



**OFFICE OF THE CITY AUDITOR  
Audit Report**

Stockton City Council

**Mayor**

Edward Chavez

**Vice-Mayor**

Gary S. Giovanetti

**Council Members**

Steve Bestolarides

Leslie Baranco Martin

Dan Chapman

Clem Lee

Rebecca Nabors

**OFFICE OF THE CITY CLERK**

**April 2005**



**Stockton, California**

**City Auditor**

F. Michael Taylor



# CITY OF STOCKTON

CITY AUDITOR \* 22 E. Weber Avenue \* Stockton, CA \* 209/937-8916

April 15, 2005

Stockton City Council

## **Audit Summary- Office of the City Clerk**

In accordance with our 2004-05 audit plan, we have completed an audit of the Office of the City Clerk (Office). We conducted our audit in accordance with Generally Accepted Government Auditing Standards.

Our primary objective was to evaluate significant processes of the Office. We wanted to determine whether Office processes over functions designated by the City Charter and Stockton Municipal Code were adequate. At the request of the City Clerk, we reviewed additional areas such as use of technology, records retention and how external forces, such as laws, regulations and other City departments, affect the efficiency and effectiveness of City Clerk functions.

During the course of the audit, we offered recommendations to improve the effectiveness of the Office and its processes. Several recommendations focused on improving policies and procedures related to records retention particularly of contracts and electronic records. Other recommendations focused on controls over compliance with Fair Political Practices Act disclosures, safety of record storage areas and storing of records beyond the record retention period.

The Noteworthy Accomplishments section of our report commends the Office for their proactive involvement in implementation of the City's records retention program and progress toward better utilization of available information technology and expertise.

We would like to take the opportunity to thank the City Clerk's Office, City Manager, City Attorney and Administrative Services for their cooperation and efforts during the course of the audit.

F. MICHAEL TAYLOR, CIA  
CITY AUDITOR

FRANK DEMATTOS, CPA, CIA  
SENIOR DEPUTY CITY AUDITOR

cc: Mark Lewis, Esq, City Manager  
Ren Nosky, City Attorney  
Katherine Gong Meissner, City Clerk  
Department Heads  
Connie Cochran, Public Information Officer  
Macias, Gini and Company  
The Record

**TABLE OF CONTENTS**  
**Office of the City Clerk**

---

	<b>Page</b>
<b>Audit Summary</b>	
<b>Audit Report</b>	
Background .....	1
Objectives and Scope .....	2
Methodology .....	3
Results .....	3
Noteworthy Accomplishments .....	7

# **AUDIT REPORT**

## **OFFICE OF THE CITY CLERK**

We have completed an audit of the Office of the City Clerk as part of the 2004-05 audit plan. Our audit was performed in accordance with Generally Accepted Government Auditing Standards.

## **BACKGROUND**

---

The Office of the City Clerk (Office) is given its primary authority and responsibilities under Section 1400 of the Stockton City Charter (Charter). Other duties of the Office are mandated by Federal, State and Local laws and regulations as well as the Charter and City of Stockton Municipal Code (Code). In order to meet the above responsibilities, the Office is divided into three divisions: Operations, Elections and Records.

The Operations Division is responsible for providing support to the City Council, Redevelopment Agency, and Civil Service Commission as prescribed by the Charter and Code. The Operations Division performs duties such as receiving bid notices, preparing meeting minutes, preserving resolutions, codifying ordinances, handling public contact, and maintaining the Office web pages on the City of Stockton's Internet site.

The Office's Elections Division is responsible for administering City elections. The Elections Division also monitors compliance with California State Fair Political Practices Commission requirements. Designated City employees, elected officials and appointed members of boards and commissions must file economic interest statements on an annual basis. The Office is assigned enforcement responsibilities and has the power to levy fines under the California Elections Code for non-compliance with filing requirements.

