

**OFFICE OF THE  
CITY AUDITOR**

**SEMI-ANNUAL RECOMMENDATION FOLLOW-UP REPORT  
ON ALL OUTSTANDING AUDIT RECOMMENDATIONS  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2006**

**A REPORT TO THE  
SAN JOSÉ CITY COUNCIL**





*Office of the City Auditor*  
Gerald A. Silva, City Auditor

May 9, 2007

Honorable Mayor and Members  
of the City Council  
200 East Santa Clara Street  
San José, CA 95113

Transmitted herewith is the *Semi-Annual Follow-Up Report On All Outstanding Audit Recommendations For The Six Months Ended December 31, 2006*.

An Executive Summary is presented on the blue pages in the front of this report. In accordance with procedures, the City Auditor gave the City Manager's Office a preview copy of this report for review.

The format of the Semi-Annual Follow-Up Report is intended to highlight recommendations requiring Public Safety, Finance and Strategic Support Committee attention and report on the status of all open recommendations.

I will present this report to the Public Safety, Finance and Strategic Support Committee at its May 17, 2007 meeting. Should you have any questions or need additional information in the interim, please let me know.

Respectfully submitted,

Gerald A. Silva  
City Auditor

GS:bh  
Dec06

cc: City Manager's Office  
and affected departments



## **EXECUTIVE SUMMARY**

In accordance with the City Auditor's approved 2006-07 Workplan, we have prepared a report of the status of open recommendations for the six months ending December 31, 2006. To prepare this report, we met with department staff, reviewed department assessments of audit status, and reviewed documentation provided by departments.

### **IMPLEMENTATION STATUS OF OPEN RECOMMENDATIONS**

During the semi-annual period covering July 1 through December 31, 2006, there were one hundred and twelve (112) outstanding recommendations of which:

- 28 recommendations were implemented;
- 75 recommendations were partly implemented;
- 8 recommendations were not implemented; and
- 1 recommendation was deferred

Table I summarizes these recommendations by audit report in chronological order.

**TABLE I**  
**STATUS OF OPEN RECOMMENDATIONS BY AUDIT REPORT ENDING DECEMBER 31, 2006**

Report #	Audit Report	Implemented	Partly Implemented	Not Implemented	Deferred	Dropped
88-03	An Audit Of The Police Department Overtime Controls		1			
95-06	An Audit Of The San Jose Arena Management Agreement			1		
96-07	An Audit Of The City Of San Jose's Open Purchase Order Process		1	1		
97-01	An Audit Of The City Of San Jose's Utility Billing System		2			
00-01	An Audit Of The Police Department -Bureau of Field Operations Patrol Division's Staffing and Deployment		1			
00-04	An Audit Of The City Of San Jose Building Division's Building Permit Fee Process		1	1		
01-01	An Audit Of The Property Appraisal Process Of The Department Of Public Works—Real Estate Division	2	1	1		
01-02	An Audit Of The City Of San Jose Fire Department's Overtime Expenditures		4			
01-05	An Audit of the City of San Jose Fire Department's Strategic Plan Regarding Proposed Fire Stations		2			
02-02	An Audit Of The San José Arena Management Corporation's Compliance With The San José Arena Management Agreement		3			
02-03	An Audit Of The Property Management Operations Of The City Of San José's Department Of Public Works – Real Estate Division	2	1			
03-03	An Audit Of The Fleet Management Division Of The General Services Department's Vehicle Replacement Program	3				
03-04	An Audit Of The Airport Neighborhood Services Group		1			
03-07	An Audit Of The Neighborhood Development Center Of The Department Of Parks, Recreation, And Neighborhood Services		2			
03-10	An Audit of The San José Fire Department's Bureau of Fire Prevention		4		1	
03-11	An Audit Of The Utilization And Replacement Of The City's Metered Equipment	2				
04-01	An Audit Of The Concentrated Code Enforcement Program		1	1		
04-04	An Audit Of The Utilization And Replacement Of The City's Transport Vehicles	1				
6/2/04 Memo	Memorandum Of The Avis Rent A Car Audit	2				
04-05	A Review Of The CUSP Request For Proposal Process		14			
04-06	A Review Of The Request For Proposal For The New Civic Center Converged Network System		5			
04-07	An Audit Of The City's Cellular Phone Program	1	4			
04-08	An Audit Of San José Family Camp	2	2			
04-09	An Audit Of The City Manager's Reforms		1			
05-01	An Audit Of The Public Art Program	5	3			
05-02			7			
	An Audit Of The Agreements Between The City And The Filipino American Senior Opportunities Development Council (Fil-Am SODC)					
05-03			1			
	An Audit Of The Environmental Services Department's Laboratory					
06-01	An Audit Of Citywide Grant Oversight		2			
06-02	An Audit Of The San Jose Municipal Water System Fire Hydrant Maintenance And Repair Program			1		
06-03	An Audit Of The City Of San José's Procurement Card Program	1	1	2		
06-04	The 2004-05 Annual Performance Audit Of Team San Jose, Inc.	7	10			
	<b>Totals</b>	<b>28</b>	<b>75</b>	<b>8</b>	<b>1</b>	<b>0</b>

As of December 31, 2006, the distribution of the eighty four (84) recommendations which remain open are as follows:

- |                                     |   |
|-------------------------------------|---|
| 1 Airport                           | 3 Planning, Building, and Code Enforcement      |
| 12 City Administration              | 2 Police Department                             |
| 2 Economic Development              | 12 Parks, Recreation, and Neighborhood Services |
| 3 Environmental Services Department | 3 Public Works Department                       |
| 21 Finance Department               | 1 Retirement Boards                             |
| 11 Fire Department                  | 4 San José Arena Management                     |
| 1 General Services                  | 8 Team San Jose                                 |

Of the eighty four (84) recommendations which remain open:

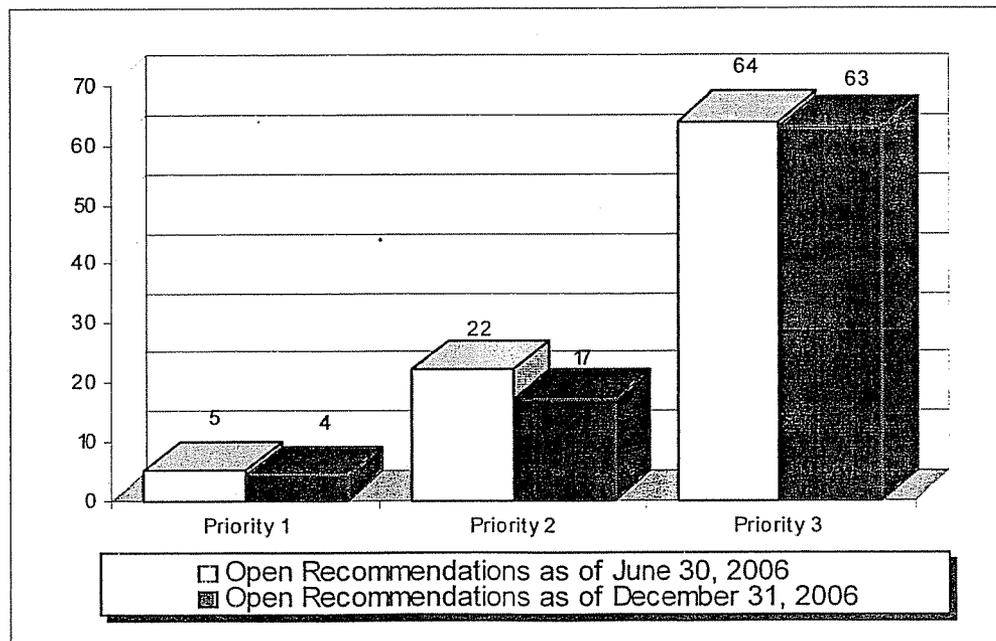
- 4 recommendations are Priority 1;
- 17 recommendations are Priority 2; and
- 63 recommendations are Priority 3.

Of the eight (8) recommendations which are “not implemented”:

- 0 recommendations are Priority 1;
- 4 recommendations are Priority 2; and
- 4 recommendations are Priority 3.

Graph 1 shows the priority status of recommendations that remained open during the past six months.

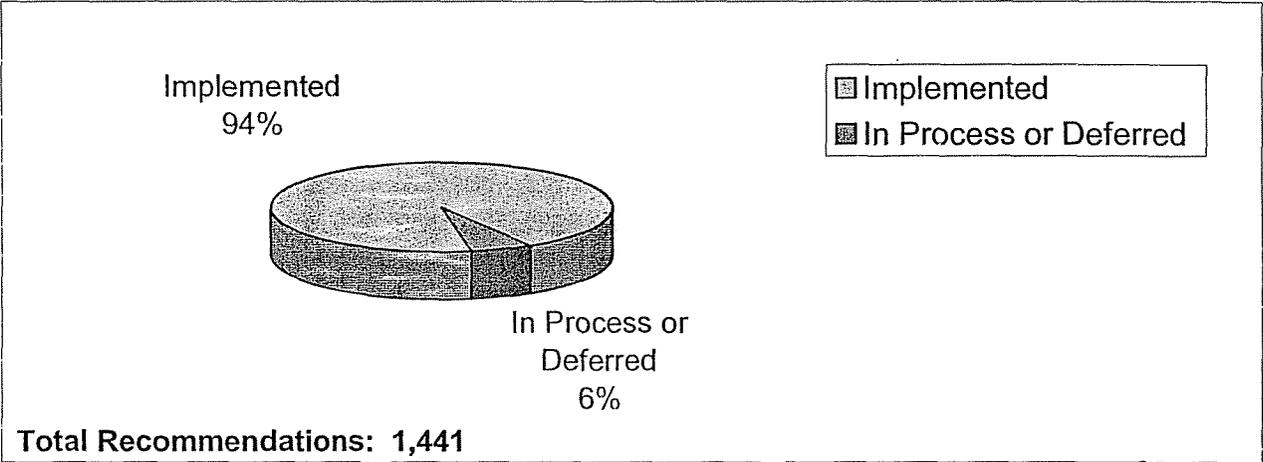
**GRAPH 1**  
**PRIORITY STATUS OF REMAINING OPEN AUDIT RECOMMENDATIONS**



During this semi-annual period, the City Council approved 21 new recommendations, and the Administration implemented 28 recommendations. We thank the departments for their efforts in implementing these recommendations and toward implementing those 84 recommendations still outstanding.

Graph II shows the number of City Auditor recommendations made and implemented from May 1985 through December 2006.

