Audit Recommendation
Follow-Up Report

Status Update for Audits Issued through
December 31, 2020

OFFICE OF THE CITY AUDITOR
Shawneé Pickney, Principal Performance Auditor
The Office of the City Auditor has established the Trust & Innovation Portal (TIP) in order to enhance trust by safeguarding public monies and resources and holding City officials and employees accountable as stewards. TIP is an online tool accessible at beverlyhills.org/TIP designed to encourage residents and employees to:

1) Share innovative ideas about improving City services; and

2) Report suspected cases of improper activity in City operations.

Residents and employees can also offer suggestions or make reports by emailing TIP@beverlyhills.org or by calling 310-288-2TIP (310-288-2847). All emails and calls will be treated with the utmost confidentiality.
TO: Honorable Mayor and City Council
FROM: Shawneé Pickney, Principal Performance Auditor
DATE: June 22, 2021
SUBJECT: Audit Recommendation Follow-Up Report

The Office of the City Auditor (OCA) conducts audits of City departments, offices, and agencies in accordance with government auditing standards in order to advance accountable, efficient, and effective government that ensures the community receives the highest quality services, and ensure that public funds are expended in a transparent, and appropriate manner.

In order to keep the City Council, City employees, and residents informed, OCA periodically reviews audit recommendations and works with departments directly to obtain status information on open recommendations. Recommendations implemented can save the City money, improve programs and services, and provide feedback regarding the effectiveness of internal controls. In April 2021, OCA introduced the tracking system and recommendation follow-up process to City departments with recommendations in this cycle and City Management.

The recommendation follow-up process is a biannual review: 1) covering the periods of January to June and July to December; and/or 2) commencing at OCA’s discretion to address higher risk, higher priority recommendations.¹ Since this is the first review, this report details the status of audit recommendations for reports issued through December 2020. We sent requests for implementation status updates to relevant City departments in April 2021 and provided extensions in May 2021. Implementation status of recommendations in this report are as of June 14, 2021.² Any updates received after this date will be reflected in the next recommendation follow-up cycle. Additionally, in the next recommendation follow-up cycle, we will include timelines for when departments anticipate full implementation of the recommendations.

There were two reports issued in December 2020 that were not included in this review, the Audit of the Agreement Between the City of Beverly Hills and the Beverly Hills Conference and Visitors Bureau for FY 2018-2019 (CVB Audit) and the Performance Audit of Innovation and the City’s Transition into 21st Century Government (Innovation Audit). At the time this review cycle began, the CVB Audit was pending presentation to the City Council and the Innovation Audit did not any include any recommendations for review.

We would like to thank City staff and management of the departments/entities reviewed during this cycle for their cooperation.

¹ Recommendation Follow-Up cycles should completely sync up in 2022.
² Departments can provide implementation updates to recommendations on a continual basis. This report is reflective of status updates as assesses as of June 14, 2021. Any subsequent updates received will be reflected during the next reporting cycle.
All status updates in this report are as of June 14, 2021. Three audits and nineteen recommendations were included in this review cycle. See below.

### Reports Reviewed During this Audit Recommendation Follow-Up Cycle

<table>
<thead>
<tr>
<th>Report Title</th>
<th>Report Number</th>
<th>Date Issued</th>
<th>Department</th>
<th>Number of Total Recommendations</th>
</tr>
</thead>
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<tr>
<td>Performance Audit of the City's Fire Hydrant Inspection, Maintenance, and Repair Operations</td>
<td>02-FY 2019/20</td>
<td>December 30, 2019</td>
<td>Public Works</td>
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<tr>
<td>Performance Audit of the Internal Controls Over the City's Real Estate Portfolio and Property Management</td>
<td>05-FY 2019/20</td>
<td>June 26, 2020</td>
<td>City Manager</td>
<td>13</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
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<td><strong>19</strong></td>
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This report categorizes recommendation status as follows:

- **Implemented** – The actions taken by the department or entity have corrected identified deficiencies or enacted program or operational improvements that address report findings.

