – of installing this equipment, the consultant recommended considering this after RFID is implemented and loss rates can more easily be determined.
#26: As facilities are renovated and expanded, the Library should reconsider whether to continue the laptop lending program.	Library	Completed	*Original department response:* The loaner laptop program began in April 2005 with funding through a Cable Co-op grant to the Friends of the Library. This innovative program enables customers 10 years or older to borrow laptops for use in Main and Mitchell Park libraries for up to 2 hours per day. Given the success of this program, this service soon will be offered at College Terrace and Downtown libraries. This has been a space-efficient way to expand the number of computers available in the libraries; and equally important, it has addressed the way that many people prefer to do their computing and access the Internet. Portable devices allow people to use the wireless network anywhere in the buildings, and even on library patios. As library facilities are renovated and expanded, methods of providing computer access will be evaluated. There are no plans to lend laptops when Children's Library reopens. By the time a new Mitchell Park in built, staff anticipates that the use of portable computing devices will be much higher than it is today, and the types of equipment the Library offers may be different from today's options. Implementation is ongoing as facilities are renovated.
			Auditor's update as of Nov-2008: Completed. The Library staff advises that due to the success of the laptop lending program, the building programs for the proposed renovated and expanded facilities include incorporating this service in the improved libraries. The Auditor's Office acknowledges that the Library considered the risks related to this program and decided to assume the risks, given the popularity of the program.
#27: Supervisors or managers at each library should periodically run a report that details transactions in which fees or fines were waived. The supervisor or manager should review the report to ensure the transactions were appropriate and should initial the report to indicate that it was reviewed.	Library	Completed	*Original department response:* Staff agrees with this recommendation. Staff will develop a format for the report and make needed system configurations to enable tracking of waived fines by individual staff and produce reports on a monthly basis. Target completion date is August 2007.

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			Auditor's update as of Nov-2008: Completed. Reports of fees and fines waived are generated weekly at each library and forwarded to the Manager of Library Circulation to review. Every waived fee or fine is coded with the information indicating which staff member handled the transaction. Information about this process will be added to the Library's Cash Handling Procedures, when finalized.
#28: The Library should reconcile the cash registers to the Library computer system daily to ensure that the amount in the cash register corresponds to the amount recorded in the Library's system. The Library should post signs instructing customers to request a receipt for fees or fines paid.	Library	Completed	***Original department response:*** Staff agrees with this recommendation and will add this step to the daily cash deposit procedure. The Circulation Manager will develop and document the procedure and train all staff responsible for the daily deposit. The target completion date is September 2007.

Auditor's update as of Nov-2008: Completed. As part of the daily revenue deposit procedure at each library, the tapes detailing monies collected through the cash register and via credit card are reconciled with a report from the library circulation system software. If discrepancies are found, detailed transactions reports are run to determine the source of the discrepancies. Reports with discrepancies larger than $5.00 are forwarded to the Manager of Library Circulation for further analysis. Beginning in FY 2008-09, the Circulation Manager will conduct quarterly spot checks of the files at each branch to ensure consistency in conducting this process. Information about this process has been added to the Library's Cash Handling Procedures. It is Library policy to issue receipts for all fines paid. The recommended signs have been posted at the accounts desks at all libraries. |
| #29: The Library should periodically review the lists of employees with access to the safes and reassess whether such access is necessary. | Library | Completed | ***Original department response:*** Access to safes is already limited to regular employees who have responsibility for filling and emptying cash registers at the start and end of each day or for handling the daily deposits. Due to the number of libraries and the seven-day operation at most of the branches, all the regular circulation staff and managers require access to the safes at the facilities where they work. Staff agrees to keep current a list of staff requiring access to the safes in each branch. The Library complete initial review by August 2007 and conduct a quarterly review on an ongoing basis.