**GRAPH II**  
**RECOMMENDATIONS IMPLEMENTED**  
**May 1985 through December 2006**



## **RECOMMENDATIONS REQUIRING MAKING GOVERNMENT WORK BETTER COMMITTEE ATTENTION**

Recommendations requiring City Council attention are those recommendations for which either 1) the City Auditor and the Administration disagree on the recommendation's implementation status, 2) the Administration has not informed the City Auditor as to the status of the recommendation's implementation, 3) the Administration has indicated it cannot or will not implement the recommendation, 4) the recommendation will require additional funding in order to be implemented, or 5) implementation would generate additional revenues or cost savings.

### **97-01: AN AUDIT OF THE CITY OF SAN JOSÉ'S UTILITY BILLING SYSTEM**

***#4 (Finance/Environmental Services Department/ME) - The City Council consider combining sewer and storm drain fees with Recycle Plus billings. (Priority 2)***

Partly implemented. The new consolidated Utility Billing System (UBS) calculates all utility bills - Recycle Plus, Municipal Water, Sewer, and Storm Drain. However, the Sewer and Storm Drain fees are still being placed annually on the County Tax Roll. During the prior recommendation follow-up process, the ESD and Finance stated their departments would evaluate the benefits of consolidating four utility bills into one bill and report the analysis results to the City Council. According to the Finance Department, a Deputy Director, newly-hired in December 2006, needs to become familiar with this recommendation and then prioritize existing Finance staff resources to integrate the new Waste Haulers' information into the UBS before this analysis can be performed. Target date: 12-07.

INCREASES REVENUE: \$350,000.

REDUCES COSTS: \$350,000.

### **00-02: AN AUDIT OF THE CITY OF SAN JOSE'S MASTER VENDOR FILE**

***#3 (Finance/ IT Department/RO) - Prepare a proposal and budget requirements to allow for 1) identifying, researching, and purging inactive vendor numbers; "R" vendor numbers; deceased, retired, and former employee numbers; and erroneously assigned vendor numbers from the Master Vendor File and the corresponding records in other modules; 2) Archiving the records taken off the Master Vendor File and the corresponding records; and 3) Using a vendor numbering system for one-time payment of authorized purchases and automatic purging of such vendor numbers. (Priority 3)***

Implemented. However, according to the Finance Department, funding was not provided for this effort during the preceding budget process. Further, the Finance Department stated that due to the age of the current Financial Management System, the Department is proposing through the Strategic Support CSA Information Technology Strategic Plan, that funding be provided in the 2006-07 budget process to fund the resources necessary to conduct a needs analysis and develop an RFP for a

new financial management system. Finally, the Department stated that the functionality recommended in this audit recommendation can be included in the needs analysis.

**REQUIRES CITY COUNCIL ATTENTION:** Although the Finance Department technically implemented Recommendation #3, the problem the recommendation was intended to correct still remains. Namely, the City's Master Vendor File contains far too many vendors and City employees. As a result, the City is still exposed to fraudulent activities. Accordingly, the City Auditor recommends that his office continue to monitor the Administration's efforts until such time as the Administration successfully ameliorates the City's exposure to fraud via the Master Vendor File.

### **01-02: AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S OVERTIME EXPENDITURES**

***#8 (San José Fire Department/EL) - Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance. (Priority 3)***

Partly implemented. The Fire Department continues to pursue options for implementing a program to address the concerns highlighted in this recommendation. The Department is collecting data to identify the "drivers" of sick leave and identify patterns and their impact. Through the meet and confer process, the Department has commenced a discussion with Local 230 to work together to address sick leave usage. The SJFD indicated that it may not be possible to reward personnel with minimal sick leave usage based on a discussion with the Office of Employee Relations.  
Target date: 12-07.

COST SAVINGS: TBD.

***#9 (San José Fire Department/EL) - Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the San José Fire Department (SJFD) and prepare a budget proposal should the initiative appear cost beneficial. (Priority 3)***

Partly implemented. In the 2007-08 budget process, the SJFD is requesting one additional FTE Training Specialist to serve as the Wellness Coordinator. The addition of a Wellness Coordinator would restore services previously eliminated due to a budget reduction in 2001-02. The Wellness Coordinator would coordinate wellness assessments; provide health, fitness, and wellness training programs for all Fire Department personnel to minimize injuries, health risks and improve quality of life; and work with the Department Safety Officer to maximize effectiveness of all safety programs. Full implementation of a Department Wellness-Fitness Initiative Program is pending the outcome of contract negotiations with IAFF Local 230.  
Target date: 7-07.

COUNCIL ATTENTION REQUIRED: Requires funding TBD.

**01-05: AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S STRATEGIC PLAN REGARDING PROPOSED FIRE STATIONS**

***#3 (San José Fire Department/RM) - Develop for City Council consideration plans for expanding its use of the Omega priority response level. These plans should include: obtaining the software necessary to fully implement the Omega priority response level; options and costs for dispensing non-emergency medical advice; and any other issues that need to be addressed. (Priority 3)***

Partly implemented. The SJFD has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in February 2005; it implemented the new CAD system necessary to integrate ProQA software necessary for the Priority Dispatch Omega protocol; and it has begun using the ProQA software. However, the current EMS Agreement with the County requires that the SJFD respond on all 911 calls received. Under the Priority Dispatch Omega protocol, the 911 call receives an alternate response. The County has approved the County EMS contract extension for three years and the Fire Department is following up with data collection through 6-07. Furthermore, the Fire Department was successful in obtaining County EMS Agency authorization to respond to lower priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. However, a retrospective review of patient care data by the Fire Department identified data integrity issues that must be resolved prior to response modification. The Fire Department is confident that data integrity features specifications of the Records Management System, that it is in the process of implementing, will ensure its future ability to determine which Omega determinants could safely receive an alternate response. Target date: 12-07.

REQUIRES FUNDING: TBD.

***#5 (San José Fire Department/RM) - Implement a pilot project to evaluate the use of SUVs or Light Units to respond to lower priority emergency medical calls. (Priority 3)***

Partly implemented. According to FY 2005-06 Manager's Budget Addendum #10, temporary redeployments of existing fire companies are proposed to minimize the General Fund operating costs on a year-by-year basis for the next three years. The Fire Department intends to collect data to determine the appropriateness of this strategy. The Fire Department plans to staff a two-person Supplemental Transport Ambulance Resource (STAR) unit to independently respond to lower-priority medical calls and service requests with the redeployment of Station 2's resources. Station 2's resources will be redeployed during its reconstruction from July 2007 to July 2008. During this period, the Fire Department will collect patient care, and unit availability and location data regarding this deployment model with the incident-reporting module of the Records Management System and Mobile Data Computer. Target date: 12-07.

REQUIRES FUNDING: TBD.

**06-03: AN AUDIT OF THE CITY OF SAN JOSÉ'S PROCUREMENT CARD PROGRAM**

***#4 (Federated and Police and Fire Retirement/CC) – Request that the City Council's Rules Committee add to the City Auditor's 2006-07 Audit Workplan, an audit of the Retirement Services Department's travel-related expenses. (Priority 3)***

Not implemented. The Retirement Services Boards considered the City Auditor's recommendation to request an audit of travel-related expenses. As of April 19, 2007, the Retirement Services Boards have not complied with the City Auditor's recommendation to recommend to the Rules Committee the addition of Retirement Services travel-related expenses to the City Auditor's Workplan. We recommend the Rules Committee take action to add Retirement Services travel-related expenses to the City Auditor's Workplan. Target date: 6-07.

COUNCIL ATTENTION REQUIRED

**COMPLETE LISTING OF THE STATUS  
OF OPEN AUDIT RECOMMENDATIONS  
AS OF DECEMBER 31, 2006**

**88-03: AN AUDIT OF THE POLICE DEPARTMENT OVERTIME CONTROLS**

***#14 (San José Police Department/RO) - Develop and implement forms for documenting the justification and authorization of all overtime occurrences. (Priority 3)***

Partly implemented. The City Auditor and members of the San Jose Police Department (SJPD) met with the Rules Committee to discuss this recommendation. As a result, the Rules Committee added an audit of Police Department Overtime to the City Auditor's 2005-06 Audit Workplan, specifically, to conduct a "controls review" of the SJPD's overtime controls. In January 2006, the SJPD requested that the City Auditor's Office delay the audit because it was in the process of deploying a new scheduling software package, which would give the Department the ability to run various analytical reports on a daily, weekly, monthly, bi-monthly, or annual basis. Full deployment, including implementation and training, was planned for September 2006 and the City Auditor was to conduct the audit at that time, making the decision to either close this recommendation or recommend another audit of the SJPD's overtime justification and authorization process. Subsequently, the SJPD was unable to implement the software by September 2006 and a new deployment date of May 2007 was reported. In February 2007, Information Technology (IT) and SJPD staff determined that, until the City completes its ongoing upgrade to the PeopleSoft payroll system, the payroll system and scheduling software cannot be successfully integrated. According to the SJPD, when the two systems are integrated, a six-month implementation and usage period will begin and staff now expects a final completion date of March 2008. In the interim, SJPD staff will continue to work with IT and Payroll staff, using the existing timecard system for overtime tracking. The City Auditor will conduct the audit after the six-month implementation and usage period concludes. Target date: 3-08.

**95-06: AN AUDIT OF THE SAN JOSÉ ARENA MANAGEMENT AGREEMENT**

***#4 (City & San José Arena Management Corporation/RO) - Agree on a definition of what the program operating budget in section 9.02 of the Management Agreement should include in order to facilitate the San José Arena Management Corporation preparing the budget and submitting it to the City for review and approval in accordance with the terms of the Management Agreement. (Priority 2)***

Not implemented. Although the City and Arena Authority continue to reserve the right for future considerations for the submittal of the program operating budget, it is not required for any immediate purpose. Target date: TBD.

## **96-07: AN AUDIT OF THE CITY OF SAN JOSÉ'S OPEN PURCHASE ORDER PROCESS**

**#19 (General Services Purchasing Division/Finance Department/RM) - Develop and implement invoice review and approval procedures to be included in the City Administrative Manual. The procedures should provide assurance that:**

- *goods or services were authorized under the open purchase order;*
- *goods or services were received;*
- *on open purchase orders over \$5,000, invoiced quantities, prices/rates and terms are in accordance with the terms of the open purchase order;*
- *invoices are mathematically correct;*
- *departments receive the pricing and rate documentation necessary to properly review invoices; and*
- *receiving documents are forwarded to accounting units to match to the invoices.*

**(Priority 2)**

Not implemented. The Finance Department plans to develop a City policy addressing this recommendation after it completes the implementation of City Council-approved procurement reforms. Target date: 6-07.

**#21 (Finance/RM) - Finalize revisions to the Finance Administrative Manual Accounts Payable Section. (Priority 3)**

Partly implemented. The Finance Department is in the process of updating the Accounts Payable Section of the Finance Administrative Manual. Continued vacancies in the Accounts Payable Section and a transfer to another department have further delayed completion of this project. Target date: 1-07.