- **In Progress** – The department or entity has not fully implemented the recommendation, but provides documentation to show that substantive steps are being taken to address report findings.

- **Not Implemented** – The department or entity or OCA deems the recommendation as no longer relevant due to changes in the factor(s) that led to the report finding.
As shown below, implementation of most recommendations are in progress. However, we do want to note that based on our review, the departments are actively working to fully implement the recommendations.

Status of All Audit Recommendations

- **Police Vehicles**: 1 Implemented, 1 In Progress
- **Fire Hydrants**: 4 In Progress
- **Real Estate**: 12 In Progress

Legend: 
- Light Green: Implemented
- Orange: In Progress
Performance Audit of the City’s Fire Hydrant Inspection, Maintenance, and Repair Operations

The City of Beverly Hills (City) is responsible for the maintenance and operation of over 1,300 public fire hydrants within the City’s water system. We conducted a performance audit of the City’s general fire hydrant inspection, maintenance, and repair operations to determine the efficiency and effectiveness of the City’s efforts. We found that fire hydrant inspection, maintenance, and repair is conducted in a manner consistent with established work standards. However, we made recommendations to strengthen supervisory controls, establish more systematic processes and work instructions, and to improve the efficiency of existing work crews.

**Finding 1:** Although the City maintains accurate locational data and has established inspection, maintenance, and repair procedures for fire hydrants, the program would benefit by implementing more systematic supervisory review procedures.

**Recommendation 1:** In order to strengthen internal controls over the City’s fire hydrant inspection, maintenance, and repair operations, the Water Distribution Division should establish processes and procedures that include periodic direct supervisory review to ensure field crews’ work is completed in accordance with existing work standards.

**Implementation Status:** The recommendation is in progress. The recommendation will be considered implemented once Public Works submits documentation from the Infor management system showing that the hydrant maintenance activities are tracked and periodically reviewed by the supervisor(s). The Office of the City Auditor will continue to work with Public Works to validate and monitor progress.

**Finding 2:** Data collection and data management for fire hydrant inspection, maintenance, and repair operations could be improved.

**Recommendation 2:** The Water Distribution Division should add to existing work standards or develop a separate work standard for data collection related to fire hydrant inspection, maintenance, and repair activities. The standard should, at a minimum, set forth requirements to log the inspection date, fire hydrant location and other key identifying information, a description of the maintenance issue required or description of the repair issue completed at the time of inspection. The work standard should also establish a process for logging closing entries when repairs are completed. In instances when field crews identify an issue that cannot be resolved at the time of inspection, the work standard should include a process for assigning field crews to resolve previously identified issues.

**Implementation Status:** This recommendation is in progress. The recommendation will be considered implemented once Public Works submits documentation from the Infor management system that demonstrates that the department is tracking key data including, but not limited to, logging inspection dates, fire hydrant locations and other key identifying information, and/or a description of the maintenance issue required or repair that was completed at the time of inspection.
Finding 3: The City should take steps to optimize operations and minimize costs associated with the fire hydrant inspection, maintenance, and repair program.

Recommendation 3: The Public Works Department should provide updates to City Council and the City Manager on the status of the implementation of the inventory management module as part of all general updates on the implementation of the enterprise-wide asset management system, Infor. The updates should include the status of the Public Works Department’s efforts to establish stronger physical controls over inventory, as well as current efforts to strengthen inventory information management over the interim period before the inventory management module is fully implemented.

Implementation Status: This recommendation is in progress. The recommendation will be considered implemented once Public Works submits either: 1) reports on the project status of Infor presented at the most recent Public Works Commission; City Council; and Bi-Weekly City Manager’s Office Project Review Meetings; or 2) if Infor implementation is completed, documentation from the system to show that implementation of the inventory module has improved inventory management and controls.

