City of SACRAMENTO
Office of the City Auditor

POLICIES AND PROCEDURES MANUAL

As of December 31, 2024

Table of Contents

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 2

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 3

SECTION 1: THE OFFICE OF THE CITY AUDITOR

I.   Introduction

The purpose of this manual is to provide a description of the duties and responsibilities of the Office of the City Auditor (Office), and to establish internal policies and procedures for the Office. This manual is a reference and guide for Office staff. In addition, it ensures that the Office of the City Auditor conducts its work in accordance with professional standards.

The City Auditor and staff will review the contents of this manual annually to ensure it is timely and complete. All staff will have access to this manual.

This manual reflects the July 2018 version of the *Generally Accepted Government Auditing Standards* (GAGAS) published by the Comptroller General of the United States.

II.   Mission and Philosophy

Mission
To provide a catalyst for improvements of municipal operations and promote a credible, efficient, effective, equitable, fair, focused, transparent, and fully accountable City Government.

Vision
To improve City services by providing independent, objective, and reliable information regarding the City's ability to meet its goals and objectives and establish an adequate system of internal controls, root out improper governmental activities (i.e., fraud, waste, or abuse), and address racial, gender, and ethnic inequities.

Philosophy
The audit function is an essential element of the City of Sacramento's public accountability. The Office of the City Auditor's work depends on the following three standards:

Independence
The Office of the City Auditor must be independent in fact and appearance, and free from personal, external, and organizational impairments. Independence enhances the Office's credibility with the public and is critical to ensuring findings, opinions, conclusions, judgments, and recommendations are impartial.

Objectivity

The Office of the City Auditor conducts all projects objectively, factually, and without preconceived ideas, notions, biases, or vested interests regarding the subject. Additionally, the Office bases all conclusions and recommendations on a full review of relevant information and on open-minded consideration of opposing points of view.

Technical Accuracy

The Office of the City Auditor utilizes strict quality assurance programs to ensure staff exercise due professional care, adequately plan projects, and prepare workpapers that contain sufficient and compelling evidence to support any statements of fact in its reports.

III.   Authority and Responsibilities

City Code Section 2.18.010 Office of the city auditor: "**A.** The purposes of the city auditor's office are to independently assess and report on city operations and services, assist the council in the conduct of budgetary inquiries, assist the council in the making of budgetary decisions, and to discharge other duties as prescribed by law or council resolution. **B.** The city auditor shall have such staff and budget as the city council may prescribe. **C.** The city auditor shall appoint all other members of the city auditor's office. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)"

City Code Section 2.18.030 Work plan and standards: "**A.** By April 15th each year, the city auditor shall submit an annual work plan to the city council for approval. The annual work plan may be amended during the year with the approval of the city council. The council may, by resolution, authorize a committee, charter officer, or an individual councilmember with respect to the councilmember's own office, to request additional work. **B.** Audits shall be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the Comptroller General of the United States of America or as otherwise prescribed by council resolution. **C.** The city auditor's office shall be subject to a peer review in accordance with applicable government auditing standards at least once every three years. A copy of the written report of this review shall be furnished to the city council. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)"

City Code Section 2.18.050 Duties of the city auditor: "**A**. The city auditor shall conduct audits of city departments, offices, boards, commissions, and committees as directed by the council. Audits may be conducted for the following purposes: **1.** Determining if city activities and programs have been authorized by applicable law or regulation, and are being conducted in compliance with applicable laws and regulations; **2**. Evaluating if a department, office, board, commission, or committee is acquiring, managing, protecting, and using its resources economically, efficiently, equitably, and effectively;

3. Determining whether city programs, activities, functions, or policies are effective, including identification of any causes of inefficiencies or uneconomical practices; **4.** Evaluating whether financial and other reports fairly, accurately, and fully disclose all information required by law, and determining whether there are appropriate bases for evaluating programs and activities, including the collection of, accounting for, and depositing of revenues and other resources; and **5.** Determining if city departments and offices have established adequate operating and administrative procedures and practices, and internal control systems. **B.** The city auditor shall manage the city's whistleblower hotline and determine if allegations of fraud, waste, abuse, or illegal acts need further investigation. **C.** As directed by the city council, the city auditor shall assist the council's budgetary inquiries and budgetary decisions by: **1.** Gathering, organizing, and analyzing data and information relative to budgetary issues; **2.** Providing comparative studies of other cities; **3.** Analyzing the city's past, current, and proposed revenues and expenditures; **4.** Reviewing existing and potential tax revenues; **5.** Analyzing federal, state, and local programs to determine sources of funding and appropriate expenditure options; **6.** Reviewing the economic and fiscal effects of proposed legislation; **7.** Constructing economic models and indices; **8.** Preparing fiscal and economic analysis of city projects; **9.** Providing policy research and fiscal analysis on proposed legislation; and **10.** Preparing other reports relating to budgetary, economic, fiscal, and legislative policy concerns. **D.** The city auditor shall make recommendations to the city council in connection with the city auditor's audits, investigations, analyses, studies, and reports. **E.** If an individual councilmember has requested an audit of that councilmember's own office, the city auditor shall retain an independent outside auditor to conduct the audit. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)"