## **97-01: AN AUDIT OF THE CITY OF SAN JOSÉ'S UTILITY BILLING SYSTEM**

**#4 (Finance/Environmental Services Department/RO) - The City Council consider combining sewer and storm drain fees with Recycle Plus billings. (Priority 2)**

Partly implemented. The new consolidated Utility Billing System (UBS) calculates all utility bills - Recycle Plus, Municipal Water, Sewer, and Storm Drain. However, the Sewer and Storm Drain fees are still being placed annually on the County Tax Roll. During the prior recommendation follow-up process, the ESD and Finance stated their departments would evaluate the benefits of consolidating four utility bills into one bill and report the analysis results to the City Council. According to the Finance Department, a Deputy Director, newly-hired in December 2006, needs to

become familiar with this recommendation and then prioritize existing Finance staff resources to integrate the new Waste Haulers' information into the UBS before this analysis can be performed. Target date: 12-07.

INCREASES REVENUE: \$350,000.

REDUCES COSTS: \$350,000.

**#20 (Finance/Environmental Services Department/RO) - Establish on-going procedures for (1) scanning for errors and correcting customer data in the database, (2) purging unnecessary data, (3) authorizing changes in account status from active to inactive, and (4) routinely reviewing monthly reports for rate code exceptions. (Priority 3)**

Partly implemented. The consolidated Utility Billing System (UBS) went live in July 2006. According to City Administration, in converting to the new system, the UBS project team implemented steps to correct, clean, and convert information in the database. Automated system features identify billing exceptions, which UBS staff corrects using documented procedures. In addition, the new system has an advanced query capability, being used to meet a goal to produce cleaner data. With system maturation, standard reports to maximize billing efficiencies and minimize errors will be developed. The City Auditor's Office will review controls to ensure that the reliability of the database information is properly maintained. Target date: 6-07.

**00-01: AN AUDIT OF THE POLICE DEPARTMENT – BUREAU OF FIELD OPERATIONS PATROL DIVISION'S STAFFING AND DEPLOYMENT**

**#1 (San José Police Department/City Administration/RM) - Negotiate with the San José Police Officers' Association to modify shift-starting times to provide sufficient flexibility to deploy officers in the most efficient and effective manner. (Priority 2)**

Partly implemented. Staff received training on the Police Department's patrol staffing software purchased in early 2003. According to the Police Department, shift change time-modifications will require an extended study and analysis using the patrol staffing software for a minimum of at least two full shift change periods. The Police Department has now used the patrol staffing software for two full shift change periods and has just initiated a third. Specifically, the prior year's corresponding six months' worth of call for service data were utilized for the March 2006, September 2006, and March 2007 shift changes. The results of this first phase better position the Police Department to consider optimal resource deployment as part of a comprehensive public safety planning process that best combines quantitative assessments with practitioner experience, thereby maximizing officer and public safety in the most cost-effective and practical manner. The Police Department is continuing to use the staffing deployment software for shift change purposes and is evaluating and reviewing this process. Target date: 9-07

**00-04: AN AUDIT OF THE CITY OF SAN JOSÉ BUILDING DIVISION'S BUILDING PERMIT FEE PROCESS**

***#3 (Building Division/EL) - Develop a process for accounting for works-in-progress to ensure a proper matching of Building Program revenues and costs. (Priority 3)***

Partly implemented. The Building Division received a final report from the Financial Consulting Group on the process to account for works-in-progress. The Building Division staff were trained on how to update statistics and apply the process. The Department considers the establishment of an enterprise fund or a special revenue fund with a fully funded works-in-progress reserve to be unlikely in the current economic climate as significantly larger reserves would be required than are currently available. Planning, Building, and Code Enforcement staff and the other development service partners will use the methodology to calculate the City's works-in-progress liability for development fees, report the result to the development community, and reconsider the implementation of this item in 2006 when increased activity and higher reserve levels might make it more feasible. This recommendation had been deferred since April 27, 2004 due to the delayed fiscal recovery of the economy. The Administration believes that economic conditions have improved enough to commence implementing this recommendation. Target date: 6-07.

***#4 (Building Division/EL) - Establish a policy and process to pay for long-term capital or asset acquisitions. (Priority 3)***

Not implemented. The Building Division received a final report from the Financial Consulting Group recommending a sinking fund to pay for long-term capital asset acquisitions. Long-term assets in the program consist primarily of inspector vehicles and the Integrated Development Tracking System (IDTS). Vehicle fleet adds are charged directly to the fee program when purchased and the cost of replacement vehicles is recovered through the overhead rate on the basis of a depreciation schedule determined by the Finance Department. Funding for the IDTS was accumulated through the implementation of a two percent automation surcharge on development fees. This surcharge was discontinued after three years and the ongoing maintenance costs of the system are included as overhead in the cost of permits. This recommendation had been deferred since April 27, 2004 due to the delayed fiscal recovery of the economy. The Administration believes that economic conditions have improved enough to commence implementing this recommendation. Target date: 6-07.

**01-01: AN AUDIT OF THE PROPERTY APPRAISAL PROCESS OF THE DEPARTMENT OF PUBLIC WORKS—REAL ESTATE DIVISION**

***#11 (Public Works Real Estate/RO) - Augment its requested consultant services to include an assessment of whether the File Locator Database Program is compatible with the City's overall records management strategy and other City systems and can be upgraded to provide the ability to identify specific documents for purging and the statistical functions needed to support productivity tracking and management reports. (Priority 2)***

Implemented. The Department of Public Works Real Estate Division developed its Excel File Locator database in-house without the use of consultant services. The Excel File Locator database allows Real Property Agents to manage documentation in their Real Property Acquisition files and also gives Division Management the ability to track productivity. In addition, the oversight of City filing and archiving was transferred from General Services to the Finance Department. According to Department of Public Works Administration, the Finance Department has reviewed and approved the Real Estate Division's Excel File Locator database, file retention schedule, and procedures for creating Real Property Acquisition files.

***#12 (Public Works Real Estate/RO) - Write a user manual and conduct staff training on the use and maintenance of the File Locator Database Program if it decides to enhance and implement the Database. (Priority 3)***

Implemented. The Department of Public Works Real Estate Division developed its Excel File Locator database in-house without the use of consultant services. Procedures for creating Real Property Acquisition files in the Excel File Locator database have been written and Public Works Real Estate staff has been trained in the use of the Excel File Locator database and in the creation and maintenance of Real Property Acquisition files.

***#13 (Public Works Real Estate/RO) - Write current and complete Real Estate Division policies and procedures in the prescribed Department of Public Works format. (Priority 3)***

Partly implemented. According to Department of Public Works Administration, due to changes in law effective January 1, 2007 and changes in procedures, the Public Works Real Estate Division, coordinating with the City Attorney's Office, is updating the Property Acquisition Manual the Division developed in September 2005. The revised Property Acquisition Manual is being formatted to be consistent with the City Policy Manual format. Target date: 6-07.

***#14 (Public Works Real Estate/RO) - Develop a project tracking system that will track targeted and actual dates on a project by project basis. (Priority 3)***

Not implemented. According to Department of Public Works (DPW) Administration, Real Estate Division staff is currently using the in-house tracking system it developed to record project milestones and has outlined the scope of work necessary to add

fields for the tracking of “target” and “actual” milestone dates in the more-widely used DPW Capital Project Management System (CPMS) database. However, due to the significant work effort necessary to address the system enhancements already prioritized at a higher level in the CPMS Master Plan, the DPW estimates it will be about 8 to 10 months before work on enhancements for tracking real estate milestones will begin. The DPW stated that the real estate milestone tracking enhancements can be accomplished at that time without additional budget resources.  
Target date: 12-07.

## **01-02: AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT’S OVERTIME EXPENDITURES**

***#6 (San José Fire Department/EL) - Update its 1992 study regarding the use of relief staff and overtime to meet minimum staffing requirements and annually determine the most efficient and cost effective mix of relief staff and overtime to meet minimum staffing needs. (Priority 3)***

Partly implemented. The Fire Department has a process in place for obtaining and reviewing staffing-related information in order to identify overtime and relief staffing levels. The Fire Department has completed a trend analysis of this information for the last two fiscal years. Upon completion of the current fiscal year (2006-07), the Fire Department will have the required data to make relief staffing-level adjustment recommendations. The Fire Department anticipates that it may include relief staffing recommendations as part of its annual report to the Public Safety, Finance, and Strategic Support Committee. If necessary, the Fire Department will include recommended staffing level changes as part of the 2007-08 budget process.  
Target date: 6-07.

***#7 (San José Fire Department/EL) - Review sick leave data to establish benchmarks for sick leave use and identify possible patterns of abuse and take appropriate follow-up actions. (Priority 3)***

Partly implemented. The Fire Department continues to pursue options for implementing a program to address the concerns highlighted in this recommendation. The Department is collecting data to identify the “drivers” of sick leave and identify patterns and their impact. Through the meet and confer process, the Department has commenced a discussion with Local 230 to work together to address sick leave usage.  
Target date: 7-07.

***#8 (San José Fire Department/EL) - Implement a proactive sick leave reduction program to inform line personnel of the benefits of conserving sick leave and rewarding personnel with perfect attendance. (Priority 3)***

Partly implemented. The Fire Department continues to pursue options for implementing a program to address the concerns highlighted in this recommendation. The Department is collecting data to identify the “drivers” of sick leave and identify patterns and their impact. Through the meet and confer process, the Department has

commenced a discussion with Local 230 to work together to address sick leave usage. The SJFD indicated that it may not be possible to reward personnel with minimal sick leave usage based on a discussion with the Office of Employee Relations.  
Target date: 12-07.

COST SAVINGS: TBD.

***#9 (San José Fire Department/EL) - Evaluate the feasibility of implementing a comprehensive Wellness-Fitness Initiative Program for the SJFD and prepare a budget proposal should the initiative appear cost beneficial. (Priority 3)***

Partly implemented. In the 2007-08 budget process, the SJFD is requesting one additional FTE Training Specialist to serve as the Wellness Coordinator. The addition of a Wellness Coordinator would restore services previously eliminated due to a budget reduction in 2001-02. The Wellness Coordinator would coordinate wellness assessments; provide health, fitness, and wellness training programs for all Fire Department personnel to minimize injuries, health risks and improve quality of life; and work with the Department Safety Officer to maximize effectiveness of all safety programs. Full implementation of a Department Wellness-Fitness Initiative Program is pending the outcome of contract negotiations with IAFF Local 230.  
Target date: 7-07.

COUNCIL ATTENTION REQUIRED: Requires funding TBD.