Auditor's update as of Nov-2008: Completed. A list of employees with access to library safes is maintained and reviewed on a quarterly basis by the Manager of Library Circulation. |

Audit report and recommendation	Department	Current status	Comments
#30: Cash handling procedures should be updated to reflect changes in receipt procedures, safe access, waiving of fees and fines, and to identify groups exempt from overdue fines and fees.	Library	In process	***Original department response:*** Staff concurs. The target completion date is September 2007. ***Auditor's update as of Nov-2008:*** In process. At the time of the Library Department's update to the City Council in September 2008, the Library Department was in the process of updating its Cash Handling Procedures to include this information. Even though the written procedures were not yet in place, the Library Director advised that staff already changed their daily practices related to cash handling in accordance with recommendations #27, #28, and #29. These changes include: weekly supervisory review of waived fees and fines; daily reconciliation of the Library computer system to the cash register; and quarterly review of the list of employees who have access to the safes. The updated written procedures should include these changes as well as identify which groups are exempt from overdue fees and fines. Note: As this status report was going to final review and publication, the Library Department submitted approved Cash Handling Procedures to the City Auditor's Office for review. If these written procedures address internal controls over the areas noted above, the City Auditor's Office will be able to consider this recommendation completed.
#31: The Library should resume sending collection letters and should determine whether uncollected accounts could be sent to a collection agency.	Library	In process	***Original department response:*** Staff agrees and will follow through on this recommendation. The collection letter process was developed many years ago in consultation with the Attorney's Office and Revenue Collections and proved beneficial in recovering many long-overdue items. Following the upgrade to the Horizon library software system in January 2005, the custom program that enabled the generation of these letters no longer functioned. Staff will work with the company that develops customer software programs for the Horizon system to investigate the potential to generate collection letters. Staff will also investigate the feasibility of sending uncollected accounts to a collection agency. The target completion date is December 2007. ***Auditor's update as of Nov-2008:*** In process. Library staff advised that they resumed the practice of sending collection letters in January 2008 after working with a vendor to develop a custom program to generate these electronically from the circulation system software. Library staff has researched the use and effectiveness of collection agencies by public libraries in the region

Audit report and recommendation	Department	Current status	Comments
			and has met with Revenue Collections to discuss the collection process in place for other city departments. Pending final discussions with the City Attorney's Office and Revenue Collections, staff will submit a budget request for 2009-11 to contract for collection agency services. If the Library can provide the results of its analysis regarding collection agencies and explain its decision based on that analysis, the Office of the City Auditor will be able to consider this recommendation completed during the next follow-up process. Target date for decision on use of a collection agency: Dec-2008.
#32: The Library should allow payments online by credit card as soon as possible.	Library	Completed	*Original department response:* Staff agrees with this recommendation and plans to provide this capability whenever it is made available in the library system software. Implementation was planned following the release of version 8.0 of the SirsiDynix Horizon software. Following a change in strategic direction of the company, SirsiDynix has announced that it will no longer develop the Horizon line, but will base future releases on a different product. The Library will need to assess whether to upgrade to a different SirsiDynix product or move to another vendor. It is anticipated that this decision will be made on the basis of a full request for proposal process. The timing will be established as the Technology Plan is developed later this year.
			Auditor's update as of Nov-2008: Completed. In FY 2007-08, the Library received a grant from the City Manager's Innovation Fund to support the implementation of this service. In November 2008, the Library began offering this service.

AUDIT OF SAP PAYROLL CONTROLS (Issued 9/18/07) — Finance Committee

This review is one in an ongoing series of reviews of the controls in the SAP system. This report contains the results of our recent review of SAP Payroll controls. Of the 7 recommendations, 5 were completed this year and 2 are in process.

Audit report and recommendation	Department	Current status	Comments
#1: HR should correct the identified errors in pay, and work with ASD staff to analyze how to improve the upload method and reports being used. At least once a year, HR should certify that each employee's pay data is accurate.	ASD	Completed	*Original department response*: The error occurred because the data transferred from SAP to the spreadsheet of management employees being given a pay increase included Fire Chief Association (FCA) employees. HR will work with ASD to create a report which does not combine FCA employees with Management group employees. Currently, HR has the practice of checking each personnel file prior to entering a merit pay increase. However, this is not possible with group uploads to the SAP system. HR will