City Code Section 2.18.060 Access to information: "**A.** City departments, offices, and employees shall provide the city auditor access to all sources of information, property, and personnel relevant to the performance of an audit, unless restricted or prohibited by law. This section shall not apply to the office of any elected official, unless that elected official requested the audit of that official's own office. **B.** If a city contract so provides, the city auditor shall have access to the contracting party's employees, financial records, performance-related records, property, and equipment related to the services or goods provided under the contract. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)"

City Code Section 2.18.070 Non-interference with city auditor: "No person shall directly or indirectly coerce or attempt to coerce the city auditor relative to the city auditor's examinations, audits, or the appointment or removal of any employee by the city auditor. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)"

Establishment of the Whistleblower Hotline: In March 2012, City Council directed the Office of the City Auditor to implement a Whistleblower Hotline in order to receive and investigate allegations (also referred to as complaints) of possible City-related fraud,

waste, and abuse, including abuse of authority.

Appointment as the Independent Budget Analyst: In March 2018, City Council appointed City Auditor Jorge Oseguera as the Interim Independent Budget Analyst while also continuing to serve as the City Auditor. (Resolution 2018-0108)

Sacramento City Government Accountability and Efficiency Act (Measure K), passed by Sacramento City voters in November 2018, establishes the Office of the City Auditor as a charter office and incorporates the Independent Budget Analyst responsibilities under the Office of the City Auditor. In 2019, the Independent Budget Analyst Division was renamed the Research and Analysis Division (RAD).

IV.   <u>Audit Services</u>

Performance Audits

The Office of the City Auditor conducts Performance Audits in accordance with *Generally Accepted Government Audit Standards* (GAGAS). Office staff examine, review, analyze, or perform other procedures on a broad range of subjects such as internal controls, the reliability of performance measures, and compliance with requirements of specified laws, regulations, rules, policies, procedures, contracts, or grants.

Performance Audits include: (1) an Economy and Efficiency Review; and (2) a Program Review. An Economy and Efficiency Review determines if the audited entity has acquired its resources for the best possible price and used those acquired resources efficiently. A Program Review, on the other hand, determines whether the audited entity has achieved its goals and objectives and provided services to its program recipients effectively.

Government programs provide a broad and variable spectrum of public services. As a result, Performance Audit objectives must be designed to address the unique characteristics of each program subject to audit. In their broadest context, audit objectives might include assessments of a program's effectiveness, efficiency, economy, compliance, data reliability, policies, procedures, prospective evaluations, or risk assessment.

Investigative Audits

The City Auditor's Whistleblower Hotline promotes good government by providing City employees and members of the public with a way to report allegations of fraud, waste, and abuse, including abuse of authority. City staff or members of the public may submit allegations by calling the Whistleblower Hotline's toll-free number 1-888-245-8859 or online at www.cityofsacramento.ethicspoint.com. Individuals may also submit

whistleblower reports directly to any staff member in the Office of the City Auditor in person, over the phone, by voicemail, by e-mail, or by mail. Individuals who provide whistleblower information will have their identity kept confidential to the extent permitted by law unless the individual waives confidentiality in writing. Allegations are handled pursuant to *Section 4* of this manual: *Whistleblower Program Procedures.*

V.   <u>Non-Audit Services</u>

The Office of the City Auditor may perform the following non-audit services, provided they do not impair the Office's independence:

- Prepare reports related to budgetary and legislative policy concerns, which could include analysis of data and information relative to budgetary matters, fiscal forecasting and planning, and analysis of the City's past, current, and proposed revenues and expenditures.

- Conduct surveys of community members or City employees and analyze the results.

- Participate in committees, task forces, or focus groups as an expert in a purely advisory and non-voting capacity to advise management on issues based on staff's knowledge or to address urgent problems.