**01-05: AN AUDIT OF THE CITY OF SAN JOSÉ FIRE DEPARTMENT'S STRATEGIC PLAN REGARDING PROPOSED FIRE STATIONS**

***#3 (San José Fire Department/RM) - Develop for City Council consideration plans for expanding its use of the Omega priority response level. These plans should include: obtaining the software necessary to fully implement the Omega priority response level; options and costs for dispensing non-emergency medical advice; and any other issues that need to be addressed. (Priority 3)***

Partly implemented. The SJFD has completed some of the steps necessary to implement the Priority Dispatch Omega protocol. Specifically, it renewed its accreditation as an Accredited Center of Excellence in February 2005; it implemented the new CAD system necessary to integrate ProQA software necessary for the Priority Dispatch Omega protocol; and it has begun using the ProQA software. However, the current EMS Agreement with the County requires that the SJFD respond on all 911 calls received. Under the Priority Dispatch Omega protocol, the 911 call receives an alternate response. The County has approved the County EMS contract extension for three years and the Fire Department is following up with data collection through 6-07. Furthermore, the Fire Department was successful in obtaining County EMS Agency authorization to respond to lower priority medical aid service requests, as determined through the Medical Priority Dispatch System, with Basic Life Support resources. However, a retrospective review of patient care data by the Fire Department identified data integrity issues that must be resolved prior to response modification. The Fire

Department is confident that data integrity features specifications of the Records Management System, that it is in the process of implementing, will ensure its future ability to determine which Omega determinants could safely receive an alternate response. Target date: 12-07.

REQUIRES FUNDING: TBD.

***#5 (San José Fire Department/RM) - Implement a pilot project to evaluate the use of SUVs or Light Units to respond to lower priority emergency medical calls. (Priority 3)***

Partly implemented. According to FY 2005-06 Manager's Budget Addendum #10, temporary redeployments of existing fire companies are proposed to minimize the General Fund operating costs on a year-by-year basis for the next three years. The Fire Department intends to collect data to determine the appropriateness of this strategy. The Fire Department plans to staff a two-person Supplemental Transport Ambulance Resource (STAR) unit to independently respond to lower-priority medical calls and service requests with the redeployment of Station 2's resources. Station 2's resources will be redeployed during its reconstruction from July 2007 to July 2008. During this period, the Fire Department will collect patient care, and unit availability and location data regarding this deployment model with the incident-reporting module of the Records Management System and Mobile Data Computer. Target date: 12-07.

REQUIRES FUNDING: TBD.

**02-02: AN AUDIT OF THE SAN JOSÉ ARENA MANAGEMENT CORPORATION'S COMPLIANCE WITH THE SAN JOSÉ ARENA MANAGEMENT AGREEMENT**

***#1 (Arena Management/RO) - Develop written procedures for calculating the annual Arena fees payment to the City and include in those new procedures estimating luxury suite revenues based upon prior years' luxury suite leasing history. (Priority 2)***

Partly implemented. The San Jose Arena Authority and City staff have worked with HP Pavilion Management to write agreed upon procedures relating to estimating luxury suite revenues. Arena Management is currently formalizing procedures for calculating the annual Arena fees payment to the City. Arena Management notes that income reports relating to the fees – Luxury Suite Net Revenue and Allocated Hockey Gross Ticket Revenue will no longer be required beginning in FY 2008-09, Term Year 16 of the Management Agreement. Target date: 6-07.

***#3 (Arena Management/Arena Authority/City Attorney's Office/RO) - Develop a mutually agreeable delivery schedule regarding the frequency of the detailed reports and records relating to the City Related Accounts. (Priority 3)***

Partly implemented. The City and Arena Management have determined a mutually agreeable schedule for the delivery of reports and records related to the City Related Accounts. However, the delivery frequency stipulated in the existing Management

Agreement differs from the mutually agreeable delivery schedule the City and Arena Management have now determined. Target date: 12-07.

***#4 (Arena Management/RO) - Provide the past and future City Income Reports and Audit Reports in accordance with the Management Agreement. (Priority 3)***

Partly implemented. The San Jose Arena Authority and City staff have worked with Arena Management to develop agreed upon procedures to facilitate the completion of the City Income Reports and Audit Reports. Arena Management anticipates the City Income Reports and Audit Reports will be submitted to the City by June 2007. Arena Management notes that income reports relating to the Luxury Suite Net Revenue and the Allocated Hockey Gross Ticket Revenue will no longer be required beginning in 2008-09, Term Year 16 of the Management Agreement. Target date: 6-07.

**02-03: AN AUDIT OF THE PROPERTY MANAGEMENT OPERATIONS OF THE CITY OF SAN JOSÉ'S DEPARTMENT OF PUBLIC WORKS – REAL ESTATE DIVISION**

***#2 (Administration/Department of Public Works/Real Estate Division/EL) - Include language in its leases with non-profits requiring the annual submission of documents to the Division to facilitate an annual review. (Priority 3)***

Implemented. Subsequent to the adoption on June 20, 2006 of City Council Policy 7-1 (Below Market Rental Use of City-Owned Land and Buildings by Non-profit or Charitable Organizations for Governmental or other Public Purposes), leases to entities under Policy 7-1 include both language specifically requiring compliance with the Policy and requirements for provision of information annually as required by the Policy.

***#3 (Administration/Department of Public Works/Real Estate Division/EL) - Establish a formal application process for non-profit leases of City-owned property including the submission of key non-profit background information. (Priority 3)***

Implemented. The City now requires submission of all documentation required by City Council Policy 7-1 as part of the application process for non-profits seeking to lease City property at a below market rate. In January 2007, all entities leasing subject to City Council Policy 7-1 (Below Market Rental Use of City-Owned Land and Buildings by Non-profit or Charitable Organizations for Governmental or other Public Purposes) received a written request to provide by March 1, 2007 all documentation as required by the Policy. In February 2007, the entities were again reminded of the requirement by letter and telephone and offered City assistance to complete and submit the required information. In March 2007, a review of responses resulted in identification of entities no longer in tenancy. The responses from entities in tenancy were substantially in compliance with the provisions of City Council Policy 7-1 and staff is working with them toward complete compliance.

***#12 (Department of Public Works/EL) - Assign to the Real Estate Division the responsibility for providing oversight over leases of City-owned property. (Priority 2)***

Partly implemented. The City-owned property management function was transferred from the General Services Department to the Public Works Department. The Department is in the process of evaluating service delivery options related to providing oversight of leases of City-owned property. Specifically, the Department is currently analyzing which Citywide leasing functions (City as Landlord – identification of sites surplus to City needs, identification of potential lessees, negotiation of lease terms, administration of leases, including management and maintenance) should be centralized within the Public Works Real Estate Division or should remain with each site’s “operating department.” Further discussion of plusses and deltas of centralization and different levels of oversight is scheduled for the City’s Property Acquisition and Disposition Committee Meeting of March 28, 2007. Target date: 6-07.

**03-03: AN AUDIT OF THE FLEET MANAGEMENT DIVISION OF THE GENERAL SERVICES DEPARTMENT’S VEHICLE REPLACEMENT PROGRAM**

***#6 (Fleet Management Division/JO) - Consistently follow its vehicle replacement policy for all vehicle purchases regardless of the funding source. (Priority 2)***

Implemented. The Fleet Management Division (FMD) has finalized their replacement policy and procedures and has adequately implemented this policy into the 2006-07 replacement process.

***#8 (City Manager/JO) - Establish and implement a Citywide replacement policy for transport vehicles that incorporates vehicle mileage, years in service, accurate repair costs, and comprehensive mechanical assessments. (Priority 2)***

Implemented. The Fleet Management Division (FMD) has finalized their replacement policy and procedures and has adequately implemented this policy into the 2006-07 replacement process.

***#14 (Fleet Management Division or Budget Office/JO) - Develop a process to subject all department requests for vehicles to a standardized review process to ensure that departments are using similar vehicles for similar purposes. (Priority 2)***

Implemented. The Fleet Management Division (FMD) has finalized their replacement policy and procedures and has adequately implemented this policy into the 2006-07 replacement process.

**03-04: AN AUDIT OF THE AIRPORT NEIGHBORHOOD SERVICES GROUP**

***#1 (Airport Neighborhood Services Group/JC) - Develop a standardized constituent complaint form to document the nature of the complaint, how the issue was resolved, any follow-up action taken, and how long it took to resolve the complaint. (Priority 3)***

Partly implemented. The Airport continues to track constituent concerns and complaints with an Excel worksheet, documenting and tracking information about each complaint or concern. During the fall of 2006 the Airport filled a newly created position – Airport Customer Service Director – and was also able to fill the vacant Airport Ombudsperson position. These positions are working with Airport Technology Services (ATS) to evaluate, select, and purchase a software package to electronically standardize and track action related to constituent complaints. Target date: 12-07.

**03-07: AN AUDIT OF THE NEIGHBORHOOD DEVELOPMENT CENTER OF THE DEPARTMENT OF PARKS, RECREATION, AND NEIGHBORHOOD SERVICES**

***#2 (Department of Parks, Recreation, And Neighborhood Services/GM) - Develop a comprehensive budget for the Project Blossom Program, a formal Project Blossom workplan for each Project Blossom site, and establish guidelines and better supervisory review. (Priority 2)***

Partly implemented. The Neighborhood Development Center (NDC) and Code Enforcement are still in the process of developing a comprehensive budget for the Property Owners training. Target date: 6-07.

***#6 (Department of Parks, Recreation, And Neighborhood Services/GM) - Make full use of the grant management oversight clause in its agreement with the Community Foundation Silicon Valley. (Priority 3)***

Partly implemented. PRNS's new fiscal agent, the Volunteer Center of Silicon Valley (VCSV) distributed the CAP grant awards for Cycle 20. The VCSV has been providing PRNS with monthly status and financial reports. Furthermore, PRNS senior staff has agreed to amend its contract with the VCSV to clarify ambiguity with respect to total payments made for services rendered. We will evaluate the implementation status of this recommendation once Cycle 20 has been completed and reviewed. Target date: 6-07.

## **03-10: AN AUDIT OF THE SAN JOSÉ FIRE DEPARTMENT'S BUREAU OF FIRE PREVENTION**

***#2 (San José Fire Department/RO) - If Recommendation #1 results in a significant number of facilities being added to the FIBS database, follow up on the remaining manufacturing facilities in the Business License database that did not have a FIBS number. (Priority 2)***

Partly implemented. According to San Jose Fire Department (SJFD) Administration, the City Council has awarded a contract for the SJFD's Records Management System (RMS) which will help with the automation process. In addition, all Fire Inspector positions are currently filled, enhancing the completion of follow-up inspections. The SJFD expects the Fire Prevention Business Plan will be finalized by the end of the year. Target date: 12-07.