Audit report and recommendation	Department	Current status	Comments
			work together with Payroll to audit uploads and improve accuracy. Target completion date: FY 07-08, next group upload.
			Auditor's update as of Nov- 2008: Completed. Payroll and HR established a position in Payroll for monitoring the accuracy of personnel data. In addition, HR designed a "Management Increase VMC Report" that allows users to review the pay for City employee groups. HR staff will also run the Management and Confidential group report for future uploads and review to ensure the pay data are accurate.
#2: Since HR is responsible for approving and providing current and accurate data to Payroll, HR should prepare corrected PAFs for the identified employees, and should work with departments to improve the accuracy of PAFs.	ASD	In process	*Original department response:* HR will be working with ASD to create an electronic PAF during the upcoming SAP upgrade project. The electronic PAF should have the capability to capture employee data from SAP and transfer it onto the PAF, thus, improving the accuracy of the PAFs. Target completion date: With the SAP technical upgrade, scheduled for FY 07-08.
			Auditor's update as of Nov-2008: In process. An electronic PAF is in the testing stage. If the HR Department completes the PAF initiative and demonstrates the PAFs are accurate, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: June 2009.
#3: ASD should generate, and HR should certify, periodic earnings reports for HR employees who have access to the HR modules to monitor for unusual earnings and ensure all earnings are authorized.	ASD	Completed	*Original department response:* Staff concurs ASD will generate a quarterly earnings report for HR staff. The quarterly earnings report will be sent to the HR director for review and certification. The certified earnings report would be kept on file with the HR director. Target completion date: Calendar year 2007, third quarter. This would coincide with quarterly earnings reports already certified for payroll and IT staff.
			Auditor's update as of Nov-2008: Completed. According to staff, ASD generates a quarterly earnings report for HR staff. The report is sent to the HR Director for review. The HR Director reviews and certifies the report to ensure the HR earnings are accurate.
#4: Data base administrators for the SAP HR modules should remove the authorizations for former employees who no longer require access to the HR module, including former employees who can approve and change timesheets through the HR_CATS_ Administrator module.	ASD	Completed	*Original department response:* Staff agrees and will immediately implement the elimination of authorization to terminated employees in procedures. As part of the upcoming upgrade, the assignment of roles and authorizations will be modified to position based which

			will result in new procedures. ASD data base administrators will continue to deny access to the network and change the procedure to include removing authorization to SAP by deleting the employee account. Target completion date: immediate implementation and with the SAP technical upgrade, scheduled for FY 07-08.
			Auditor's update as of Nov-2008: Completed**.** The current procedure utilizes the daily Employee Changes Report. This report is initiated daily and is based on HR staff inputs from the PAF forms into the SAP HR module. The report reflects three (3) types of changes in status, New Hires, Terminations, and Miscellaneous entries. Miscellaneous entries include supervisor changes, working out of class (WOC), telephone number changes, e-mail changes, last name changes, etc. The termination changes trigger two actions by Information Technology staff. One change is to disable the City network log-on; the second change is to delete the SAP account for former employees.
#5: In the upcoming SAP upgrades, ASD should reduce the risk of improper or unauthorized approval of employee timesheets by restricting the authority to approve timesheets to only supervisors in the employee's chain of command.	ASD	Completed	*Original department response:* ASD concurs and is currently analyzing unused authorization approval for deletion. In addition, as part of the upgrade, ASD is developing a more comprehensive security validation as discussed in the prior response and will include ongoing analysis and review of roles; this would be for all SAP modules. Target completion date: With the SAP technical upgrade, scheduled for FY 07-08.
			Auditor's update as of Nov-2008: Completed. Authorization approval is a component of ESS\MSS that was put into production on July 7, 2008. Auditor tests of the system confirm this recommendation was implemented.
#6: ASD should encourage all employees to receive their pay through the Electronic Funds Transfer method.	ASD	Completed	*Original department response:* Staff agrees it is beneficial to all parties to have direct deposit and ASD encourages use of direct deposit. Although the City cannot legally require direct deposit, it promotes its use by periodically sending out notification to all employees of the advantages of direct deposit including information on the availability of free banking with the City's bank and most banking institutions and credit unions. In addition, whenever ASD has to place a stop payment on a lost payroll check, we provide direct deposit application forms to the individual employee. We may also consider promoting direct deposit by highlighting its benefits to labor groups. Finally, the advantages of direct deposit are highlighted in the City's emergency plan as direct deposit will be the first priority of payroll processing in most emergencies. Target date: Ongoing and pending approval of the