The Records Division is responsible for preservation and protection of public records. In this capacity, the Office receives, indexes, classifies, and files records applicable to the actions of the City Council, Redevelopment Agency, Civil Service Commission and other Boards and Commissions designated by the City Council. The Records Division performs research and coordinates with other City departments to retrieve records for the public and city staff, as requested. The Records Division helps develop and implement records retention policies in accordance with applicable legal statutes and good record management principles, both within the Office and City-wide.

The Office has responsibilities related to records of other City departments only if they are transferred into their custody. City departments find it necessary to keep certain records on site, for operational reasons and it is not feasible to give custody of those records to the Office. When City departments no longer need to keep records on site but must retain records for legal or operational reasons, the Office arranges storage for

the above records. The Office also arranges for destruction of records once required retention periods have passed.

Retention of records involving Council actions is the responsibility of the Office. To meet this responsibility, the Office works closely with other City departments to obtain documents that involve Council actions, but have been originally created by City Departments. The status of certain Council actions such as contract agreements are reviewed periodically to determine if they are still in force and monitored by the appropriate department. Notification and response from City departments is crucial to keeping updated records on Council actions.

In past years, the Office has identified records management and development of records retention policies as one of its top priorities due to the City's lack of formalized policies and procedures and the importance of records management to the City. The Office retained a consultant with expertise in municipal records management and records retention policies to assist in developing policies for the City. The consultant completed their work and the new records retention schedule was approved on December 3, 2002 by City Council.

## **OBJECTIVES AND SCOPE**

---

The objective of our work was to evaluate the system of internal controls related to the main functions of the Office. We worked to determine whether the processes in place were adequate to ensure that statutory requirements were met, that City assets were safeguarded, and that operations were efficient. Where control weaknesses were noted, we communicated our recommendations for improvements.

Based on our understanding of the Office, the scope of the audit focused on the following areas:

- The adequacy of City-wide policies and procedures related to records management practices, safeguarding, and compliance with applicable laws and regulations,
- The condition of City records storage locations,
- The handling of bid notices for compliance with Code requirements,
- Accurate and timely updates to Charter and Code as a result of elections and Council actions,
- Compliance with Fair Political Practices Commission (FPPC) filing requirements, and
- The interrelationship between the duties of the Office and actions of other City departments.

As previously noted, during the course of our work, the Office was coordinating a City-wide effort to develop records retention and records management policies and procedures with the assistance of a contracted consultant. We delayed the completion

of our work to include the resulting records retention manual and records retention schedule approved by the City Council.

## **METHODOLOGY**

---

Our audit was performed using the standard office methodology of documenting and evaluating internal controls. We conducted a preliminary survey and documented our understanding of the purpose, objective and essential functions of the Office. We also conducted a risk assessment to identify weaknesses that could result in potential liability to the City, inefficient use of resources, and the prevention of management from achieving its objectives. We observed daily operations, and reviewed records of activities to evaluate controls and ascertain the reliability of data.

Based on our work, we made recommendations for operational improvements. In cases where the authority to implement improvements were beyond the Office control, we communicated those recommendations to the City Manager's Office.

## **RESULTS**

---

Our audit concluded that the Office adequately meets its responsibilities in the following areas:

- The Office maintains records of Council actions in accordance with the Charter.
- Systems that monitor the status of records kept for other departments by the Office are adequate.
- The Office is able to fulfill requests for information from the public in a manner compliant with the California Government Code.
- Practices related to bid notices are conducted in accordance with the Code.
- The Office has accurately updated records on the Charter and Code in a timely manner.

We have identified areas where opportunities exist to improve upon the operations of the Office. Our findings were communicated to the City Clerk. Some findings were communicated to the City Manager's Office because we determined the City Manager had the authority to take corrective action on those particular issues. The findings and management corrective actions plans are as follows:

### **Finding #1-City departments are not responding to tickler reports in a timely manner.**

The Office is the custodian of records for the City. An example of the types of records that need to be deposited with the Office is contracts that have been approved by City Council. Contracts will be used as an example in this illustration. To be effective, the

Office must rely on other City departments for access to documentation and notification of changes in contract status. When a contract is approved, the Office assigns the contract number and enters select information into a computer tracking database. On a quarterly basis, the Office sends a report to City departments requesting custody of the original contract and/or any status updates.