***#3 (San José Fire Department/RO) - Periodically compare the FIBS database with the Business License database using the SIC Codes that are most likely to require a fire safety inspection. (Priority 2)***

Deferred. The San Jose Fire Department (SJFD) is finalizing its Fire Prevention Business Plan, which addresses outstanding audit recommendations. Relative to this recommendation, the SJFD developed an RFP for a Records Management System (RMS) and the City Council has approved a contract for the system. The SJFD goal is to use the RMS to better capture business license data and to have it link to the FIBS system. At this time, however, the estimated completion date of this project is unknown. Deferral date: 6-07.

***#10 (San José Fire Department/RO) - Develop a risk assessment methodology to assign facility inspection frequencies. (Priority 3)***

Partly implemented. The San Jose Fire Department (SJFD) has written a Fire Prevention Business Plan, which includes a risk analysis/assessment model for Fire Inspection Frequency. A draft of the Business Plan has been completed and is undergoing final review. Through the 2006-007 Mid-Year budget process, the SJFD has been authorized funds to hire a consultant to develop a methodology that will validate the risk assessment model. The Business Plan will use the methodology to rank facilities needing inspections in priority order. Target date: 12-07.

***#12 (San José Fire Department/RO) - Develop a workload analysis to determine its inspection staff needs to achieve its inspection goals and objectives. (Priority 3)***

Partly implemented. The San Jose Fire Department (SJFD) has written a draft Fire Prevention Business Plan, now under final review, that recommends inspection frequencies based on a risk analysis and assessment model, and includes an analysis of Inspector time and inspection workload. Through the 2006-07 Mid-Year budget process, the SJFD was authorized funding for a consultant to develop a methodology

that will validate the risk assessment model and review “best practices” for fire inspection activities, which the SJFD will use to determine its inspection staff needs.  
Target date: 12-07.

***#16 (San José Fire Department/RO) - Develop procedures and controls to reduce the number of times inspectors return to facilities to confirm that an HMBP is in place and to ensure that facilities submit their HMBP in a timely manner. (Priority 3)***

Partly implemented. The San Jose Fire Department (SJFD) has developed a draft Administrative Citation Policy, which includes fines for failing to maintain an updated Hazardous Materials Management Plan. The SJFD is conducting a final review of the Plan before submitting it to the City Council for approval.  
Target date: 12-07.

### **03-11: AN AUDIT OF THE UTILIZATION AND REPLACEMENT OF THE CITY'S METERED EQUIPMENT**

***#2 (Fleet Management Division/JO) - Develop and consistently implement cost-effective utilization standards for the City's fleet of metered equipment. (Priority 2)***

Implemented. The Fleet Management Division (FMD) has incorporated replacement criteria into their replacement policy and has adequately implemented this policy into the 2006-07 replacement process.

***#9 (Fleet Management Division/JO) - Include metered equipment, regardless of funding source, in its current efforts to develop and consistently implement a cost-effective replacement policy for transport vehicles, which incorporates repair costs and a minimum useful life. (Priority 2)***

Implemented. The Fleet Management Division (FMD) has incorporated replacement criteria into their replacement policy and has adequately implemented this policy into the 2006-07 replacement process.

### **04-01: AN AUDIT OF THE CONCENTRATED CODE ENFORCEMENT PROGRAM**

***#2 (Parks, Recreation, and Neighborhood Services/CC) - Ensure that the CCEP is in full compliance with OMB A-87 documentation requirements. (Priority 2)***

Partly implemented. According to Housing, CDBG staff has developed an hourly tracking form for City personnel working on HUD projects. The form reports HUD project hours. HUD is currently reviewing staff's most recent version of this tracking form. Housing is awaiting HUD response on the revised form. Upon approval by HUD, Housing will use the tracking form for City HUD-funded projects.  
Target date: 6-07.

**#5 (Code Enforcement/CC) - Conduct a comprehensive blight survey of SNI areas every five years beginning in 2007. (Priority 3)**

Not implemented. According to Code Enforcement, Code Enforcement conducted a comprehensive blight survey in 1999 in an effort to support the legal basis for establishing the Strong Neighborhoods Initiative areas. This survey was completed utilizing five Code Enforcement Inspectors full time for a period of approximately four months, along with PRNS and Redevelopment Agency staff. The Code Enforcement SNI Driveway Team has conducted blight sweeps in the SNI areas since August 2001. These sweeps, which include a survey component, have resulted in a significant reduction of blight conditions in these neighborhoods. To date, the Driveway Team has identified and abated over 15,000 blight violations.

Code Enforcement indicates that their proactive blight sweeps are more efficient than conducting a survey every five years. The City Auditor believes that the City should regularly monitor the net impact of SNI enforcement efforts. We recommend that Code Enforcement provide an assessment of the cost and service implications of this recommendation and provide cost effective alternatives to accomplish the intent of this recommendation. Target date: 6-07.

**04-04: AN AUDIT OF THE UTILIZATION AND REPLACEMENT OF THE CITY'S TRANSPORT VEHICLES**

**#12 (San José Fire Department/JO) - Implement a transport vehicle rotation program to balance usage and reduce the number of vehicles with low mileage. (Priority 2)**

Implemented. The Fire Department has implemented a Vehicle Mileage Balancing program that will utilize vehicle mileage information to facilitate a "swap" mechanism that will move lower mileage vehicles to higher usage assignments and rotate higher mileage vehicles into assignments where data indicates lower usage. Every four months, the vehicles' mileage will be evaluated and a rotation process will take place according to the mileage and years of service differential.

**6/2/04: MEMORANDUM OF THE AVIS RENT A CAR AUDIT**

**#3 (San José Int'l Airport/JC) – Require Avis to implement controls to track the amount of gas returned in cars when customers purchase the gas service option and include this amount in its gross revenue calculations. (Priority 3)**

Implemented. On January 9, 2007 Council approved amendments to the current rental car agreements to extend the term of their agreements from January 31, 2007 to June 30, 2010. The amendments contain a new definition of gross revenues which includes all gross revenues except taxes and eliminate the previous exclusions for fuel and insurance.

**#4 (San José Int'l Airport/JC) – Renegotiate the terms of its agreement with Avis to eliminate several exclusions from future gross revenue calculations with a countervailing concession fee percentage reduction. (Priority 3)**

Implemented. On January 9, 2007, the City Council approved amendments to the current rental car agreements to extend the term of their agreements from January 31, 2007 to June 30, 2010. The amendments contain a new definition of gross revenues which includes all gross revenues except taxes and eliminate the previous exclusions for fuel and insurance.

#### **04-05: A REVIEW OF THE CUSP REQUEST FOR PROPOSAL PROCESS**

**#1 (City Manager/JC) - The City require consultants to complete a conflict of interest questionnaire affirming that he or she has no actual or apparent financial or other conflicts of interest related to any specific project. (Priority 1)**

Partly implemented. On February 6, 2007, the City Council approved the Council policy titled “Procurement and Contract Process Integrity and Conflict of Interest.” The administrative policy is scheduled for publication in April 2007.  
Target date: 6-07.

**#2 (City Manager/JC) - The City require all City personnel who participate in an evaluation process to complete a similar questionnaire. (Priority 1)**

Partly implemented. On February 6, 2007, the City Council approved the Council policy titled “Procurement and Contract Process Integrity and Conflict of Interest.” The administrative policy is scheduled for publication in April 2007.  
Target date: 6-07.

**#3 (City Manager/JC) - City staff should immediately request a formal City Attorney opinion when any conflict of interest issues arise. (Priority 1)**

Partly implemented. On February 6, 2007, the City Council approved the Council policy titled “Procurement and Contract Process Integrity and Conflict of Interest.” The administrative policy is scheduled for publication in April 2007.  
Target date: 6-07.

**#4 (City Manager/JC) - City staff level future vendor cost proposals only for budgeting purposes and after the City has selected a vendor. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#5 (City Manager/JC) - The City develop a formal policy regarding when it is appropriate for City staff to question and/or communicate with respondents to City RFPs. (Priority 3)**

Partly implemented. On February 6, 2007, the City Council approved the Council policy titled "Procurement and Contract Process Integrity and Conflict of Interest." The administrative policy is scheduled for publication in April 2007.  
Target date: 6-07.

**#6 (City Manager/JC) - The General Services Purchasing Division should be the City's primary point of contact and the manager of the RFP process for all RFPs in which general services and commodities are being procured. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#7 (City Manager/JC) - When the City uses a consensus scoring system it should document why the team members gave specific scores. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#8 (City Manager/JC) - The City should retain all individual scoring cards and note sheets. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#9 (City Manager/JC) - City Evaluation Teams and Committees should keep attendance records and minutes. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#10 (City Manager/JC) - The City should structure its RFPs to facilitate the scoring of responses. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#11 (City Manager/JC) - Evaluation Teams or Committees should score all of the vendors that make product demonstrations. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#12 (City Manager/JC) - Evaluation Teams and Committees should comply with the City's Request For Proposal Procedures Manual. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#13 (City Manager/JC) - The City should implement procedures to insure that City staff or consultants compile comparative vendor cost information that is complete and accurate. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**#15 (City Manager/JC) - The City ensure that City staff adequately check proposer references for future RFPs. (Priority 3)**

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

**04-06: A REVIEW OF THE REQUEST FOR PROPOSAL FOR THE NEW CIVIC CENTER CONVERGED NETWORK SYSTEM**

***#2 (Administration/JC) - Develop a policy to require a formal contract with scope of service and nondisclosure provisions for non-compensated outside parties who are providing technical or specialized assistance to the City. (Priority 3)***

Partly implemented. The Purchasing Division plans to make changes to the Conflict of Interest Form in order to address this recommendation. We will review the changes to ensure compliance with this recommendation. Target date: 6-07.

***#3 (City/JC) - Structure its RFPs to facilitate the evaluations of minimum qualifications requirements. (Priority 3)***

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

***#4 (City/JC) - Include in its RFPs the relative importance of price and other factors and subfactors. (Priority 3)***

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

***#5 (General Services Department/JC) - Work with the City Attorney to look for ways to improve how the City evaluates and scores responses to RFPs and considers price relative to other evaluative factors. (Priority 3)***

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. Staff is developing a comprehensive online RFP manual that will address this recommendation. Target date: 6-07.

***#6 (City/JC) - San José Municipal Code Section 4.13.010 be amended to clarify that the request for proposal method of procurement is authorized where the provision of services and the purchase of equipment are integral to each other in accomplishing the purpose of the project and the services are not merely incidental to the equipment purchase. (Priority 3)***

Partly implemented. On February 27, 2007, the City Council approved comprehensive changes in the Municipal Code governing procurement of goods and services. The new Municipal Code replaces Chapter 4.13 of Title 4 of the San Jose Municipal Code in its entirety. This recommendation will be considered implemented once the new ordinance becomes effective. Target date: 6-07.