Recommendation 4: The Water Distribution Division should consolidate efforts for water main valve maintenance and fire hydrant inspection maintenance and repair within the same dispatched work crews. Crews should be dispatched systematically to designated water zones within the City, with the intent of completing all water main valve maintenance and fire hydrant inspection tasks in the specified zone before deploying to the next zone. Additionally, the City should ensure that any future contract with a vendor for fire flow testing should require the vendor perform basic fire hydrant inspection tasks as part of fire flow testing, and provide a mechanism for them to report back to the City with the results of the fire hydrant inspections.

Implementation Status: The recommendation is in progress. The recommendation will be considered implemented once the department provides: 1) Documentation or demonstrates that valve exercising and hydrant maintenance activities have been combined; 2) A copy of the agreements reached with the Municipal Employees Association detailing service responsibilities for 2” and smaller (performed by City Staff) and 4” and greater (typically new development projects) installations; and 3) a copy of a recent vendor contract with explicit instructions for what, when, and how to report hydrant issues that become apparent during the vendor-provided hydrant flow-testing process or documentation provided by the fire flow testing vendor to staff during the fire flow test with a list of hydrants that required maintenance work such as painting, hydrant cap or fastener replacement, reflector repair/replacement, and other maintenance tasks.
External Report on the Beverly Hills Police Department Patrol Vehicle Usage Review

The objectives for this performance audit were to determine if the Beverly Hills Police Department’s (BHPD) patrol vehicle fleet size is adequate to operational needs and if the City is acquiring patrol vehicles for the best price. The audit found that City acquisition costs for patrol vehicles was comparable to other jurisdictions, but made recommendations related to right-sizing BHPD’s fleet of patrol vehicles and strengthening information systems used in fleet management decision-making.

Finding 1: Management information systems are needed to track patrol vehicle status and usage.

**Recommendation 1:** To support appropriately right sizing of BHPD’s fleet of patrol vehicles the Police Chief should implement one of the three options. Options 1 and 2 consisted of forgoing the acquisition of additional patrol vehicles until more reliable and verifiable data was developed and changing current practices to meet vehicle fleet needs respectively. Option 3 consisted of relying on the current data and increasing BHPD’s fleet size by four patrol vehicles as the additional four patrol vehicles could reduce officer wait time, accommodate officers during “rain” days and court appointments, and fulfill deployment needs for special jobs as well as LA Metro support jobs.

**Implementation Status:** BHPD opted to implement Option 3. The recommendation is implemented. The Beverly Hills Police Department and Public Works provided documentation of four patrol vehicles purchased in September 2020. We will continue to monitor this recommendation as needed regarding the deployment and use of these additional vehicles.

Finding 2: Vehicle utilization shows need for additional patrol vehicles, but changes to fleet management practices may reduce needs.

**Recommendation 2:** The Police Chief should strengthen its information systems and documentation to allow for day-to-day fleet management decision-making. These information systems could include better vehicle tracking forms (daily availability by vehicle, vehicle out-of-service information, vehicle assignments, check-out and check-in times) and project/job coding of time spent by patrol officers assigned to patrol vehicles.

**Implementation Status:** The recommendation is in progress. According to the Beverly Hills Police Department (BHPD), in conjunction with the Department of Information Technology, BHPD has identified a software solution that will track most, if not all, of the recommended data points. BHPD anticipates software acquisition and implementation to be completed by January 1, 2022. The Office of the City Auditor will continue to work with BHPD to validate and monitor progress as the software acquisition and implementation date approaches.
Performance Audit of the Internal Controls Over the City’s Real Estate Portfolio and Property Management

The objectives for this audit included determining if the City had mechanisms in place for managing its asset portfolio and assessing whether there was potential uncollected revenue from late, missing, or unenforced escalation clauses. While we found that generally rent is escalated and assessed as required, we made recommendations to strengthen management oversight of the City’s real estate operations, increase transparency, better safeguard assets, and assess staff and resource capacity.