- Provide management with tools or methodologies such as benchmarking studies and internal control assessment methods.

- Provide targeted and limited technical advice to management to assist in activities such as answering technical questions, providing training, implementing recommendations, implementing internal controls, and providing information on good business practices.

All requests for non-audit services must be approved by the City Auditor. The City Auditor will evaluate the impact on independence of any previously performed non-audit services before accepting prospective engagements. If the City Auditor concludes that performing the requested non-audit service would impair the Office's independence, they will notify the requestor and decline to perform the work.

Before Office staff agree to provide non-audit services to an audited entity, staff should determine whether providing such a service, either by itself or in aggregate with other non-audit services, would create a threat to independence of any GAGAS audit performed. A critical component of this determination is consideration of management's ability to effectively oversee the non-audit service to be performed.

City of
SACRAMENTO
Office of the City Auditor

Office staff should ensure that the audited entity has designated an individual who possesses suitable skills, knowledge, and experience, and that the individual understands the services to be performed to provide sufficient oversight. The individual is not required to possess the expertise to perform or re-perform the services. If the audited entity is unable or unwilling to oversee the service, Office staff should conclude that providing the service impairs independence.

In connection with non-audit services, Office staff should obtain agreement from the audited entity's management that they will assume all management responsibilities, oversee the services, evaluate the adequacy and results of services provided, and accept responsibility for the results. Office staff should also establish and document their understanding with the audited entity's management or those charged with governance, as appropriate, regarding the following:

- Objectives of the non-audit service;
- Services to be provided;
- Management's acceptance of its responsibilities;
- Office staff's responsibilities; and
- Any limitations of the non-audit service.

Office staff are prohibited from performing management responsibilities for organizations they audit. Examples of activities that are considered management responsibilities and would therefore impair independence if performed for an audited entity include:

- Setting policies and strategic direction for the audited entity.
- Directing and accepting responsibility for the actions of the audited entity's employees in the performance of their routine, recurring activities.
- Having custody of an audited entity's assets.
- Reporting to those charged with governance on behalf of management.
- Deciding which of the Office's or outside third party's recommendations to implement.
- Accepting responsibility for the management of an audited entity's project.
- Accepting responsibility for designing, implementing, or maintaining internal control.
- Providing services that are intended to be used as management's primary basis for making decisions that are significant to the subject matter of the audit.
- Developing an audited entity's performance measurement system when that system is material or significant to the subject matter of the audit.
- Serving as a voting member of an audited entity's management committee or board of directors.

When performance of a required non-audit service impairs independence with respect to a required engagement, Office staff should disclose the nature of threats that could not be eliminated or reduced to an acceptable level and modify the GAGAS compliance statement accordingly.

Within the time constraints and demands of non-audit service assignments, staff will make every reasonable effort to comply with the same quality standards defined within *Section 3* of this manual: *Achieving Audit Quality*.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 11

SECTION 2: THE AUDIT PROCESS

I.   The Audit Plan

The City Auditor prepares an Audit Plan, that includes both performance audits and independent analyses, for each fiscal year using a variety of techniques. Those techniques include conducting a Citywide Risk Assessment and soliciting input from Councilmembers, Charter Officers, department heads, division managers, and City staff. The City Auditor submits the Audit Plan to the Budget and Audit Committee for review and subsequently submits it to the City Council for approval. Once the City Council approves the Audit Plan, the City Auditor assigns staff to the approved projects.

As work proceeds, the City Auditor provides the Budget and Audit Committee quarterly reports describing the status of projects in the Audit Plan and the progress the Office is making toward completing them. As part of the normal process, the City Auditor notifies the City Council when the Office starts significant projects to determine if individual City Councilmembers have any areas of interest or concerns that staff can address during the project. The City Auditor does this to ensure projects are responsive to the City Council's informational needs. The City Auditor also ensures the City Council approves any significant changes to the Audit Plan.

After the Audit Plan is approved, staff members prepare a Staff Assignment/Threat Identification and Impairment Sheet pertaining to all projects on the plan. The Staff Assignment/Threat Identification and Impairment Sheet includes a statement regarding personal impairments.[1] If circumstances related to personal impairments or the appearance of possible personal impairments change during the year, Office staff are responsible for providing a written update to the City Auditor. These statements will be attached to the original Staff Assignment/Threat Identification and Impairment Sheet.

