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City of Oakland  
**Office of the City Auditor**

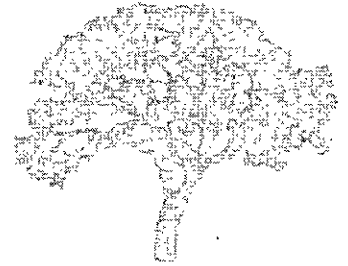
City Auditor Courtney A. Ruby, CPA, CFE

# **Office of the City Auditor**

## **Audits and Special Reports**

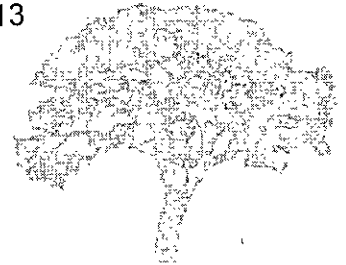
### **November 2011 – March 2013**

**March 12, 2013**



## Audits & Special Reports Since November 2011

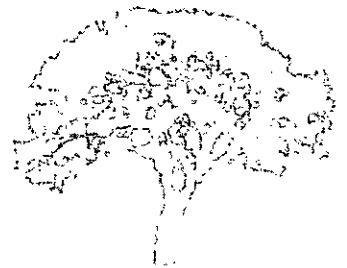
- Residential Permit Parking Recommendation Follow-Up Report - November 2011
- Public Works Agency Recommendation Follow-Up Report - November 2011
- Ballot Measures H, I, J – November 2011
- Bilingual Premium and Notary Public Pay Operational Review - December 2011
- Accounts Payable Duplicative Payments and Other Reportable Matters Performance Audit - March 2012
- 2011 Ethical Climate Survey Report - March 2012
- Fraud, Waste + Abuse Prevention Program Report Volume 5: July 1 – December 31, 2011 - April 2012
- Scotlan Youth and Family Services, Inc. (substantiated investigation report) - April 2012
- Police Technology Performance Audit - August 2012
- Parking Ticket Management Performance Audit - December 2012
- Scotlan Youth and Family Services, Inc. (substantiated investigation report) - December 2012
- Tenant Improvement Grantee (substantiated investigation report) - December 2012
- Limited Public Financing Act, November 2010 Election - January 2013
- 2012 Ethical Climate Survey Report - March 2013



## Audits In Progress

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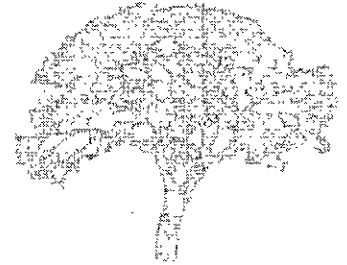
- Non-interference in Administrative Affairs Performance Audit
- Measure D FY 2009-10 Performance Audit
- Measure D FY 2010-11 and FY 2011-12 Performance Audit
- Workers Compensation Contract Performance Audit
- Wildfire Prevention Assessment District Compliance Audit
- CEDA Loans Receivable Follow-Up Report
- Fraud, Waste + Abuse Prevention Program Report Volume 6:  
January 1 – December 31, 2012



# Residential Permit Parking Recommendation Follow-Up Report November 2011

Focuses on the implementation status of audit recommendations for the June 2010 Residential Permit Parking (RPP) Performance Audit Series

- The follow-up review found that 15 of the 24 recommendations from the audit report were closed
- The prompt implementation of a majority of the audit series' recommendations has:
  - improved tracking of staff time spent on RPP services
  - formalized procedures to develop written agreements with third parties that pay for RPP permits
  - recuperated over \$12,000 in uncollected revenues
  - integrated notification to residents of outstanding citations as part of the RPP permit renewal process
  - finalized the procedure for online renewal of RPP permits
- The remaining nine open recommendations focus on the City Administration requesting policy direction from the City Council and/or City Administrator guidance on which costs to include in the RPP cost analysis (e.g., enforcement costs) and what cost recovery level should be achieved; determining whether or not RPP citation revenue should be considered as offsetting the RPP Program costs in addition to RPP permit revenue; seeking Council approval for charging permit costs to Area B residents; formalizing an RPP staffing plan; and providing all supporting documentation for RPP Program costs.