Finding 1: The City should strengthen internal controls associated with the management oversight of its real estate operations to better safeguard its assets.

**Recommendation 1:** In order to strengthen its oversight and management of commercial lease properties, the City Manager should designate a person that is accountable and responsible for the oversight and management of real estate operations. Duties should include, but not be limited to, conducting an analysis of the staff and resources necessary to implement the objectives identified in the Asset Management Plan (AMP).

**Implementation Status:** The recommendation is in progress. According to the department update, Policy & Management designated the Deputy City Manager to provide oversight of real estate operations. We requested documentation (e.g. internal memo, language in guiding docs, etc.) to verify that the assignment has been formalized in the organizational structure and/or internal policies and procedures. Upon receipt of satisfactory documentation, the recommendation will be considered implemented.

**Recommendation 2:** In order to strengthen its oversight and management of commercial lease properties, the City should develop an Asset Management Plan (AMP) that clearly articulates a strategic vision for the use of its properties. The AMP should include, at minimum, the following:

- Goals for commercial properties;
- Updated policies and procedures for asset management operations;
- A requirement to maintain full inventory of assets;
- A requirement for periodic review of inventory and progress towards established goals;
- An accounting of all properties, including revenue, function, and condition; and
- A requirement for an annual public presentation at City Council and/or relevant City Council committees.

**Implementation Status:** The recommendation is in progress. According to the department update, Policy & Management has started the process of developing an Asset Management Plan (AMP), which would include updating policies and procedures and providing guidance for maintaining an inventory of leased properties. The recommendation will be considered implemented once the AMP is finalized. The Office of the City Auditor will continue to work with Policy & Management to monitor progress.
Recommendation 3: The Policy and Management Department, in consultation with Finance and Public Works Departments, should continue its review of Administrative Regulations (ARs) and revise or develop guidance to ensure that the organizational structure and current staff roles and responsibilities align. The updates should also ensure that financial and inventory entry duties are appropriately divided.

Implementation Status: The recommendation is in progress. Real estate Management staff within Policy & Management have drafted the following six Administrative Regulations (ARs):

1. Real Property Control
2. Management of City-Owned Commercial Properties
3. Late Payment Policy
4. Real Property Acquisition
5. Real Property Disposition
6. Lease of Sites for Telecommunications Antennae

The recommendation will be considered implemented once the aforementioned ARs are finalized. The Office of the City Auditor will continue to work with Policy & Management to monitor progress.

Recommendation 4: In order to ensure that tenant maintenance is completed timely and is completed based on a specified level of service, the Policy and Management Department, in consultation with the Public Works Department, should establish baseline performance metrics. These metrics should be periodically reviewed and be included in the Asset Management Plan.

Implementation Status: The recommendation is in progress. According to the department update, the Public Works Department, in consultation with Policy & Management and review(s) by the Municipal Employees Association, is preparing a request for proposals to contract out facilities maintenance for leased properties. The recommendation will be considered implemented upon demonstration (e.g. finalized contract) that a mechanism is in place to ensure that tenant maintenance will be completed timely and in accordance with a specified level of service quality (based on explicitly stated performance metrics). The Office of the City Auditor will continue to work with Policy & Management to validate and monitor progress.
Finding 2: The City should strengthen internal controls related to commercial lease oversight, including standardizing late fee and maintenance terms and tracking maintenance expenditures.

**Recommendation 5:** To comply with lease provisions and to compel commercial lessees to pay timely, the Policy and Management Department, in consultation with the Finance Department, should develop standard lease late fee language for use in all lease negotiations. Specifically, they should compel lessees to pay timely by issuing invoices and collecting late fee payments, and at minimum, they should identify:

- A standard payment penalty, so that the percentage of rent paid, immediate amount paid, and/or interest payments due are the same for all leases. If it is determined that interest is part of the payment penalty, interest payment terms should be the same for all leases.
- The time stamp, specifying a date for when all rent payments are due and for when late fees begin to accrue, for example, after written notice, business or calendar days after due date, etc. The time stamp should be the same for all leases.
- The marker for when a payment is considered late; for example, if not postmarked or received by a specified date.
- Enforce late fee terms by issuing invoices for late fees and collecting late fee payments.

