



CITY HALL • ONE FRANK H. OGAWA PLAZA, 4TH FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Auditor
Courtney A. Ruby, CPA, CFE
City Auditor

(510) 238-3378
FAX (510) 238-7640
TDD (510) 238-3254
www.oaklandauditor.com

December 19, 2013

OFFICE OF THE MAYOR
HONORABLE CITY COUNCIL
CITY ADMINISTRATOR
CITIZENS OF OAKLAND
OAKLAND, CALIFORNIA

**RE: AUDIT RECOMMENDATION FOLLOW-UP REPORT FOR THE PUBLIC WORKS
AGENCY – ILLEGAL DUMPING ABATEMENT PROGRAM ACCOUNTS
RECEIVABLES PERFORMANCE AUDIT**

Dear Mayor Quan, President Kernighan, Members of the City Council, City Administrator Santana, and Oakland Citizens:

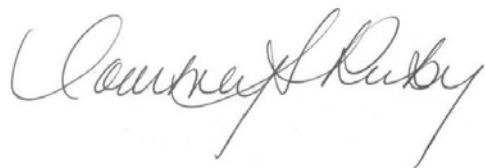
The Office of the City Auditor (Office) is required to report the status of its audit recommendations to the City Council (Council). In December 2010 the Office released the Public Works Agency - Illegal Dumping Abatement Program (PWA - IDAP) Accounts Receivables Performance Audit.

The audit contained seven recommendations. The Office's follow-up found that all (100%) of the recommendations are closed or no longer applicable. In July 2011, PWA - IDAP was eliminated as a result of the audit. Given this outcome, five of the recommendations are no longer applicable. The Office found that the remaining two recommendations have been addressed by the City Administration and are closed.

Audits are an objective assessment of whether or not public resources are responsibly and effectively managed to achieve intended results. The impact of an audit's recommendations is achieved when the City Administration ensures prompt and proper implementation, increased accountability, and proper safeguarding of City assets. Therefore, it is critical that the City Administration act upon its responsibility to Oakland residents through timely implementation of audit recommendations.

It is only when the City's leadership prioritizes the timely implementation of audit recommendations that the City delivers on our promise to the public - to serve as effective stewards of the City's assets and continue to be deserving of the public's trust. I want to express our appreciation to the City Controller, the Director of Public Works, and staff for their cooperation and commitment to addressing the concerns highlighted in the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Courtney A. Ruby". The signature is written in black ink and is positioned above the printed name.

COURTNEY A. RUBY, CPA, CFE
City Auditor

RECOMMENDATION STATUS SUMMARY

PUBLIC WORKS AGENCY – ILLEGAL DUMPING ABATEMENT PROGRAM ACCOUNTS RECEIVABLES PERFORMANCE AUDIT

OVERVIEW

The Office of the City Auditor (Office) follows up on the recommendations of all audits to determine if they have been implemented by the Office of the City Administrator (Administration) or City Council (Council). Recommendation follow-ups increase accountability and ensure improvements identified by the audits are addressed.

Summary of Process

The purpose of the follow-up process is to assess the implementation status of audit recommendations and when supported, close the recommendations. The Office reviews supporting documentation submitted, conducts interviews and when applicable performs on-site visits. The table below shows the three implementation status categories for recommendations.

Open	The recommendation has not been addressed or implemented.
Partially Closed	The recommendation has been partially addressed and implemented; however, part of the recommendation remains open. Further work is needed to close the recommendation.
Closed	The recommendation has been fully addressed and implemented.

Audit Overview

In December 2010, the Office released the Public Works Agency – Illegal Dumping Abatement Program Accounts Receivables Performance Audit.

The objectives of the audit were to:

- Assess whether or not the Public Works Agency – Illegal Dumping Abatement Program (PWA – IDAP) accounts receivable system has adequate internal controls
- Identify payments for accounts receivables due to the City that have not been collected or are at risk of not being collected

Key findings from the audit are:

- For calendar years (CY) 2006-2009, PWA staff billed \$851,535 but only collected \$90,058 (11 percent collection rate)
- The collection process for IDAP accounts receivables was particularly demanding of City resources, including requiring further efforts by the City's centralized accounts receivables and collection units, failing to result in an adequate return on investment
- Deficiencies identified in internal controls included:
 - Lack of comprehensive policies and procedures for collecting IDAP accounts receivables prior to 2008
 - PWA staff did not consistently send initial illegal dumping invoices in a timely manner
 - PWA Management did not maintain guidelines on how to detect and report fraud to Management in the event that it occurs

- Sufficient documentation to pursue collection efforts was not always maintained and PWA Management could not provide documentation supporting that an allowance for doubtful accounts was established and uncollectible accounts receivable for illegal dumping remain on the City's books

In response to these findings, the audit provided seven recommendations to the Administration, PWA Management, and Finance and Management Agency (FMA) Management.

Summary of Results

The December 2010 PWA-IDAP Accounts Receivables Performance Audit contained seven recommendations. The Office's recommendation follow-up process found that all (100%) of the recommendations are closed or no longer applicable.