Projects included in the Office's approved Audit Plan are conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). However, deviations from the Office's normal processes may occur when necessary based on time constraints or project objectives. The City Auditor must approve deviations from GAGAS to ensure quality and prevent impairments to independence. Audits are generally broken down into the following five audit phases: 1) Audit Initiation; 2) Preliminary Survey; 3) Risk Assessment; 4) Field Work; and 5) Audit Reporting. Non-audit services may contain any combination of these five audit phases.

---

[1] Office staff participating on an audit assignment must be free from any personal impairment to independence. Personal impairments result from relationships or beliefs that might cause staff to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way. Office staff must notify the City Auditor if they have any personal impairment to independence regarding the audit assignment.

II.   Audit Performance

Phase 1: Project Initiation

1. Meet with Office management. Assigned Office staff meet with the City Auditor, or designee, to discuss 1) the project objectives, risk, and general scope of work; 2) specific items or issues to be reviewed during the Preliminary Survey; 3) City Councilmember, management, and/or other stakeholder concerns; 4) possible sources of information including persons to interview; 5) orientation-type information Office staff may need to gain an understanding of the assignment; and 6) a general timeframe for completing the project.

2. Send a Job Start Letter.[2] The City Auditor notifies the City Manager and affected department head(s) of project commencement with a Job Start Letter. The Job Start Letter should indicate the preliminary objective of the project assignment and the orientation-type information Office staff would like to receive at the entrance conference such as:

   - organization charts
   - mission statements
   - goals or objectives
   - budgets
   - management/performance measurement reports

   - financial statements
   - prior audit reports
   - any written policies/procedures
   - internal control objectives and/or techniques

3. Send an Entrance Letter to City Officials such as the Mayor, City Councilmembers, and other appropriate management officials notifying them of the project's commencement and requesting their input regarding any areas of interest or concern they would like Office staff to consider when developing the project scope.

4. Hold an Entrance Conference. The objectives of the entrance conference are to: 1) provide for Office staff and auditee staff introductions; 2) discuss the scope and objective(s) of the project; 3) describe the audit process; 4) obtain the information requested in the Job Start Letter; 5) request the auditee provide a statement describing any significant program accomplishments for possible inclusion in the final report; 6) indicate the proposed timing for the project; 7) request the auditee designate an individual to act as the key contact and/or liaison; 8) make arrangements for working space if necessary; and 9) discuss any management concerns.

---

[2] The City Auditor may substitute an email for a formal job start letter.

Phase 2: Preliminary Survey

Conducting the Preliminary Survey
The objectives of the Preliminary Survey are to gather historical, organizational, and financial information that will help familiarize the Office staff regarding the project subject, provide background data for the Preliminary Survey Memorandum and final report, and facilitate subsequent Risk Assessment and testing procedures. Office staff should use professional judgment to determine the applicability of each of the following steps depending on the type of assignment.

- Obtain departmental brochures, website locations and access, etc., to provide background information regarding the program or activity being audited.

- Obtain an organization chart for the program or activity being audited. Identify the key divisions, their staffing, and their principal responsibilities. Identify the key program staff and describe their responsibilities for administering or monitoring the program or activity being audited. Identify key program locations and their functions.

- Review prior audit reports and workpapers from the Office of the City Auditor as well as management letters from the City's outside auditors for indications of prior problems. Evaluate whether the entity has taken appropriate corrective actions in response to prior findings and recommendations.

- Review open and recent Whistleblower investigations related to the project subject.

- Determine the impact any ongoing legal proceedings may have on project objectives.

- Interview program managers to obtain additional background information regarding the program or activity being audited including intended benefits, history and accomplishments, current objectives, workload, peak periods, backlogs, and any known problems or obstacles.

- If not received during the Entrance Conference, obtain a copy of relevant written procedures and sample copies of reports that management receives concerning workload, use of major program resources (including budget, people, and equipment), achievement of program objectives, organization and relevant process flowcharts, citizen complaints, and requests for service.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 14

- Review budget documents for background on the program. Review department/program mission statements and objectives. Identify the principal cost and revenue elements over the last three to five years, if available. Identify the program's source of funds and potential restrictions on the use of those funds.

- As appropriate, interview staff on a section-by-section basis, conduct walk-throughs, and observe processes and activities to become generally familiar with how programs operate and the program's data systems function. Identify relevant forms, files, and management reports. Obtain samples of forms, files, and reports (internal and external). Identify the principal physical assets used in carrying out the program or activity (determine their location and ownership).