## **04-07: AN AUDIT OF THE CITY'S CELLULAR PHONE PROGRAM**

### ***#1 (City Administration and Departments/CC) –***

- ***Develop and use a universal written cellular phone authorization form that incorporates the elements of the City's Wireless Telephone Policy,***
- ***Conduct a reauthorization review to identify unnecessary cellular phones and appropriately authorize necessary cellular phones, and***
- ***Amend the City's existing Wireless Telephone Policy to require departments to regularly review cellular phone usage. (Priority 1)***

Implemented. According to City Administration, all departments complied with the cellular phone reauthorization. The Administration developed a universal cellular phone authorization form which is currently in use.

### ***#2 (City Administration and Departments/CC) -***

- ***Develop a process to guide departments in identifying cellular phone abuse and***
- ***Review existing City-issued cellular phones to identify users'/departments' ownership and update vendor records to include current information. (Priority 2)***

Partly implemented. According to City Administration, all departments have been asked to update vendor records to include current information including the department name, the cell phone user's name, and the cell phone number.

The City requires employees to review telephone bills and identify/reimburse personal calls. The City has not developed a process to guide departments in efficiently and effectively reviewing electronic usage information to identify abuse. Departments continue to rely on employees self-reporting personal call information. The Office of Employee Relations is developing a guide for distribution to departments.

Target date: 6-07.

### ***#3 (Departments/CC) – Properly document that employee reimbursements for personal use of City-issued cellular phones are made, received, and posted to the City financial records. (Priority 2)***

Partly implemented. The City's Cellular Telephone Policy establishes procedures and forms to be used to ensure that any employee reimbursements are made, received, and posted. The Office of Employee Relations reviews reimbursement forms submitted by departments. However, reimbursement forms were not available for all departments. Target date: 6-07.

**#5 (City Administration/CC) --**

- *Consider changing the reimbursement rate for personal use of City-issued cellular phones to reflect the actual cost of cellular phone usage and*
- *Consider alternatives to reduce personal call subsidies and Cellular Phone Program administration costs. (Priority 1)*

Partly implemented. The Finance Department released an RFP to solicit proposals for Citywide pooling of cell phone minutes which included options for cell phone and push-to-talk service. Pooling of cell phone minutes would reduce overall cell phone costs. The RFP was released in July 2006. Finance received and evaluated several proposals. Finance anticipates making a recommendation to the City Council by the end of 2006-07. Target date: 6-07.

**#6 (City Administration/CC) – Update the City’s Wireless Telephone Policy to reflect new information and reflect Recommendations 1 to 5 in this report. (Priority 3)**

Partly implemented. The City revised the City’s Cellular Telephone Policy in January 2005. We will continue to monitor the City’s update of the policy to reflect the implementation of Recommendations 1 through 5. Target date: 6-07.

**04-08 AN AUDIT OF SAN JOSÉ FAMILY CAMP**

**#2 (Parks, Recreation, And Neighborhood Services/EL) - Upgrade camp staff housing. (Priority 3)**

Partly implemented. Staff housing consists of 22 soft-sided tents and five hard-sided cabins. PRNS has upgraded five hard-sided cabins and four soft-sided tents. Without additional funding, PRNS plans to upgrade four staff tents or cabins per year and expects to complete upgrading staff housing by June 2011. To date, 11 of the 27 staff housing cabins and tents have been upgraded and 16 staff cabins and tents need to be rebuilt. At the February 13, 2007 City Council Meeting, \$200,000 in Parks capital funding was approved to rebuild the last 16 staff tents to complete this recommendation. The new funding will enable PRNS to implement this recommendation in a more efficient manner. The cost for the next 16 tent projects will be higher because they will include professional design, a bidding process, and inspection services to meet local requirements. This will enable on-site staff and volunteers to focus on other Family Camp priorities. Planning has begun with the General Services Department and work will be conducted in phases during fall 2007 and spring 2008 (weather permitting). Work must be completed in phases and coordinated with fall and spring program requirements. Target date: 6-08.

***#4 (Parks, Recreation, And Neighborhood Services/EL) - Develop budget estimate for repairing deck railings, water tanks, and amphitheatre. (Priority 3)***

Implemented. The amphitheatre erosion project redirecting rain water was completed in August 2007 by the General Services Department. The repairs of two tanks identified in the audit were completed in October 2006. The deck railing repairs were completed in May 2005.

***#5 (Parks, Recreation, And Neighborhood Services/EL) - Reconcile permitted camp tent platforms with U.S. Forest Service Permit. Remove non-permitted tent platforms or obtain permit amendment to allow additional platforms. (Priority 3)***

Partly implemented. PRNS staff has had continued discussion with U.S. Forest Service representatives to discuss camp operations. A U.S. Forest Service representative advised a PRNS manager that existing structures may remain in place until a new agreement is reached with the U.S. Forest Service. The current U.S. Forest Service permit expires in December 2007. PRNS has requested that the U.S. Forest Service begin the process to reissue a 20-year use permit. A draft permit is expected in fall 2007. Renewal of the permit will be submitted to the City Council approximately 60 days after receiving the U.S. Forest Service permit.  
Target date: 12-07.

***#6 (Parks, Recreation, And Neighborhood Services/EL) - Make good faith effort to reach an agreement or memorandum of understanding with Friends of San José Family Camp to determine the appropriate role of organization. (Priority 3)***

Implemented. PRNS management staff and Friends of San Jose Family Camp (FSJFC) leadership evaluated the role of FSJFC in the City's Family Camp Program during 2005 and 2006. There is agreement between PRNS and FSJFC that a formal agreement is not required for the ongoing FSJFC role of support of Family Camp by organizing volunteers, fundraising, and promoting the Family Camp Program. Pre-2004 FSJFC activities such as "weekly adult social" and "staff recreation fund", which may have required an agreement, have been modified or cancelled since 2005. City staff attends the monthly Friends Board of Director's meetings to plan and coordinate efforts. City staff approve FSJFC activities on a case-by-case basis. Approvals may include formal use permits for non-public, non-City sponsored events.

**04-09: AN AUDIT OF THE CITY MANAGER'S REFORMS**

***#1 (Finance/JC) - Establish policies and procedures to ensure that the Purchasing function is adequately segregated from the Accounts Payable function. (Priority 3)***

Partly implemented. The Finance Department will formalize oral agreements between the Purchasing and Accounting Divisions in writing. Target date: 6-07.

## **05-01: AN AUDIT OF THE PUBLIC ART PROGRAM**

***#1 (City Manager's Office/EL) - Notify the Arts Commission when eligible construction projects do not receive a public art allocation. (Priority 3)***

Implemented. The City Manager's Office provided the Office of Cultural Affairs with the list of eligible and ineligible projects in May 2006, that was distributed to the Arts Commission at its June 2006 meeting. The San Jose Redevelopment Agency integrated public art into its annual budget. As a result of the Public Art Master Plan, beginning in 2007-08, Public Art will be fully integrated into the City's CIP budget and the SJRA's merged budget.

***#2 (Administration/EL) - Better define public visibility and eligible capital projects for purposes of identifying all construction projects that should receive a two percent art allocation. (Priority 3)***

Implemented. The Public Art Master Plan redefines eligible capital construction for the purpose of the percent for art set-aside. Public visibility is no longer a criterion for excluding public art from Capital Improvement Program budgets.

***#3 (Program Staff/EL) - Submit for City Council consideration a proposal to allow art allocations to be increased in the event of increased project budgets beyond a specific percentage or dollar amount. (Priority 3)***

Implemented. Percent for Art funds are calculated by Capital Program rather than Capital Improvement Project. This stabilizes funding and detaches it from the cost variations that accompany individual Capital Improvement Projects.

***#4 (City Manager's Office/EL) - Require departments to coordinate with the Public Art Program Director prior to proposing any public art allocation reductions. (Priority 3)***

Partly implemented. The draft Public Art Master Plan addresses this audit recommendation by proposing a fundamental change in the methodology for calculating the percent for public art from an individual project-based approach to a program-based approach. More specially, the Master Plan proposes that all construction programs in the City's CIP be assessed a set aside of 1 percent of their entire budget, including land acquisition costs, with non-construction projects (such as studies and maintenance projects) being excluded. As part of the recommendation, the Office of Cultural Affairs will work with departments to analyze projects within each program to determine a nexus and where public art dollars can be spent. Since the allocation is proposed to change to a program-based rather than a project-based allocation public art project budgets will no longer correspond to specific project budgets, and the public art allocation would remain the same as individual project budgets expand or contract during the fiscal year. Upon adoption of the Master Plan by the City Council, the Administration will prepare updated resolutions that set forth in more detail the procedures to be followed. Target date: 6-07.

***#5 (Program/EL) - Develop a means to track and monitor administrative cost information for each individual public art project. (Priority 3)***

Partly implemented. As a result of its work with the City Manager's Budget Office on the Public Art Master Plan, the Office of Cultural Affairs has determined that it is more appropriate to track and monitor administrative cost information by Capital Program rather than within individual public art project budgets. These costs will be tracked and monitored as an element of a Public Art Program performance measure. The City Council Resolution on Public Art will be amended to reflect that change. Target date: 6-07.

***#6 (Program Staff/EL) - Track and report information on pooled public art project funds to the City Council and the City Manager's Budget Office. (Priority 3)***

Partly implemented. The Office of Cultural Affairs is completing its project audit and is currently entering all public art projects into the City's Capital Project Management System (CPMS). This will enable the Program to track and report information on pooled public art project funds to the City Council and City Manager's Budget Office. Target date: 6-07.

***#8 (Program/EL) - Establish guidelines for community members in the public art process and communicate those guidelines to potential and current Public Art Task Force members. (Priority 3)***

Implemented. Guidelines for community involvement in the public art process were incorporated in the new Public Art Master Plan. Program staff solicited feedback from community members and Public Art Committee members on community involvement guidelines.

***#10 (Program/EL) - Develop a benchmark for community participation and develop a strategy to improve community participation. (Priority 3)***

Implemented. The Public Art Master Plan establishes a strategy and benchmark for community participation in public art projects.

**05-02: AN AUDIT OF THE AGREEMENTS BETWEEN THE CITY AND THE FILIPINO AMERICAN SENIOR OPPORTUNITIES DEVELOPMENT COUNCIL (FIL-AM SODC)**

***#6 (Parks, Recreation, And Neighborhood Services/LB) - Amend its grant agreements to require organizations to disclose non-City grant sources of funding and identify all sources of funding for City-funded activities. (Priority 3)***

Partly implemented. PRNS requires agencies to submit Source of Fund Statements and incorporates them into the grant agreements. We reviewed a sample grant agreement and determined that additional follow-up is needed to fully implement the audit recommendation. Target date: 6-07.