			payroll emergency plans.
			Auditor's update as of Nov-2008: Completed. HR and Payroll have encouraged employees to utilize direct payroll deposit on a continuing basis and new employees are encouraged to sign-up for direct payroll deposit. Payroll staff advises that the number of manual checks has decreased from 221 (18.3% of paid employees) in January 2007, to 162 (12.93% of paid employees) in November 2008. Implementation of ESS\MSS in July 2008 allows employees to view their paystubs online. The next step is to stop mailing paystubs and checks.
#7: ASD should expedite development of its contingency plans for continued payroll operations and should formalize these plans as soon as possible.	ASD	Completed	***Original department response:*** We concur and ASD has developed an emergency plan, and has emergency check stock in multiple locations and offsite access to the financial system. A draft of the emergency plan is currently under review and once approved will become part of the City's emergency procedures. Target Date: Resources are currently in place and procedures are currently under review.
			Auditor's update as of Nov-2008: Completed. ASD emergency/contingency procedures, emergency check stock, training of staff and offsite location for check stock are in place.

AUDIT OF EMPLOYEE ETHICS POLICIES (Issued 1/23/08)   Policy and Services Committee

The objective of this audit was to review the City of Palo Alto's procedures for ascertaining and handling potential conflicts of interest among City employees, and to assess the need for an employee ethics policy. Of the 7 recommendations, 7 are in process.

#1: The City should periodically provide (or make available) ethics training targeted for designated employees, and remind employees that the FPPC is available to answer questions.	City Manager	In process	***Original department response:*** The City will form a working group to develop a policy and procedure to ensure that employees have a way to report fraud, abuse, and waste, and those such complaints will be appropriately investigated and followed up on.
			Auditor's update as of Nov-2008: In process. The Human Resources Department will coordinate with the City Attorney's Office to add ethics training to the City Attorney's annual Form 700 trainings for designated employees in the 2009 Calendar Year Training Schedule. The City Manager will work with department heads to ensure all affected employees attend training every two years. Documentation will be retained by the Human Resources Department to record employee attendance.

			If the City Manager's Office provides copies of the training syllabus, class schedules, and lists of attendees, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process. Target date: Jun-2009.
#2: Department heads and supervisors of employees in designated positions should review, and initial, employee Form 700s before the forms are filed with the City Clerk.	City Manager	In process	***Original department response***: The City will form a working group to develop a policy and procedure to ensure that employees have a way to report fraud, abuse, and waste, and that such complaints will be appropriately investigated and followed up on.
			Auditor's update as of Nov-2008: In process. The City Manager staff agreed to implement a process requiring department head and supervisor review of an employee's Form 700 if an employee has a reportable interest or on receipt of a complaint.
			Furthermore, staff has advised us that the City Clerk will include in the filing notification that employees are responsible for identifying and avoiding conflicts of interest. It will be the employee's responsibility to be aware of potential conflicts and to identify these on their Form 700 documents and to their supervisor as necessary. Supervisors should ensure that employees are not involved in a decision-making capacity with respect to any of their reportable interests. The ethics training incorporated in the Form 700 training will also address these issues.
			If the City Clerk's Office provides sample copies of Form 700s that show supervisory review and sign-off for those Form 700s with reportable interests, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.
#3: The City should develop a section on the City's intranet site that links city employees to the City or State policy, procedure, law, or regulation that addresses each of the major requirements for avoiding conflicts of interest and for acceptable and ethical behavior.	City Manager	In process	***Original department response***: The City will form a working group to develop a policy and procedure to ensure that employees have a way to report fraud, abuse, and waste, and that such complaints will be appropriately investigated and followed up on.
			Auditor's update as of Nov-2008: In process. Links to relevant City and State laws, codes, regulations, policies, and procedures on conflict of interest and ethical behavior will be included in an employee ethics section on the City's intranet during FY 2008-09. The implementation schedule will be coordinated with planned updates and revisions to the Municipal Code and Merit System Rules and Regulations. The centralized intranet reference for employee use will include pertinent citations and websites and other useful external resources on ethics and conflicts of interest. City Manager staff will also explore ways to incorporate this information in the New Employee Orientation materials.