- Determine whether computer-processed data are an important or integral part of the program or activity being audited. If they are likely to be significant to the project objectives, obtain copies of relevant written procedures, input forms, file layouts, and reports. Determine if any applicable information systems' general and application controls are documented.

- Review City Charter and City Code sections relevant to the program or activity being audited. Determine the legal authority for the audited organization, program, activity, or function.

- Identify laws and regulations applicable to the program or activity being audited. If appropriate, request the assistance of the City Attorney's Office in identifying relevant Federal and State laws and regulations and/or City Charter provisions and ordinances.

- If the program involves a City contract/grant, obtain and review an executed copy of the contract. Find out how the contractor was selected (competitive bidding or non-competitive bidding). Obtain background information regarding the contractor, the type of contract (including current and past contractors), and key provisions of current and past contracts. Evaluate the risk of non-compliance.

- Identify authoritative standards relevant to the program (e.g., professional standards or industry associations), data sources, and/or practices in other jurisdictions that can potentially be benchmarked.

- Evaluate the program or activity being audited through a diversity and

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 15

equity lens. Consider whether the program is inclusive and culturally responsive.

Determine whether other auditors have conducted or are conducting audits that are relevant to the project objectives. If the work of other auditors is relevant, obtain evidence of the other auditors' qualifications and independence and perform procedures to determine whether the work can be relied upon.

- Obtain and review copies of audits of similar programs in other jurisdictions from the ALGA website or elsewhere.

Preparing the Preliminary Survey Memorandum
The purpose of the Preliminary Survey Memorandum is to summarize the Preliminary Survey efforts and results. The Preliminary Survey Memorandum usually includes:

- Background information regarding the project assignment such as 1) the history of the project subject; 2) a description of current operations including key responsibilities, funds, divisions, functions, processes, activities, and revenue sources; 3) relevant auditee goals and objectives; 4) relevant organization and process flowcharts; and 5) a three to five year summary of expenses and/or revenues, budgetary, operating and capital program information, and staffing levels, if available.

- Known problems with the auditee's operations or other local jurisdiction's operations that are performing similar functions.

- Any City Councilmember or management input or requests regarding the project assignment.

- Applicable City Charter or City Code provisions, Federal or State laws or guidelines, City policies or procedures, contract or grant requirements, best practices or industry standards, and Joint Powers or other agreements with other jurisdictions.

Phase 3: Risk Assessment

The Office of the City Auditor implements a risk-based approach to test internal controls and help identify threats inherent to the auditee's activities. The essence of a risk-based approach is the overarching risk assessment tenet that management is responsible for developing a system of internal controls that:

- Includes the plans, policies, methods, and procedures to meet an organization's

missions, goals, and objectives;
- Is well documented, complete, current, efficiently executed, and effectively communicated;
- Is consistently adhered to and applied; and
- Is subject to continuous and effective monitoring and review.

Therefore, it is management's responsibility to speculate on what can go wrong with its operations and put appropriate measures in place to prevent those things from occurring.

This overarching risk assessment tenet provides the Office of the City Auditor with the universal criteria for Performance Audit assignments. In essence, auditors must ask themselves whether management has an adequate system of internal controls in place to address the risks that are inherent to the entity's operations?

Office staff are expected to perform the following seven Risk Assessment tasks during a Performance Audit:

1. Identify the threats associated with the subject of the project (including fraud) and prepare a threat list.
2. Assess the inherent risk level for each threat.
3. Identify internal controls by obtaining the auditee's internal control objectives and techniques (including information system controls).
4. Assess the relative strength of the auditee's internal controls.
5. Assess the auditee's vulnerability to identified threats.
6. Prepare a risk matrix.
7. Write the Audit Program.

The Audit Program is the final task in the Risk Assessment phase and provides a plan for conducting Field Work. The Audit Program should include the major steps required to perform the project and act as a guide through Field Work.

Phase 4: Field Work

Field Work is the execution of the written Audit Program during which Office staff perform procedures to develop the elements of a finding for inclusion in the final report.

Appropriate and Sufficient Evidence GAGAS requires Office staff to "…obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions…"[3] Interpreting, summarizing, or analyzing evidence is typically used in the process of determining the appropriateness and sufficiency of evidence and in reporting the results

---

[3] GAGAS section 8.90

of Field Work.

Appropriateness is the measure of the quality of evidence that encompasses its relevance, validity, and reliability in providing support for findings and conclusions related to project objectives.

Relevance refers to the extent to which evidence has a logical relationship with, and importance to, the issue being addressed.