**Implementation Status:** This recommendation is in progress. According to the department update, the Real Estate Management Staff within Policy and Management and the Finance Department are coordinating to develop standard lease late fee language and a process for reviewing lessee late fee payment status. The parties have drafted an Administrative Regulation (AR) to detail late fee guidance, and according to the update submitted, as of April 2021, is testing late payments. The testing period is anticipated to conclude in Fall 2021. This recommendation will be considered implemented once guidance related to late fees has been finalized. The Office of the City Auditor will continue to review documentation to verify and monitor progress.

**Recommendation 6:** In order to improve the tracking and assessment of Common Area Maintenance (CAM), the City Manager, or his designee, should develop and implement a policy that describes its methodology for assessing CAM fees for use in all lease negotiations. Specifically, at minimum, the City should:

- Identify how CAM fees will be calculated, including specifying the information necessary for the review (e.g. maintenance expenditures, utilities, square footage, etc.).

**Implementation Status:** The recommendation is in progress. According to Policy and Management, guidance on Common Area Maintenance (CAM) charges is being drafted. Currently, the City’s CAM methodology is to estimate the CAM/Operating Expense recovery amount in lieu of a calculation based on actual costs. Additionally, according to the department update, standard language in City leases allows the City to change the calculation method at its sole and absolute discretion. This recommendation will be considered implemented once the guidance related to CAM calculations is finalized. The Office of the City Auditor will continue to work with Policy and Management to validate and monitor progress.
Recommendation 7: The Policy and Management Department and the Finance Department, in consultation with the City Attorney, should assess how the City will enable: 1) updated late fee terms; and 2) updated CAM assessment clauses. For example, discussing whether updates to lease terms will occur as leases terminate, for all new leases, or via amendments to all leases. The results of which should be communicated via written memo, directive, etc. to staff and City Council.

Implementation Status: This recommendation is in progress. This recommendation will be completed upon the successful implementation of Recommendation 5 (to develop standard lease late fee language) and Recommendation 6 (to develop and implement a methodology for Common Area Maintenance assessment). Implementation would include satisfactory demonstration that the finalized policies have been appropriately documented in real estate policies and procedures and communicated to relevant staff.

Recommendation 8: In order to improve its tracking of general maintenance at its commercial properties, the Public Works Department, in consultation with the Finance Department, should continue development of Infor to capture labor, time, and parts and materials costs. Periodic updates on progress, performed at least biannually, should be provided to City Council on progress.

Implementation Status: This recommendation is in progress. According to Policy and Management, Infor is currently capable of tracking labor time. Tracking the costs of materials and equipment requires activation of an additional module in Infor, anticipated for Fall 2021. Additionally, according to the department update, the City is preparing requests for proposals to seek a vendor that will manage maintenance tasks at the City’s commercial properties. The vendor will be required to track labor, material, and equipment through software compatible with Infor. This recommendation will be considered implemented upon satisfactory demonstration that a mechanism is in place to track labor, time, and parts/materials cost for maintenance completed at the City’s commercial properties. The Office of the City Auditor will continue to work with Policy and Management to validate and monitor progress.

Recommendation 9: In order to ensure that the City is not completing maintenance that should be the responsibility of the tenant, the Public Works Department should:

- Formalize written policies and procedures for reviewing maintenance requests, specifying roles and responsibilities of staff, determining when the City completes maintenance that is the tenant’s obligation, and formalizing a method for tenant billbacks when City completes maintenance under the tenant’s purview.
- Consult with the City Attorney and the Policy and Management Department regarding the standardization of maintenance clauses.