**#7 (Parks, Recreation, And Neighborhood Services/LB) - Consolidate HNVF-funded tutoring programs at Independence High School and ensure there are no additional funding overlaps at other schools. (Priority 3)**

Partly implemented. For FY 2005-06 and 2006-07, only one HNVF-funded homework center program was provided at Independence High School, ensuring no overlap of services. According to PRNS, the HNVF, BEST, SJAS, and CDBG grant programs began sharing information at the application review level to determine if any funding overlaps exist. This new review occurred after the follow-up ended on December 31, 2006. We will review this new process during our next follow-up to verify that it has been incorporated into PRNS' procedures. Target date: 6-07.

**#8 (Parks, Recreation, And Neighborhood Services/LB) - Require grant recipients to provide a list of the activities and units of service performed under their grant agreements with the City, and compare these lists to recipients' quarterly reports to the City to verify that reported participants are eligible. (Priority 3)**

Partly implemented. Since our last review, PRNS developed procedures for Grant Analysts to use in conducting monitoring visits. We would like to provide further time for the department to implement these procedures and then take a sample of monitoring forms and activity reports to compare with the supporting list of activities to verify that the reported figures are accurate and that PRNS' new procedures can identify errors in agencies' reports. Target date: 6-07.

**#9 (Parks, Recreation, And Neighborhood Services/LB) - Enforce the requirement that grant recipients submit a cost allocation plan and that grant recipients also request prior PRNS approval of any changes or shifts in funding or budgeted amounts. (Priority 3)**

Partly implemented. According to PRNS, all Grants Unit analysts have been instructed to adhere to this requirement. Agencies have been advised that if they do not obtain prior approval, expenses will not be reimbursed. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 6-07.

**#10 (Parks, Recreation, And Neighborhood Services/LB) - Develop a monitoring process and appropriate documentation to review audited financial statements and compliance audits. (Priority 3)**

Partly implemented. As noted in the previous follow-up, the City Auditor's Office provided a training session for PRNS staff on March 14, 2006. Staff also attended a training course titled "Understanding Nonprofit Financial Statements" on August 29, 2006. The Grants Unit audit checklist will be updated to include information from the training. Additionally, PRNS staff is working with the Finance Department to identify additional resources for assisting in the review of audits. According to PRNS, the Finance Department is currently evaluating their ability to provide ongoing assistance in reviewing financial audits. We will evaluate the implementation of this recommendation during our next follow-up process. Target date: 6-07.

**#12 (Parks, Recreation, And Neighborhood Services/LB) - Develop and implement procedures that incorporate the City's total support of an organization, including free rent and payment of utilities as part of the grant review process. (Priority 3)**

Partly implemented. PRNS developed a Source of Funds form for each agency to complete. The form requires agencies to list all City-funded support, including in-kind items. PRNS also incorporated the Source of Funds form into the grant agreement contracts. We will follow-up on this recommendation to ensure PRNS developed written procedures on how to incorporate this form into the grant review process. Target date: 6-07.

**#13 (Parks, Recreation, And Neighborhood Services/LB) - Work with the City Attorney's Office and City Manager's Office to develop and implement procedures to ensure organizations do not occupy City facilities without the benefit and protection of a current operating or facility use agreement. (Priority 2)**

Partly implemented. Since our last follow-up, PRNS hired a Contract Manager. The new manager is in the process of developing procedures for review by the Offices of the City Attorney and the City Manager. PRNS anticipates the procedures will be approved and implemented by June 2007. Target date: 6-07.

#### **05-03: AN AUDIT OF THE ENVIRONMENTAL SERVICES DEPARTMENT'S LABORATORY**

**#1 (Environmental Services Department's Laboratory/LB) –**

- *Continue to develop the procedures and controls to mitigate the threats we identified.*
- *Revisit its workload analysis and resource allocation after the new LIMS is fully operational. (Priority 2)*

Partly implemented. The Lab developed detailed Standard Operating Procedures for processing analyses in the new Laboratory Information Management System (LIMS), now called LabWorks. The Lab also developed a standard to train new staff on the procedures within 60 days of appointment, supplemented with regular training updates during routine staff meetings. According to the ESD, the Lab can now capture all submitted sample data into the LIMS database. However, final acceptance for the LIMS database "remains pending" due to problems in data migration. During the next follow-up, we will evaluate additional procedures and/or controls to address the remaining threats identified in our audit report, as well as follow-up on the status of the database completion. Target date: 6-07.

## **06-01: AN AUDIT OF CITYWIDE GRANT OVERSIGHT**

***#1 (City Departments/GM) – Develop a procedures manual to formally document the City’s policies and procedures regarding grant oversight. (Priority 3)***

Partly implemented. The City Manager’s Office has continued to work on developing a comprehensive procedures manual to formally document the City’s grant oversight policies and procedures. In addition, in March 2007, the City Manager’s Office committed a full-time resource - a participant in the Citywide Leadership Fellow Program - to lead the continued development of the procedures manual.  
Target date: 8-07.

***#2 (Administration/GM) – Develop a Citywide grant database to provide comprehensive grant information, facilitate better grant awarding decisions and grantee monitoring, and help ensure grantee compliance with grant requirements. (Priority 3)***

Partly implemented. The City Manager’s Office is still in the process of developing and evaluating options for a comprehensive Citywide grants database. Specifically, some of the database alternatives include, utilizing the Housing Department’s database and purchasing off-the-shelf grant management software. The City Manager’s Office has assigned a full-time resource - a participant in the Citywide Leadership Fellow Program - to lead the implementation of this recommendation.  
Target date: 9-07.

## **06-02: AN AUDIT OF THE SAN JOSE MUNICIPAL WATER SYSTEM FIRE HYDRANT MAINTENANCE AND REPAIR PROGRAM**

***#5 (City/RO) – Negotiate the ownership, maintenance, and replacement of about 13,500 fire hydrants with the private water companies in San Jose service areas. (Priority 2)***

Not implemented. The City Manager’s Office will implement a process to contact private water companies and inquire about their interest in purchasing, maintaining, and replacing the 13,500 fire hydrants in the San Jose service areas.  
Target date: 6-07.

## **06-03: AN AUDIT OF THE CITY OF SAN JOSÉ’S PROCUREMENT CARD PROGRAM**

***#1 (Finance Department/CC) – 1) Strengthen controls to address the identified weaknesses and vulnerabilities; 2) incorporate in the City’s Policy Manual procedures for the Procurement Card Program which provide adequate guidance for employees; and 3) use the procedures to advise and train City staff on the proper uses and restrictions of Procurement Cards. (Priority 2)***

Partly implemented. According to Finance, on December 7, 2006, the Finance Department published the revised Procurement Card Policy as part of the City Policy Manual, addressing the identified weaknesses and vulnerabilities and incorporating

procedures into the policy. On December 18, 2006, Finance launched the first Citywide training on the new policy, with subsequent training in January. Additionally, Finance launched a website for its Procurement Card Policy which includes a description of the program, the policy, the applicable forms, and a training video. The Finance Department is currently revising the policy to reflect changes in the sponsoring bank's procedures and will continue providing training for approving officials. Target date: 6-07.

**#2 (City Council's Rules Committee/CC) – Add an on-going audit of the Procurement Card Program to the City Auditor's Workplan. (Priority 3)**

Implemented. This item was added to the City Auditor's 2006-07 Workplan.

**#3 (City Administration /CC) – Develop a policy to guide City officials when giving gifts to visiting VIPs and dignitaries. (Priority 2)**

Not implemented. According to the Airport, the Airport is in the process of drafting an Airport Gift-Giving Policy. The first draft of this policy is anticipated to be available for review by mid-March 2007, with a final policy to guide both purchases and gift-giving to be completed by June 30, 2007. Target date: 6-07.

**#4 (Federated and Police and Fire Retirement/CC) – Request that the City Council's Rules Committee add to the City Auditor's 2006-07 Audit Workplan, an audit of the Retirement Services Department's travel-related expenses. (Priority 3)**

Not implemented. The Retirement Services Boards considered the City Auditor's recommendation to request an audit of travel-related expenses. As of April 19, 2007, the Retirement Services Boards have not complied with the City Auditor's recommendation to recommend to the Rules Committee the addition of Retirement Services travel-related expenses to the City Auditor's Workplan. We recommend the Rules Committee take action to add Retirement Services travel-related expenses to the City Auditor's Workplan. Target date: 6-07.

COUNCIL ATTENTION REQUIRED

**06-04: THE 2004-05 ANNUAL PERFORMANCE AUDIT OF TEAM SAN JOSE, INC**

***#1 (Team San Jose/BS) – Develop well-defined price negotiation policies and procedures that ensure all client event files include proper documentation for waived/reduced rental fees. (Priority 3)***

Implemented. Team San Jose (TSJ) has developed price negotiation policies and procedures. We sampled 100 files from Team San Jose's 2005-06 master list of events and found, overall, TSJ to be in compliance with its pricing policies and procedures, which include documentation for waived/reduced rental fees.

***#2 (Team San Jose/BS) – Develop a new Economic Impact Performance Measure Target based on factors such as historical data, the capacity of the Facilities, and the potential for future growth and amend the Management Agreement accordingly. This target should also include the actual number of room nights booked for events held in the Facilities. (Priority 3)***

Partly implemented. According to City Administration, Team San Jose is working with the City to develop a new Economic Impact Performance Measure Target based on factors such as historical data, the capacity of the Facilities, and the potential for future growth. Once new Economic Impact Performance Measure Targets are developed and agreed to by both parties, the Management Agreement will be amended. Target date: 9-07.

***#3 (Team San Jose/BS) – Implement an online survey form and a revised survey instrument that incorporates a five-point rating scale. (Priority 3)***

Implemented. Team San Jose has employed an online survey that incorporates a five-point rating scale. After an event has taken place in the Convention and Cultural Facilities, Team San Jose emails a thank you letter to the event's planner which provides an access link to the online survey. We found the online survey to be user-friendly and take less than five minutes to fill out and submit.

***#4 (Team San Jose/BS) – Send customer service surveys directly to the City's Contract Administrator or the City should amend the Management Agreement to reflect current survey practices. (Priority 3)***

Implemented. According to the Management Agreement between the City of San Jose and Team San Jose, Inc., "The post facility use survey data will be sent directly to the Contract Administrator for review." Team San Jose is in compliance with this provision of the Management Agreement, as it has employed an online survey process by which survey data is emailed directly to the City's Contract Administrator concurrent with submission of the online survey by the participant.