Validity refers to the extent to which evidence is a meaningful or reasonable basis for measuring what is being evaluated. In other words, it is the extent to which evidence represents what it is purported to represent.

Reliability refers to the consistency of results when information is measured or tested and includes the concepts of being verifiable or supported.

The following contrasts are useful in judging the appropriateness of evidence:

- Evidence obtained when internal controls are effective is generally more reliable than evidence obtained when internal controls are weak or nonexistent.

- Evidence obtained through Office staff's direct physical examination, observation, computation, and inspection is generally more reliable than evidence obtained indirectly.

- Examination of original documents is generally more reliable than examination of copies.

- Testimonial evidence obtained under conditions in which a person may speak freely is generally more reliable than evidence obtained when the person feels intimidated.

- Testimonial evidence obtained from an individual who is unbiased and has direct knowledge about the area is generally more reliable than testimonial evidence obtained from an individual who is biased or has indirect or partial knowledge about an area.

- Evidence obtained from a knowledgeable, credible, and unbiased third party is generally more reliable than evidence obtained from management of the audited entity or others who have a direct interest in the audited entity.

Sufficiency is a measure of the quantity of evidence used to support the findings and

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 18

conclusions related to project objectives. In assessing the sufficiency of evidence, Office staff should determine whether enough evidence has been obtained to persuade a knowledgeable person that the findings and conclusions are reasonable.

Office staff should assess the appropriateness and sufficiency of computer-processed information regardless of whether this information is provided to Office staff or staff extract it independently. The nature, timing, and extent of procedures used to assess sufficiency and appropriateness are affected by the effectiveness of the audited entity's internal controls over the information, including information systems controls, and the significance of the information and the level of detail presented in the findings and conclusions in light of the project objectives. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data in light of its intended purposes.

The following presumptions are useful in judging the sufficiency of evidence:

- The greater the risk, the greater the quantity and quality of evidence required.
- Stronger evidence may allow less evidence to be used.
- Having a large volume of evidence does not compensate for a lack of relevance, validity, or reliability.

According to GAGAS[4], professional judgment assists auditors in determining the sufficiency and appropriateness of evidence taken as a whole. The concept of sufficient and appropriate evidence is integral to an audit. The workpapers should reflect the details of the evidence and disclose how it was obtained. Office staff should perform and document an overall assessment of the collective evidence used to support findings and conclusions. If Office staff conclude that evidence is not sufficient or appropriate, they should not use such evidence as support for findings and conclusions.

Office staff should also describe in the report any limitations or uncertainties with the reliability or validity of evidence if (1) the evidence is significant to the findings and conclusions within the context of the project objectives and (2) such disclosure is necessary to avoid misleading the report users about the findings and conclusions.

Types of Evidence
Audit Programs should be designed to rely on different types of evidence depending on the project objectives. Types of evidence include:

- **Physical evidence:** Physical evidence is obtained by direct inspection or observation of activities, people, property, or events. Such evidence may be documented in the form of memoranda summarizing the matters inspected or

---

[4] GAGAS section 3.111

City of
SACRAMENTO
Office of the City Auditor

observed, photographs, charts, maps, and actual samples.

- **Documentary evidence:** Documentary evidence consists of created information. Documents, forms, journals, or reports may originate within the auditee organization or may come from an external source. Examples are letters, contracts, laws, regulations, procedures, budget information, accounting records, and management information on performance.

- **Testimonial evidence:** Testimonial evidence is obtained from others through statements received in response to inquiries or through interviews. Statements important to the project should be corroborated with additional types of evidence when possible. Testimonial evidence should take into consideration whether the individual may be biased or may have only partial knowledge about the subject. In other words, Office staff should evaluate the objectivity, credibility, and reliability of testimonial evidence.

Early Communication of Deficiencies

GAGAS section 7.11 states: "For some matters, early communication to those charged with governance or management may be important because of the relative significance and the urgency for corrective follow-up action. Further, early communication is important to allow management to take prompt corrective action to prevent further occurrences when a control deficiency results in identified or suspected noncompliance with provisions of laws, regulation, contracts, and grant agreements or identified or suspected fraud."[5]

Therefore, the need to communicate deficiencies early to departments will be discussed with the City Auditor (or designee).

Findings and Conclusions

When Office staff develop findings and conclusions, they should plan and perform procedures to identify the criteria, condition, cause, and effect of the findings to the extent that these elements are relevant and necessary to achieve the project objectives. Office staff should also consider internal control deficiencies in their evaluation of identified findings. Office staff should prepare a Finding Development Worksheet when they identify potential findings and conclusions. Findings and conclusions typically[6] include the following five elements:

- Condition: What is?
- Criteria: What should be?