Audit report and recommendation	Department	Current status	Comments
			If the City Manager's Office completes the intranet site as described above, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.
#4: The City should develop a code of ethics that employees can use as a guidepost for avoiding conflicts of interest, for ethical behavior, for deciding what actions are needed when conflicts of interest occur, and for making decisions. Employees should be required to read and sign an acknowledgment of the policy.	City Manager	In process	*Original department response:* The City will form a working group to develop a policy and procedure to ensure that employees have a way to report fraud, abuse, and waste, and that such complaints will be appropriately investigated and followed up on. *Auditor's update as of Nov-2008:* In process. City Manager staff reviewed the City Auditor's sample ethics codes along with codes of other California cities and recommended a positive, values-based versus rules-based code that is brief, easily understood, and designed to build public confidence. Over the next 6 months, the City Manager's Office will launch an effort to engage the organization in a series of conversations about ethical values and the development of a code of ethics. Further, the City Manager's Office plans to develop a code of ethics, a training plan on the code of ethics, and is committed to work on developing a mechanism for employees to acknowledge receipt of ethics training. If the City Manager's Office approves a formal copy of a code of ethics and implements a mechanism for employees to acknowledge receipt, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.
#5: The City should formalize its policy on ethics training and ensure that employees attend periodic training updates.	City Manager	In process	*Original department response:* The City will form a working group to develop a policy and procedure to ensure that employees have a way to report fraud, abuse, and waste, and that such complaints will be appropriately investigated and followed up on. *Auditor's update as of Nov-2008:* In process. As soon as the code of ethics is developed through the implementation of Recommendation #4, the City Manager's Office and Human Resources will begin to implement an associated training policy and program. If the City Manager's Office develops and implements an ethics training program, provides copies of ethics class schedules, and copies of attendee lists, of the City Auditor will be able to consider this recommendation completed during our next follow-up process.

Audit report and recommendation	Department	Current status	Comments
#6: The City should survey employees using the League of California Cities' Institute for Local Government's ethical culture assessment tool.	City Manager	In process	***Original department response****:* The City will form a working group to develop a policy and procedure to ensure that employees have a way to report fraud, abuse, and waste, and that such complaints will be appropriately investigated and followed up on. ***Auditor's update as of Nov-2008:*** In process. City Manager staff reviewed the Institute's ethical culture assessment tool and will design a survey instrument for the new City Manager's review and implementation by June 30, 2009. If the City Manager's Office provides a copy of the Institute for Local Government (ILG) survey results, the Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process.
#7: The City Manager should form a working group to (1) establish policies and procedures for handling employee complaints of waste, fraud, and abuse through normal supervisory channels; (2) establish and monitor a hotline for anonymously reporting fraud, waste and abuse; (3) develop procedures for reporting, investigating, handling, and following-up on hotline reports; and (4) develop whistleblower policies and procedures.	City Manager	In process	***Original department response****:* The City will form a working group to develop a policy and procedure to ensure that employees have a way to report fraud, abuse, and waste, and that such complaints will be appropriately investigated and followed up on. Staff has a number of reservations about the Auditor's recommendation to create a hotline for complaints, and will take the opportunity to talk to other cities and professional organizations prior to making a final determination as to how to achieve the very appropriate goals that led to this recommendation. ***Auditor's update as of Nov-2008:*** In process. The City Manager's Office formed a working group and developed a policy for employees to report complaints of waste, fraud and abuse. The City Manager will also work with the City Auditor and City Attorney to implement a hotline that would enable community members to register complaints with the City by Spring 2009. These hotlines may be administered by third party vendors who review and categorize the complaints. The City Auditor has expressed interest in the development of such a hotline, given recent changes with the State's passage of AB2001 that provided City Auditors with the ability to protect confidentiality of complainants. The Office of the City Auditor will be able to consider this recommendation completed during our next follow-up process if the City Manager works with the City Auditor and City Attorney to implement a community hotline to receive and review complaints of waste, fraud and abuse, and to implement the procedures and reports outlined in this audit recommendation.

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INFRASTRUCTURE REPORT CARD FOR PALO ALTO (Issued 3/4/08)   **Finance Committee**

The purpose of our review was to assess the results of the increased capital spending, and to assess the impact of increased capital spending on the City's infrastructure including utilities – is the City making progress, losing ground, or just holding its own? Of the 10 recommendations, 10 are not started. However, the City Manager's Office has committed to bring forth a comprehensive plan and status report by the end of January 2009.