***#5 (City Administration & Team San Jose/BS) – Develop a clearer and more specific Customer Service Results Performance Measure Target and amend the Management Agreement accordingly. (Priority 3)***

Partly implemented. According to City Administration, Team San Jose is working with the City to develop a clearer and more specific Customer Service Results Performance Measure Target and will amend the Management Agreement accordingly. Target date: 9-07.

***#6 (Team San Jose/BS) – Complete the Operations Manual and obtain formal approval from the City’s Contract Administrator. (Priority 3)***

Partly implemented. The Convention, Arts, and Entertainment Department, which managed the Convention and Cultural Facilities prior to Team San Jose (TSJ), did not have an Operations Manual (OM). Therefore, TSJ had to create an entirely new OM. Team San Jose has completed a draft OM and is currently working with the City Administration to ensure critical data is included. Once the OM has been approved by the City’s Contract Administrator, the OM will be incorporated by reference into the Management Agreement between the City and TSJ. Target date: 6-07.

***#7 (Team San Jose/BS) – Develop minimum City staffing requirements and a formal training program for City staff responsible for maintaining the Facilities. (Priority 3)***

Implemented. Section 4.4 (e) of the Management Agreement between the City and Team San Jose (TSJ) states TSJ “shall maintain an adequate staff of courteous employees on duty at the Facility and provide appropriate supervision and training of such employees. Employees of Operator or of any subcontractor will be employees of Operator or subcontractor and not of City. Operator shall employ or otherwise contract for its operations only those persons whom by training, appearance and habits are judged to be suitable workers appropriate to the environment of the Facility.” Previously, TSJ had developed minimum staffing level guidelines for events held in the Facilities and established training programs for most of its employees. TSJ has provided documentation that it has developed a maintenance training and safety procedures guide and has provided specialized cross-training safety classes to its maintenance employees. Additionally, TSJ Maintenance Supervisors meet with TSJ Administration monthly to update and discuss maintenance issues.

***#8 (Team San Jose/BS) – Develop short- and long-term objectives for the Facilities and report annually to the City. (Priority 3)***

Partly implemented. According to the Management Agreement, Section 4.4 (f2), Team San Jose (TSJ) is to “...develop short and long-term objectives for the Facility to enhance financial success of the Facility and annually report same to City.” TSJ has developed short- and long-term objectives for the Facilities by department - Event Services, Operations, Human Resources, Finance, IT, and Marketing. According to the City Manager’s Office, TSJ’s short- and long-term objectives are discussed

regularly at the monthly meeting between the City and TSJ. Additionally, TSJ will include its short- and long-term objectives in its annual report to the City in July 2007. Target date: 7-07.

***#9 (Team San Jose/BS) – Develop a schedule of planned maintenance for the year and report annually to the City whether the planned maintenance was completed. (Priority 3)***

Partly implemented. Team San Jose (TSJ) has developed yearly maintenance schedules for each of the Convention and Cultural Facilities. According to City Administration, TSJ will provide a maintenance report in its annual report in July 2007. The report will include items scheduled for completion in 2007-08 as well as all maintenance completed during 2006-07. Target date: 9-07.

***#10 (Team San Jose/BS) – Meet its 15<sup>th</sup> of the month reporting due date. (Priority 3)***

Implemented. According to the Management Agreement between the City of San Jose and Team San Jose (TSJ), “On or before the 15<sup>th</sup> of each month Operator shall prepare and deliver to City monthly reports regarding the use and operation of the Facility...” Previously, TSJ was consistently late in issuing its report because it incorporates Centerplate’s (contractor providing catering services) monthly financial report into its reports. According to the City Manager’s Office, TSJ has issued its monthly report on the 15<sup>th</sup> of the month to the City throughout 2006 and continues to do so at the present time.

***#11 (Team San Jose/BS) – Include in its annual report to the City Manager a clear comparison of its actual performance to the Management Agreement Performance Measure Targets. (Priority 3)***

Partly implemented. According to the Management Agreement (Agreement), Team San Jose (TSJ) shall present a report to the City Manager demonstrating the extent to which it has met its Agreement Performance Measures no later than July 31<sup>st</sup> of each year of the term of the Agreement. According to the City Manager’s Office, TSJ reports on a monthly basis its actual results as compared to the Agreement Performance Measure Targets and will report against the Agreement Performance Measure Targets in its year-end report due to the City Manager’s Office by July 31, 2007. Target date: 7-07.

***#12 (City Administration/BS) – Review and present TSJ’s year-end report, along with any analysis, to the City Council. The City Administration’s analysis should include TSJ’s performance as contrasted with its Management Agreement Performance Measure Targets. (Priority 3)***

Partly implemented. According to the Management Agreement (Agreement), Team San Jose (TSJ) shall present a year-end report to the City Manager demonstrating the extent to which it has met its Agreement Performance Measures no later than July 31<sup>st</sup> of each year of the term of the Agreement and the City Manager shall review and present the report together with any comment or analysis by City staff to the City

Council. TSJ presented an "Update on Team San Jose" to the Community and Economic Development Committee on March 19, 2007. Although it reported on revenues, net loss, attendance, and customer satisfaction survey results, it did not specifically include its performance as contrasted with its Management Agreement Performance Measure Targets. Accordingly, City Administration did not provide an analysis of the same. According to the City Manager's Office, after reviewing TSJ's year-end report and further identifying some of the challenges that they have experienced over the course of the past year, they will be recommending the contract with TSJ, including the Performance Measure Targets, be revamped as a part of upcoming discussions regarding the proposed expansion of the Convention Center. Target date: 9-07.

***#13 (Team San Jose/BS) – Work with the City to develop and implement "green" purchasing guidelines and procedures. (Priority 3)***

Implemented. According to Section 15.2 of the Management Agreement between the City and Team San Jose (TSJ), TSJ is to comply with the City's Environmentally Preferable Procurement Policy (EPPP). The purpose of the EPPP is to minimize negative environmental impacts of the City's activities by ensuring the procurement of services and products that reduce toxicity; conserve natural resources, material, and energy; maximize recyclability and recycled content; and support markets for recycled goods and other environmentally preferable products and services. TSJ has developed an Environmental Policy and has applied for a "green" business certification from Santa Clara County whereby it has pledged to actively work to show its environmental responsibility to the community by committing to comply with all applicable environmental regulations and strive to exceed compliance, conserve energy, water, and other natural resources, develop and implement practices that prevent pollution and waste, and be an environmentally responsible business within its community. In January 2007, TSJ contracted with the City of San Jose, Greenteam Industries, and the San Jose Conservation Corps to increase its recycling efforts. TSJ has developed a list of "green" vendors from which it procures products and has provided surface cleaner training to its employees.

***#14 (Team San Jose/BS) – Work with the Office of Equality Assurance and provide required documentation in order to fully meet the City's Living Wage and Prevailing Wage Policies as required in the Management Agreement. (Priority 3)***

Partly implemented. According to the Management Agreement between the City of San Jose and Team San Jose, "This agreement is subject to City's Living Wage and Prevailing Wage Policies and the applicable implementing regulations... Operator shall comply with the provisions of the attached Labor Compliance Addendum (Exhibit E), which sets forth Operator's obligations under the Policy." According to Employee Relations, TSJ is in compliance with the City's Living Wage and Prevailing Wage Policies regarding its City employees. However, according to the Office of Equality Assurance, Team San Jose has not yet provided the City's Office of Equality Assurance with information on its employees and on contracts into which it has entered. As a result, the Office of Equality Assurance has not yet determined if

TSJ is in compliance with the City's Living Wage and Prevailing Wage Policies for TSJ employees or contracted employees. TSJ's Director of Operations and Director of Human Resources have expressed they are eager to work with the Office of Equality Assurance and provide required documentation in order to fully meet the City's Living Wage and Prevailing Wage Policies as required in the Management Agreement. Target date: 6-07.

***#15 (Team San Jose/BS) – Work with the City to amend the Management Agreement to allow TSJ to store and use any hazardous materials that are needed to operate and maintain the facilities. (Priority 3)***

Partly implemented. In operating and maintaining the Convention and Cultural Facilities (Facilities), TSJ stores and uses chemicals and materials that are classified as hazardous materials. TSJ has provided the City with a list of hazardous materials it stores and uses at the Facilities. In addition, TSJ has developed a written procedure to notify the City and other appropriate public agencies should an accidental hazardous materials release occur. While the City has detailed its understanding that TSJ requires authorization to store hazardous materials needed to operate and maintain the Facilities, the Management Agreement has not yet been amended to reflect this understanding. City Administration plans to bring this issue before the City Council for approval. Target date: 6-07.

***#16 (Team San Jose/BS) – Develop and implement a workplan to correct ADA noncompliant items and notify the City accordingly. (Priority 3)***

Partly implemented. The Management Agreement between the City and TSJ states, "Operator shall be solely and fully responsible for complying with the Americans with Disabilities Act of 1990 ("ADA") in connection with: (a) any use of the facilities by guests or services provided by Operator to Customers; and (b) modifying its policies, practices, and procedures to comply with the ADA. Operator shall develop a work plan to correct or avoid any violations or non-compliance with the ADA. Operator shall perform an assessment of Facilities for ADA compliance and notify City of any compliance issues..." TSJ has assessed the Convention and Cultural Facilities for ADA compliance. In general, the Convention and Cultural Facilities are ADA compliant; however, several items need correction. According to the City Manager's Office, TSJ is developing a list of ADA non-compliant items and will report these to the City once the list has been developed. The City Manager's Office expects the list to be completed and reported to the City by the end of 2007. Target date: 12-07.

***#17 (Team San Jose/BS) – Develop and implement a procedure that requires TSJ staff to annually sign a form attesting that they are aware of the conflict of interest policy and that they will report any potential conflicts that arise during the course of their work. (Priority 2)***

Implemented. According to the Management Agreement (Agreement) between the City and Team San Jose (TSJ), TSJ shall avoid all conflicts of interest in the performance of the Agreement. TSJ has developed and implemented a procedure that

requires TSJ and Convention and Visitors Bureau (CVB) staff to annually sign a Standards of Business Conduct Form (Form). In Section 3.1 of the Form, it states, "TSJ/CVB's assets and resources as well as corporate opportunities are to be used solely to pursue and achieve TSJ/CVB's goals and not for personal benefit. An employee who believes he or she might have a conflict of interest should discuss the issue with the person's immediate supervisor and/or Human Resources." We reviewed all employee files and found a current signed Form in each file.



## APPENDIX A

### DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Administration Manual (CAM) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

Priority Class <sup>1</sup>	Description	Implementation Category	Implementation Action <sup>3</sup>
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. <sup>2</sup>	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. <sup>2</sup>	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

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<sup>1</sup> The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number. (CAM 196.4)

<sup>2</sup> For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens. (CAM 196.4)

<sup>3</sup> The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration. (CAM 196.4)