---

[5] GAGAS section 7.11
[6] See GAGAS sections 8.116, 8.124, 8.125, 8.126, 8.127, 9.18, and 9.28 regarding developing elements of a finding.

City of
SACRAMENTO
Office of the City Auditor

- Cause: What produced the condition (Who? Why?)?
- Effect: The result of the condition or the "so what"?
- Recommendation: Proposed mitigating action(s).

Individual staff members will meet with their supervisor at least bi-weekly to discuss the progress of their project assignments. During these supervisory review meetings, staff will report on what they accomplished since the last meeting and discuss any issues needing direction, resolution, or engagement termination.[7] If changes to project objectives are identified during supervisory meetings, staff should document the revised engagement objective and reason for the change.

Near the conclusion of Field Work, Office staff will meet with their supervisor for a Pre-Draft Conference. The purpose of the Pre-Draft Conference is to review the completed Field Work and help expedite the report drafting process by ensuring concurrence regarding 1) the findings and conclusions; 2) the punch paragraph(s); 3) the report Outline; and 4) recommendations.

Phase 5: Project Reporting

Office staff should issue reports in a format that is appropriate for its intended use, generally in writing. Project Reporting consists of the procedures outlined below and will generally follow the process as presented. However, the nature of the Office's work requires flexibility and the following steps should be considered part of a fluid process:

Drafting the Report
Office staff prepares a draft report that incorporates the decisions reached during the Pre-Draft Conference and submits the completed draft report to the City Auditor for review and editing. The draft report should include:

- An introduction statement;
- A statement of compliance with GAGAS;
- A statement of project objectives;
- A description of the project scope and methodology (describe techniques in sufficient detail so users understand how project objectives were addressed);
- A full discussion of findings and conclusions;
- Findings begin with a punch paragraph, which is a succinct summary of the information contained in the finding in the order the information is presented;
- Include the scope of internal control reviews and any deficiencies found when internal control is significant to the project objectives;

---

[7] GAGAS section 5.25 provides that, when an engagement is terminated, auditors should document the results of work to date of termination and why the engagement was terminated.

- Recommendations for necessary or desirable action; and
- The nature of any confidential or sensitive information submitted.

Indexing the Report
Office staff will prepare a copy of the draft report that is fully indexed to supporting workpapers that were prepared during the project. All report content including background, findings, conclusions, supporting evidence, etc., should be linked to supporting workpapers.

Referencing the Report
The referencing process involves a Referencer (a staff member who did not work directly on the project assignment) comparing the indexed draft report to the supporting workpapers to ensure compliance with GAGAS evidence standards. Referencing is one of the most important quality assurance steps in the City Auditor's audit process.

According to GAGAS section 9.17(a), referencing confirms the accuracy of facts, figures, and dates, and ensures findings are adequately supported by the evidence in the audit documentation, and that the conclusions and recommendations flow logically from the evidence.

During the referencing process, the Referencer records reference notes which identify any questions or comments related to the adequacy and sufficiency of the evidence supporting the report. Office staff who prepared and indexed the draft report must respond to all reference notes to the satisfaction of the Referencer. Failure to do so will result in amendments to or elimination of items from the draft report. When the Referencer is satisfied with the staff member's responses to the reference notes, they will mark the reference note as complete which signifies the issue is resolved. In the event the staff member and the Referencer disagree on whether the staff member's response resolves the concern, the City Auditor (or designee) will make the final determination.

Any changes made to the draft report after referencing is completed should be reviewed by the project lead and, if necessary, re-referenced.

Finalizing the Report
Office staff forwards a copy of the draft report to representatives of the audited entity and any other appropriate City officials (e.g., City Attorney) for review prior to the Exit Conference.

Office staff then conduct an Exit Conference with representatives of the audited entity and any other appropriate City officials to discuss their input and comments regarding

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 22

the project and the draft report. To ensure technical accuracy and fairness to the audited entity, the City Auditor (or designee) incorporates any agreed upon changes to the draft report.

Additionally, the auditee(s) are normally allowed two weeks to provide a written response to be included in the final report. If the auditee does not provide a written response within the allotted two weeks, the City Auditor will reserve the right to issue the report to the City Council without a response. If the auditee provides a response that the City Auditor believes is inaccurate or misleading, the City Auditor reserves the right to include a rebuttal to the response in the final report.