Although the process of getting a contract and other records that should be filed with the Office has been improved through the use of transmittal forms, there is still difficulty in receiving information regarding the approved contract, and matching amendments from contracts to the corresponding contract numbers. Generally, the Departments are getting the required information to the Office. However, there were occasions where requests from the Office for contract information and documents are ignored and those responsible are not held accountable. Coordination of effort and lack of communication among City departments affect the Office's effectiveness in the record keeping of Council actions related to contracts.

We noted that the Office was having difficulty in assigning the correct retention review date and status in some cases. The most common reason was non-responses from the City department to the quarterly report sent out by the Office. In one instance, a contract shown as expired on the Office database because the department had not responded to the Office quarterly report. It was determined later that the contract listed as expired was actually renewed without Council approval. In another instance, a non-response to the quarterly report from the department resulted in income from a franchise agreement not being collected in a timely manner. Both of the above cases demonstrate the financial risk to the City of lost income and non-authorized expenditures.

**Management Action Plan:**

City department heads will be trained on the importance of responding to contract ticklers and their accountability for releasing contracts to the Office and notifying the Office of the status of contracts that have expired. Items not yet received or have yet to receive an adequate response will continue to appear on subsequent ticklers. City Clerk to provide report directly to Department Head on an as needed basis for those items that are chronically late.

**Target Date:** June 30, 2005

**Finding #2-Non-compliance with Statements of Economic Interest filing requirements.**

Many City employees are in positions of importance, have access to confidential information and make decisions and judgments regarding City business. The State of California Fair Political Practices Commission filing requirements are for employees that

are new, current or terminating their designated positions and are intended to disclose situations that may indicate a conflict of interest.

Our audit reviewed City employees and officials compliance with the FPPC requirements. We noted instances of non-compliance with FPPC statement of economic interest filings. The occurrences happened most frequently upon termination of employment. Other instances of non-compliance occurred because of lack of awareness that an employee's position came under FPPC filing requirements. The Office was aware of this issue and was exploring ways to get more cooperation from departments and methods of better enforcement.

**Management Action Plan:**

The Office has asked the City's Human Resources Department to notify the Office of hiring, terminations and employee status changes. The Office will evaluate personnel status changes and determine from employee class specification titles if FPPC economic interest statement filings are required. The filing of economic interest statements for new class specifications will be determined by the respective Department and the City Attorney. The receiving of status changes from the Human Resources Department will allow the Office to notify filers of their requirements sooner and to assure better compliance.

**Target Date:** June 1, 2005

**Finding #3-Lack of formal policies and procedures for the retention of electronic records.**

The City Council has adopted a records retention and management policy City-wide. The policy addresses issues related to both manual and electronic records. Although the policy addresses electronic records retention, further guidance is needed for proper management and retention of electronic records. Examples of some significant issues which need to be addressed include:

- The City's records retention policies cannot be applied to records stored in the City's current electronic document management system because of the system's shortcomings relative to assignment of retention and the creation of a disposition listing of records that are due for destruction
- The City's records are at risk because the Office is unable to apply records policies and procedures to its electronic records due to the current electronic document management system's lack of reliability for use in retrieving records.
- Computer records often have a paper copy kept. It is uncertain whether the records retention schedule is consistently applied to both paper and computer form.
- The City's records retention period in many cases is longer than two years and varies in accordance with government law and each department's records

retention needs based on document type. City software products are not be capable of automatically handling the diverse records retention requirements.

- Departments throughout the City have different naming conventions and store files in various software products. The lack of uniformity as to how City records are stored may lead to inability to or difficulty in locating records when needed.
- Software and other computer systems may store information for long periods of time. If a computer software system becomes obsolete, the migration of data from one medium to another must be part of the implementation process. Without migration, public records are at risk if multiple, antiquated systems are maintained.