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Note from the Office of the City Auditor:

At the time of issuance, management did not provide a recommendation-by-recommendation response to this report as is the case for most audits. Instead, the City Manager's Office issued a statement that staff was in general agreement with the recommendations and would be providing a more detailed response at the March 18, 2008 Finance Committee Meeting. At the March 18 Finance Committee meeting, staff presented an update on the infrastructure backlog, however, no further responses were provided to address the audit report, presumably because the City Auditor position was vacant during this timeframe. Subsequent staff transitions in the City Manager's Office prevented management from working on the audit recommendations since March.

The City Manager's Office has now committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009. Further, since the audit report was issued, the Budget Division included additional information on the City's infrastructure backlog in the 2008-09 CIP budget, entitled "General Infrastructure Backlog Summary" and "Infrastructure Future Needs – Backlog" (pp305-306). The Public Works Department also received the results of the revised Facility Assessment Report prepared by the consultant, Kitchell. The Facility Assessment Report included the results of facility inspections and presented a list of "deficiency" items the consultant identified, which will help City management prioritize and address the infrastructure backlog. Although more work needs to be done to fully and specifically address the audit recommendations, we wanted to note this progress.

Audit report and recommendation	Department	Current status	Comments
#1: The City should adopt the Government Finance Officers Association Recommended Practice "Capital Maintenance and Replacement" as City policy.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.
#2 *(GFOA recommended practice)*: Develop and maintain a complete inventory of all capital assets. This inventory should contain essential information including engineering description, location, physical dimensions and condition, "as-built" documents, warranties, maintenance history, book value and replacement cost. Operating cost information could also be included. Database and geographic information technologies should be employed to assist in this task.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.

Audit report and recommendation	Department	Current status	Comments
#3 *(GFOA recommended practice)*: Develop a policy to require periodic measurement of the physical condition of all existing capital assets. Document the established methods of condition assessment. Periodically evaluate the capital program using data driven analysis of asset condition as well as past expenditure levels.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.
#4: The City should utilize the GIS system as a central coordinating tool and, to the extent feasible, an ongoing repository of infrastructure inventory and condition.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.
#5 *(GFOA recommended practice)*: Establish condition/functional performance standards to be maintained for each component of capital assets. Such standards may be dictated by mandated safety requirements, federal or state funding requirements or applicable professional standards. Use these standards and a current condition assessment as a basis for multi-year capital planning and annual budget funding allocations for capital asset maintenance and replacement.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.
#6 *(GFOA recommended practice)*: Develop financing policies for capital maintenance/replacement which encourage a high priority for those capital programs whose goal is maintaining the quality of existing assets. Consider earmarking fees or other revenue sources to help achieve this goal.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.

Audit report and recommendation	Department	Current status	Comments
#7 *(GFOA recommended practice)*: Allocate sufficient funds in the multi-year capital plan and annual operations budget for routine maintenance, repair and replacement of capital assets in order to extend the useful life of these assets and promote a high level of performance throughout the target period.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.
#8 *(GFOA recommended practice)*: At least annually, report on capital infrastructure, including: • Condition ratings jurisdiction-wide • Condition ratings by geographical area, asset class, and other relevant factors • Indirect condition data (e.g. water main breaks, sewer back-up complaints) • Replacement life cycle(s) by infrastructure type • Year-to-year changes in net infrastructure asset value • Actual expenditures and performance data on capital maintenance compared to budgeted expenditures performance data (e.g. budgeted street miles reconstructed compared to actual).	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.
#9 *(GFOA recommended practice)*: Report trends in infrastructure spending and accomplishments in the jurisdiction's Capital Improvements Program including trends in spending, replacement cycle, and other important factors for each major infrastructure category.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.
#10: Staff should propose and the City Council should consider a sustainable capital budget that: • Provides additional funding for critical needs that have been identified in the infrastructure condition assessments, including construction cost inflation. • Lists all other unfunded needs that were identified in those assessments in the annual capital budget document.	City Manager	Not Started	***Original department response***: Staff is in general agreement with the audit recommendations. ***Auditor's update as of Nov-2008***: Not started. Due to subsequent staff transitions in the City Manager's Office, staff has not yet developed a comprehensive approach to implement the audit recommendation. The City Manager's Office has committed to bring forth a comprehensive plan and status report to the Finance Committee by the end of January 2009.