In July 2011, PWA – IDAP was eliminated as a result of the audit. Given this outcome, the Office considers the recommendations that pertained to PWA – IDAP's operations (recommendations 2, 3, 4, 5, and 7) no longer applicable. However, recommendations 1 and 6 address general management practices and are relevant to current City operations. The status of these recommendations is further discussed in the table below.

Implementation Status of Recommendations

#	RECOMMENDATION	STATUS	EXPLANATION/FOLLOW-UP
1	Evaluate the effectiveness of its multi-pronged approach to deterring illegal dumping, including community outreach, investigation, and enforcement. Its evaluation should consider cost effective alternatives and other distinctive ways to identify violators and deter illegal dumping, such as options discussed and recommended in the April 2009 PWA Performance Audit.	Closed	This recommendation is considered closed because PWA evaluated the effectiveness of its illegal dumping efforts as recommended and, as a result, in July 2011, PWA-IDAP was eliminated. According to PWA, its efforts regarding illegal dumping are mostly limited to responding to reported dumping, due to limited resources.
6	Allocate the needed resources to implement the recommendations from the April 2009 PWA Performance Audit as it pertains to illegal dumping or viable alternatives to achieve the same results.	Closed	This recommendation is considered closed. On March 5, 2012, PWA submitted an evaluation of its illegal dumping efforts to the Public Works Committee, including a review of fencing, bulky pick-up, amnesty days, forensic investigations, citizen declarations, surveillance cameras, stakeouts, public outreach, signage, online reporting, state task force, and a pilot mattress program. PWA noted that many of these efforts were eliminated in 2012 due to the lack of resources, the lack of effectiveness of the approach, or the expiration of the settlement agreements driving the effort. However, PWA's proposed fiscal year 2013-15 budget allotted for three additional staff dedicated to illegal dumping removal.

Current City Efforts Regarding Illegal Dumping

Given the significant illegal dumping issues in the City, efforts to address citizens' and Council's concerns have been implemented.

PWA has:

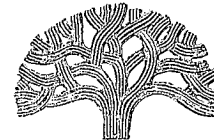
- Supported "Adopt A Spot" community volunteers.
- Implemented Solid Waste and Recycling Franchise Services and the Zero Waste Services Contract to assist residents in properly disposing of bulky items to prevent illegal dumping.

The City Attorney's Office has:

- Launched an enforcement program against individuals responsible for illegal dumping.
- Drafted the illegal dumping ordinance that was passed in October 2013, which includes defining what constitutes illegal dumping and sets administrative, civil, and criminal penalties.

FILED
CITY AUDITOR'S OFFICE

CITY OF OAKLAND



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CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator
Deanna J. Santana
City Administrator

(510) 238-3302
FAX (510) 238-2223
TDD (510) 238-2007

December 6, 2013

The Honorable Courtney Ruby
Oakland City Auditor
1 Frank Ogawa Plaza, 4th Floor
Oakland, California 94612

RE: PWA-IDAP Accounts Receivables Audit Recommendation Follow-up

Dear City Auditor Ruby:

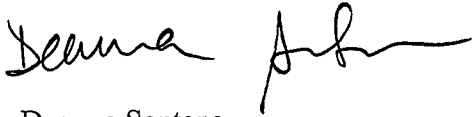
This letter is a response to the "PWA-IDAP Accounts Receivables Audit Recommendation Follow-Up", dated November 27, 2013. The City Administrator's Office responded to the PWA-IDAP Audit on October 27, 2010 with detailed comments regarding key findings and recommendations.

In summary, the 2010 PWA-IDAP Accounts Receivables Performance Audit contained seven recommendations. The Auditor's Office recommendation follow-up process found that all of the recommendations are either closed or no longer applicable. Specifically, the PWA-IDAP was eliminated in July 2011. In light of this development, the audit recommendations pertaining to PWA-IDAP operations (recommendations 2, 3, 4, 5 and 7) are no longer applicable. The remaining recommendations 1 and 6, which pertain to the general management practices, have been closed.

Despite the elimination of PWA-IDAP, the City continues focusing its efforts on addressing the critical issue of illegal dumping. Fiscal Year 2013-15 Budget included the addition of three staff dedicated to illegal dumping removal. PWA has also supported "Adopt a Spot" community volunteers and implemented Solid Waste and Recycling Franchise Services, as well as the Zero Waste Services contract, to assist residents in properly disposing of bulky items to prevent illegal dumping. Additionally, the City Attorney's Office has launched an enforcement program against individuals responsible for illegal dumping and drafted the illegal dumping ordinance that was passed in October 2013. The ordinance includes the definition of illegal dumping and sets administrative, civil, and criminal penalties.

In conclusion, the City Administration is in agreement with the "PWA-IDAP Accounts Receivables Audit Recommendation Follow-Up" and is looking forward to working with the City Auditor's Office to close this audit.

Sincerely,



Deanna Santana
City Administrator

c: Osborn Solitei, Controller
Brooke A. Levin, Interim Director Public Works

Attachment: Confidential Draft Report on the PWA-IDAP Accounts Receivables Audit Recommendation Follow-up