# Public Works Agency Recommendation Follow-Up Report November 2011

Focuses on the implementation status of audit recommendations for the April 29, 2009 PWA Performance Audit

- The April 2009 Public Works Agency Performance Audit contained 292 specific recommendations. Due to the comprehensive nature of the PWA audit recommendations, PWA Management classified the recommendations into 16 categories. The follow-up report focuses on the implementation status of 74 audit recommendations in the "Administration" category.
  
- The Office's follow-up on the Public Works Agency "Administration" category recommendations found that:
  - 38 recommendations were closed and implemented
  - 12 recommendations were resolved and deferred due to budget and resource constraints. PWA Management has agreed to implement them in the future and will complete the required changes once the current budget and resource constraints are resolved
  - 17 recommendations were resolved and will be closed once they have been fully implemented
  - Seven recommendations were "dropped" by Public Works Agency Management, which declined to resolve or implement these recommendations due to disagreement (2), ownership of the recommendation (3), or lack of funding (2). These recommendations are unresolved.

# Bilingual Premium and Notary Public Pay Operational Review December 2011

- Review objectives
  - A review of the City's administration of its bilingual premium pay and notary public pay to determine if payments made to employees complied with City policies and Memoranda of Understanding (MOUs) and if the City's respective processes operated effectively and efficiently
- Review scope
  - Bilingual and notary payments FY 2009-10; Vendor payments FY 2006-10
- Key Findings
  - The City Administration did not fully comply with City policies and MOUs in paying bilingual and notary compensation to City employees in several areas, resulting in bilingual and notary payments without the required documentation that totaled approximately \$217,000, or 76 percent of the sampled payments, from FY 1998-1999 through April 2011
  - There was no centralized oversight or administration over the City's bilingual pay and notary pay practices. As a result, the City Administration did not periodically verify employees' certifications
  - The City Administration did not periodically evaluate the extent to which employees were providing bilingual or notary services to the City
  - The City's notary pay rate is comparable to the City of San Jose; however, the City's level-2 bilingual rate of \$90 is 80 percent higher than the average bilingual pay rate of \$50 used by nearby cities
- Key recommendations
  - That the City Administration direct all City departments to comply with AI 513 and AI 558 by providing written authorization for the employee performing bilingual and/or notary services for the City before granting the employee bilingual and/or notary pay
  - That the City Administration direct all departments to verify an employee's notary certification annually as required by AI 513 to ensure the employee's notary is current prior to receiving any notary payment
  - a That the City Administration establish a methodology to evaluate the City's bilingual and notary pay structure to ensure the pay rates are consistent with or comparable to rates established in nearby California cities

# Accounts Payable Duplicative Payments and Other Reportable Matters Performance Audit March 2012

- **Audit objectives**
  - Test a sample of payments for erroneous and duplicate payments
  - Assess internal controls over prevention of erroneous and duplicate payments
- **Audit scope**
  - FY 2008-09 and FY 2009-10
- **Key findings**
  - Out of a judgmental sample of 63 payments tested, 16 duplicate payments (or 25 percent of the sample) were identified and totaled \$103,554
  - Inaccurate data entry rendered Oracle's invoice number control feature ineffective
  - Creation of two invoice numbers for the same charge impaired Oracle's invoice number control feature
  - Oracle's invoice number control feature was rendered ineffective when two invoices were entered that only differed by the addition of dashes
  - Roles and responsibilities related to duplicate payment prevention were not clearly defined between the City-wide Accounts Payable Unit and individual City departments
  - The existing internal controls to prevent duplicate payments are insufficient, and internal controls to identify duplicate payments are nonexistent
- **Key recommendations**
  - The City Administration should prepare an Administrative Instruction that establishes a uniform methodology that accounts payable personnel across all departments follow when creating an invoice number for invoices or billing statements
  - The City Administration should review payment controls over the Treasury Division's wire transfer process and provide clarifying guidance and procedures, if appropriate
  - The City-wide Accounts Payable Unit should ensure that it follows its own procedures, including to only process payment request forms that include original invoices, receipts or statements
  - The City Administration should direct departmental accounts payable personnel in the recommended Administrative Instruction to verify dollar amounts on billing statements and invoices to payment requests

# Police Technology Performance Audit

## August 2012

- **Audit objectives**
  - Assess the process for purchasing and maintaining OPD's technology systems
  - Evaluate the effectiveness of OPD's organization in overseeing its technology systems
  - Assess the fiscal management of OPD's technology systems
  