Implementation Status: This recommendation is in progress. According to the department update, the Public Works Department and Policy and Management are coordinating to develop a comprehensive list of maintenance responsibilities that define tenant and City responsibilities. Additionally, Public Works is in the process of formalizing policies and procedures that provide guidance on reviewing leases for tenant and City obligations and billbacks when the City completes work that is the responsibility of the tenant. This recommendation will be considered implemented upon satisfactory demonstration of guidance related to: 1) identifying maintenance
responsibilities of the tenant and the City; and 2) the City billing tenants for maintenance services that it completes but that is the responsibility of the tenant. The Office of the City Auditor will continue to review documentation to verify and monitor progress.

Finding 3: The City should strengthen its internal controls related to the reliability of the information it generates and disseminates for its real estate assets.

**Recommendation 10:** In order to improve the accuracy and completeness of its commercial lease inventory, the Policy and Management Department should update and or develop policies and procedures that, at minimum, include:
- A clear description of the staff responsible for updating the inventory.
- Guidance on the frequency of inventory review, which should occur, at minimum, on a yearly basis and as the status of properties change.
- Guidance that specifies the type of information that should be entered or tracked, including, at minimum, a unique ID, lease type, square footage, lease start and end dates, monthly rent, security deposit and line of credit information, property categorizations, and vacant spaces.
- Guidance that specifies how information should be entered into the property management system (e.g. the use of the effective, rent commencement, lease commencement, delivery dates, etc.) The Policy and Management Department should work in consultation with the Public Works Department to ensure that information such as the address, is consistent across Yardi and Infor.

**Implementation Status:** This recommendation is in progress. The Policy and Management Department has identified a Management Analyst as the staff person responsible for updating real estate inventory in Yardi. According to the department update, it has drafted internal guidance for entering information in Yardi. Additionally, Policy and Management reports that it still relies on previously available documentation to record the area of tenant spaces but, that as spaces turnover, the City will measure spaces, draft a floor plan, and store records in the building file. This recommendation will be considered implemented once guidance related to data input in Yardi is finalized and satisfactory documentation on the process for measuring spaces is received. The Office of the City Auditor will continue to review documentation to verify and monitor progress.

**Recommendation 11:** In order to improve the accuracy and completeness of its commercial lease inventory, the Policy and Management Department should review and update its existing inventory on the scheduling frequency determined per Recommendation 10.

**Implementation Status:** This recommendation is in progress. According to the department update, the Real Estate Management staff within Policy and Management established the period for reviewing inventory data in Yardi as within 30 days of the start of the fiscal year. As of the review for this recommendation follow-up cycle, the review period has not yet arrived. This recommendation will be completed upon satisfactory demonstration of completing the annual review prior to Fiscal Year 2021/22 and documentation of the practice in relevant real estate guidance. The Office of the City Auditor will continue to review documentation to verify and monitor progress.
Recommendation 12: In order to ensure that Yardi is configured to accurately report vacant properties, the Policy and Management Department should provide updates on its progress towards reconfiguring the system to City Council and applicable Council Committees. Updates should include an anticipated timeline for completion.

Implementation Status: This recommendation is implemented. The Real Estate Management staff within Policy and Management has met the intent of the recommendation by developing a tracking sheet to capture vacant properties. The tracking sheet is modified based on acquisition or disposition of properties.

Recommendation 13: In order to ensure that the City has all security deposits/line of credit information recorded in Yardi, the Policy and Management and Finance Departments should review the eight leases that were identified as not having the aforementioned information in Yardi as was cited in lease documents. Additionally, the City should collect and/or negotiate payments and update Yardi to reflect agreed upon terms and/or the amount collected.

Implementation Status: This recommendation is in progress. Based on our review, we confirmed that that the City received the outstanding security deposit of $22,040 from Participant Media in November 2020. To deem this recommendation fully implemented, we need to verify that the remaining eight leases identified as not having security deposit/line of credit information recorded in Yardi has been updated. Upon receipt of satisfactory documentation, the recommendation will be considered implemented.