### ***Management Action Plan***

On December 14, 2004, City Council Resolution 04-0803 was adopted authorizing the City to enter into a contract with THIRDWAVE CORPORATION to provide enterprise document management consulting services in the amount of \$95,165 to evaluate its stand-alone document and records management systems and to make recommendations for an Electronic Document Management System. The consulting services will include recommendations regarding the City's current electronic document management system, the management of electronic records to include an imaging solution and suggestions of policies and procedures for the City to adopt. It will take sometime for the study to be done, recommendations to be drafted and decisions to be made regarding policies and procedures to be implemented.

**Target Date:** December 31, 2006

### **Finding #4- Manual records are not stored in physically secure locations.**

The Office takes possession of some records when the department of record no longer needs them to be held on site. Our observation of record storage facilities at City Hall indicated storage areas may not be adequate in assuring safety and security of City records. The attic at City Hall where some records are stored, including those of a confidential nature, is not equipped with fire protective devices such as fire alarms or sprinkler systems. There are no temperature controls in the attic to keep records housed at a temperature or climate conducive to keeping records in good condition.

The Office vault is also not equipped with fire protective equipment. City documents such as contracts, minutes and archival information are housed in the Office vault. The risk of important City records being lost due to lack of protective equipment in storage areas is significant.

There are also safety hazards within storage areas of the attic. To access the attic in City Hall one must traverse stairs that are narrow and steep and are further limited by cleaning supplies near the entrance.

**Management Action Plan:**

The City Manager's Office will draft a memo to all City departments who have records in the attic. The memorandum will mandate that records be inventoried and retained in accordance with the City's records retention schedule by August 31, 2005. Records retained by the City will be transferred to the City's vendor providing records storage services.

The City will explore alternatives to protect records stored in the City Clerk's Office vault. The various alternatives will be investigated during the City budget process and determination of devices and/or materials to be procured will be made.

**Target Date:** December 31, 2006

**Finding #5-Retention of records beyond established records retention period.**

In our observation and review of records storage, we noted documents that were several years old and may have been kept in excess of the established retention periods. We also reviewed and observed records outside our sample at various storage sites. In some cases, we observed records in excess of 70-80 years old. Many records appear to have exceeded their useful life and the cost benefits and risks to the City in retaining the above records needs to be assessed.

**Management's Action Plan:**

The City Manager's Office will draft a memo to all City departments who may have old and outdated records at various sites that may no longer serve any legal, operational or enduring purpose. The memorandum will mandate that records be inventoried and retained in accordance with the City's records retention schedule. Because the above records involve more analysis in order to determine records status, it may take a period of time to properly evaluate each records status in accordance with the records retention schedule and handle records appropriately.

**Target Date:** December 31, 2005

## **NOTEWORTHY ACCOMPLISHMENTS**

---

The Office encouraged the City to develop a records retention policy for all City Office's and departments. These efforts have resulted in the procurement of a records management consultant to assist in the development of the records retention schedule for the entire City. The consultant provided suggestions regarding City-wide training on records management and recommendations to the various departments on improvement of the record management system.

Further, the Office has documented the shortcomings of the City's current electronic document management system, which has resulted in the retention of a consultant who will provide enterprise document management consulting services to evaluate its stand-alone document and records management systems and to make recommendations for an Electronic Document Management system. The consulting services will include recommendations regarding the City's current electronic document management system, the management of electronic records to include an imaging solution and suggestions of policies and procedures for the City to adopt.

The Office works with a wide variety of computer software systems during the course of their duties. The City Clerk has retained an employee on staff with advanced knowledge of computer applications to utilize available technology in an effective way. As a result, the Office has been able to create and update information on the Office web page located on the City of Stockton website. The Office recently acquired technology that allows City Council meetings to be shown on video on the City's website as well.

## **CITY AUDITOR MISSION STATEMENT**

The Office of the City Auditor independently promotes ethical, efficient and effective governance for the citizens of Stockton. We provide the City Council, management, and employees with objective analyses, appraisals, and recommendations for improvements to City systems and activities. The department maintains independence and objectivity by reporting directly to the City Council and by not exercising direct authority over any department, system or activity subject to audit.