- **Audit scope**
  - FY 2006-07 through FY 2010-11
  
- **Key findings**
  - OPD spent at least \$1.87 million on technology systems that were never used or underused
  - OPD lacks a formal technology purchasing plan or a formal strategic technology plan
  - OPD does not appropriately budget for purchasing and maintenance of its technology systems
  - OPD and DIT do not have clearly defined roles and responsibilities and communication between the two is poor
  - Neither OPD nor DIT has a complete inventory of all OPD technology systems
  
- **Key recommendations**
  - OPD should:
    - Periodically evaluate all of its technology systems to ensure that the City is receiving its desired benefits from the systems
    - Prior to purchasing a system, ensure that there is a comprehensive evaluation of all services, software, and hardware necessary for the system to function properly
    - Adopt an overall, strategic technology purchasing plan that aligns future technology purchases with its strategic goals and needs
    - Develop a multi-year budget for technology spending that includes expected purchases, implementation costs, and maintenance
    - Develop a training plan to ensure staff receive the skills needed to manage technology projects in conjunction with DIT
  - OPD and DIT should:
    - Develop and implement service-level-agreements to establish mutual expectations, roles and responsibilities, deliverables, and performance expectations for each project in development or technology being supported
    - Improve communication about OPD technology projects so that it is timely, comprehensive, and clear
    - Work together to establish a comprehensive inventory of all OPD technology systems and projects
    - Periodically monitoring and evaluating contractors' performance



# Parking Ticket Management Performance Audit

## December 2012

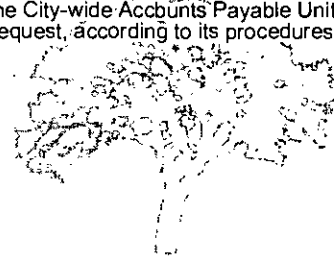
- Audit objectives
  - Assess process effectiveness and efficiency of administration of parking tickets
  - Evaluate the management of parking ticket collections
- Audit scope
  - FY 2010-11
- Key findings
  - The City's management of parking tickets has significantly improved
  - The City did not refund approximately \$316,000 in parking ticket overpayments in FY 2010-11 and may not have complied with State requirements for prior years
  - The Parking Division's review of parking ticket appeals is slow and inconsistent
  - The Parking Division's customer service phone system can be improved to be more user friendly and intuitive
  - The City did not regularly reconcile its parking revenue; there is currently an unresolved \$345,000 difference for FY 2010-11
- Key recommendations
  - Establish a clear refund process to ensure that the City complies with California Government Code sections 50050-50051 which requires government agencies to wait three years and notify citizens of unclaimed funds (overpayments) before the agency can use the funds
  - Improve its process to better ensure that repayments identified through the appeal process are issued in a timely manner
  - Make the parking customer service phone system (IVR) more user-friendly and intuitive
  - Address the \$345,000 difference in parking ticket revenue recorded in CARRS and Oracle from FY 2010-11; and ensure that Oracle accurately reflects the City's parking ticket revenue
  - Establish and implement written policies and procedures that provide appropriate controls over parking ticket revenue

# Limited Public Financing Act

## November 2010 Election

### January 2013

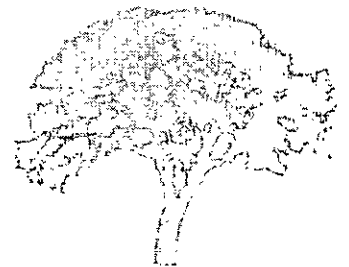
- **Audit objectives**
  - Determine if candidates were appropriately reimbursed in compliance with the Limited Public Financing Act (LPFA) requirements
  - a Determine if the Public Ethics Commission staff's (PEC) reimbursement approval process was effective and ensured compliance with LPFA reimbursement requirements
- **Key findings**
  - a The PEC's process to approve reimbursement requests was inconsistent and insufficiently documented
  - a Three of the five candidates received appropriate reimbursements; two candidates had conflicting records and may be owed additional amounts
  - a The PEC should clarify what is acceptable supporting documentation
- **Key recommendations**
  - a Develop and implement clear and well-documented policies and procedures regarding its administration and oversight of LPFA reimbursements. The policies and procedures should ensure that candidates meet all LPFA requirements and that the PEC's review and documentation are clear
  - a Consider requiring candidates to include approved reimbursement summaries for each reimbursement request to facilitate the PEC's review and tracking of all expenditures submitted for reimbursement
  - Strengthen controls over the PEC's LPFA reimbursement process to better ensure that reimbursements are accurate and complete, e.g., incorporate how to track the maximum reimbursement amount per candidate that is determined at Commission meetings into the written policies and procedures
  - Work with the City-wide Accounts Payable Unit regarding the reimbursement process. The City-wide Accounts Payable Unit should verify that all required supporting documentation is attached to a LPFA payment request, according to its procedures



## Substantiated Investigation Reports

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- Beginning in 2012, the City Auditor is required by State law to issue individual reports for substantiated investigations from our FW+A Prevention Program.



# Substantiated Investigation Reports

- **Scotlan Youth and Family Services, Inc. 2010 MSJP Contract with Youth Employment Partnership**
  - Issued April 2012
- **Key findings**
  - Fraud investigation found that Scotlan submitted timesheets for at least two youth who were not participating in the 2010 MSJP; the known loss of federal funds is \$1,696
  - More than 80% of the timesheets submitted by Scotlan for the last pay period of the 2010 MSJP (8/28/10-9/10/10) had timesheet infractions and there were four youth who had incorrect timesheet charges for previous pay periods
- **Key recommendations**
  - That the Administration should work with the WIB Executive Director to strengthen conflict of interest rules for WIB members and WIB contractors, enhance monitoring systems, create internal control guidelines for contractors, and clarify reporting procedures for potential fraudulent transactions
- **Scotlan Youth and Family Services, Inc. 2010 MSJP Contract with OPIC**
  - Issued December 2012
- **Key findings**
  - At least two out of the 26 Scotlan youth were "ghost" participants. The minimum misappropriation of federal funds is \$3,554
  - Scotlan overpaid six youth. The total misappropriation of federal funds is \$2,354
  - Three youth were related to Scotlan staff and two youth did not meet the WIA eligibility requirements, resulting in conflict of interest and program eligibility violations and at least \$3,554 in misappropriated federal funds
  - Both Scotlan and OPIC had control weaknesses that allowed the misappropriation of federal funds to occur

## Substantiated Investigation Reports

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- **Scotlan Youth and Family Services, Inc. continued**
  
- **Key Recommendations**
  - That the Administration should continue to work with the WIB Executive Director to strengthen oversight of the WIB related contractors and subcontractors, including:
    - Establishing clear oversight roles and responsibilities
    - Publishing contractor guidelines and expectations based upon best practices
    - Enhancing monitoring of contractor performance, including both programmatic and fiscal performance
    - Performing limited testing of contractor internal controls and payroll transactions
    - Establishing clear conflict of interest policies for WIB Board members, staff, and contractors to address real and perceived conflicts of interest



## Substantiated Investigation Reports

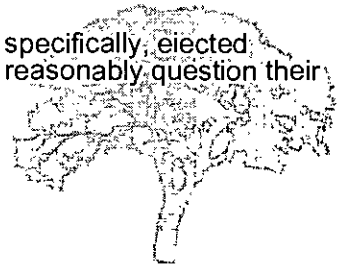
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- **Tenant Improvement Grantee**
  - Issued December 2012
- **Key finding:**
  - A property owner had received a \$10,000 grant for improvements to commercial space based on fraudulent documentation for work that was not done. The property owner made full restitution to the City by returning the \$10,000
- **Key recommendation:**
  - That the City adhere to their revised internal procedures and perform the necessary supervisory oversight to assure compliance



# Ethical Climate Surveys

- ❑ 2011 Ethical Climate Survey Report – released March 2012
- ❑ Good news:
  - a The survey showed that Oakland's overall ethical climate remained in a good place and has improved slightly from the previous year in nearly every category
    - The "Employee" section was again the highest-rated category, with seven of the ten statements' scores ranking *high*. Employees positively expressed that they are expected to tell the complete truth when performing their work duties and to use ethical behaviors in getting results. No statement ranked lower than a *medium* score for this section
    - The "Management" section had also improved, with all scores for each statement being rated *medium* or *high*. Three statements moved from the *low* to the *medium* category, showing that employees felt management has improved in creating an environment in which staff is comfortable raising ethical concerns, appreciating staff bringing forward bad news and appointing and rewarding people on the basis of performance and contribution
- ❑ Bad news:
  - Despite these gains, Oakland's overall score grew only marginally
  - Consistent with last year's results, the "Elected Officials" section was the lowest-scoring, with three statements being rated *low*
  - The survey's lowest-scoring statement dealt with conflict of interest, specifically, elected officials excluding themselves from decisions when the public might reasonably question their ability to make a fair decision



# Ethical Climate Surveys

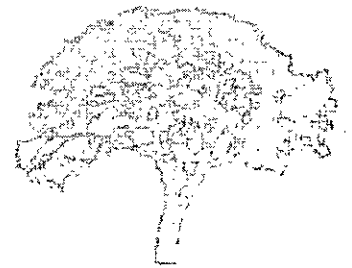
## □ 2012 Ethical Climate Survey Report – released March 2013

### □ Good news:

- The "Employee" section was again the highest-rated category with staff stating that they are expected to tell the truth, to behave ethically, and to treat everyone who comes before them equally.
- The "Management" section improved in all categories but one, with the most significant increase in staff's perception that management is helping elected officials work within their policy roles and stay out of day-to-day operations.
- The "Elected Officials" section showed the greatest improvement with all statements except one improving five or more points. Four areas increased by 10 points or more: elected officials allowing staff to handle day-to-day affairs, creating an environment in which staff is comfortable raising ethical concerns, excluding themselves from decisions when appropriate, and refusing special treatment.

### □ Bad news:

- The "Elected Officials" section was still the lowest-scoring category, with only one statement within striking distance of a "High" rating.
- In the "Employee" section, employees responded that greater attention must be paid towards encouraging them to speak up about any agency practice or policy that is ethically questionable.
- In the "Management" section, the lowest scoring statement was for appointing and rewarding staff performance and contribution.

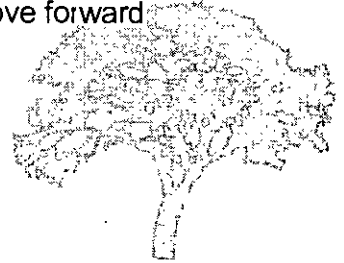




# Fraud, Waste + Abuse Prevention Program Reports

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- Volume 5: July 1 – December 31, 2011
  - The FW+A received a total of 79 tips in 2011 of which 44 percent came from Oakland City employees
  - The 2011 average was eight reports per month
  - As of 12/31/2011, 43 open cases were being actively evaluated or investigated out of 68 open cases
  - The Office closed 91 reports during 2011
  - Trends noted include:
    - Quality of tips received are improving as evidenced by the increased number of cases warranting an investigation
    - Agency investigations due to FW+A requests have resulted in Agency processes and procedures being strengthened
    - City Managers continue to refer potential fraud cases to the City Auditor
    - Increased need for reporters to use their report key and check back on their reports to provide additional information for the investigation to move forward



## Performance Audits in Progress

- **Non-interference In Administrative Affairs Performance Audit**
  - Objectives are to determine whether there have been violations of City Charter Section 218, Non-interference in Administrative Affairs between fiscal years 2009-10 and fiscal years 2011-12
  - Estimated release this month
- **Measure D FY 2009-10 Performance Audit**
  - Objectives are to determine the amount the City has spent on children and youth services and to determine whether this amount meets the base spending requirements under Measure D
  - Estimated release Spring 2013
- **Workers Compensation Contract Performance Audit FY 2007-08 through FY 2010-11**
  - Objectives are to assess Risk Management's internal controls over the JT2 Integrated Resources (JT2) workers' compensation contract and verify that JT2 is complying with the provisions of its contract
  - Estimated release Spring 2013
- **Wildfire Prevention Assessment District Compliance Audit**
  - Objectives are to determine whether the Oakland Fire Department, Fire Prevention Bureau's inspection process ensures compliance with the Oakland Municipal Charter, Chapter 15.12 (Oakland Fire Code) and whether properties in the Wildfire Prevention Assessment District are in compliance with the Oakland Fire Code
  - Estimated release Summer 2013
- **Measure D FY 2010-11 and FY 2011-12**
  - Objectives are to determine the amount the City has spent on children and youth services and to determine whether this amount meets the base spending requirements under Measure D
  - Estimated release Summer 2013
- **CEDA Loans Receivable Recommendation Follow-Up Report**
  - Estimated release Summer 2013