The City Auditor may meet with City Councilmembers, if necessary, to inform them a report is forthcoming and alert them as to the report's findings and recommendations.

The final report is then released simultaneously to the City Council, the audited entity, the media, and the public.

Finally, the report is presented to the Budget and Audit Committee[8], which may also hear testimony from the audited entity as well as other interested parties. The Budget and Audit Committee reports the results of its review to the rest of the City Council and recommends action regarding the report's findings and recommendations. After the Budget and Audit Committee's presentation, the City Auditor (or designee) will normally present the final report to the City Council during a public meeting.

Some information may be prohibited from public disclosure or may otherwise be excluded from a report due to confidentiality or sensitivity. Considering the broad public interest in the program or activity assists Office staff when deciding whether to exclude information from publicly available reports. For example, circumstances associated with public safety, privacy, or security concerns could justify the exclusion of certain information from a publicly available or widely distributed report. When this occurs, the Office staff should disclose in the report that certain information has been omitted and circumstances that make the omission necessary. When considering whether to omit certain information, Office staff should evaluate whether it could distort the project results or conceal improper or illegal practices and revise the report language as necessary to avoid report users drawing inappropriate conclusions from information presented. In circumstances when information is classified or otherwise prohibited from general disclosure by federal, state, or local laws or regulations, the Office may issue a separate classified or limited use report containing such information and distribute that

---

[8] Upon approval from the City Council, reports may by-pass the Budget and Audit Committee and be presented directly to the City Council. While this is not standard practice, it can be used to ensure reports are issued in a timely manner when scheduling conflicts arise.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 23

report only to persons authorized by law or regulation.[9]

If, after a report is issued, it is determined that the report lacked sufficient, appropriate evidence to support findings or conclusions, the City Auditor should notify appropriate officials (City management and City Council), remove the report from the City Auditor's website, and post a public notice that the report was removed. The City Auditor should then decide whether to do more work to reissue the report with revised findings and conclusions.[10]

III.   Audit Documentation

Office staff should prepare and maintain documentation related to the planning, execution, and reporting of each project. Documentation should be sufficient to enable an experienced auditor who has had no previous connection with the project to ascertain whether the evidence that supports Office staff's judgment and conclusions is adequate. Documentation should contain support for findings, conclusions, and recommendations. Documentation collected during the project may be retained in the form of both electronic files and hard copy workpapers.

Workpapers are essential to a successful project, as they provide the principal evidentiary support for the report and related conclusions. They document whether the project objectives were achieved, facilitate review and evaluation of the work performed, provide a central ongoing reference during the project so the project can proceed effectively and efficiently, and provide a reference for follow-up.

Whenever possible, source documents should be included in the workpapers. However, when source documents are too voluminous to be incorporated, Office staff should identify the specific documents they examined, copy relevant data, and/or include samples of documents to facilitate the reviewer's understanding of what Office staff did. Office staff are not required to include copies of, or list detailed information from, every document they examined when those documents are not used to support the report, findings, or recommendations.

The format and content of documentation may vary depending on the circumstances of the particular project. Workpapers should include:

- Workpaper index.

- Cross-indexed Audit Program for each phase of the project (as appropriate)

---

[9] GAGAS sections 6.63 through 6.69
[10] GAGAS section 9.68

City of
SACRAMENTO
Office of the City Auditor

describing the objectives, scope, and methodology of the project. If a project step is omitted or not applicable, this should be explained in the workpapers.

- Workpapers to document the work performed to support significant judgments and conclusions, including descriptions of records examined, interviews conducted, procedures performed, sampling, and other selection criteria used.

- Documentation of supervisory review.

- Any departures from GAGAS requirements and the impact on the project and the Office's conclusions.

- Cross-indexed and referenced copy of the report.

- Quality control questionnaire documenting compliance with GAGAS.

Documentation Storage and Availability

GAGAS sections 5.22, 5.42, and 5.58 require that audit organizations establish information systems controls concerning accessing and updating electronically maintained audit documentation. Workpapers are stored on the "Audit" shared drive and the "Audits" SharePoint drive. Access to these drives is limited to Office staff. Office staff should make appropriate individuals and documentation available to other auditors and reviewers upon request, subject to applicable laws and regulations.

Confidential Workpapers

Subject matter in workpapers that is deemed confidential should be handled with care, clearly identified as confidential, and stored separately from non-confidential workpapers. Confidential electronic and paper documents shall be saved in folders that are labeled "confidential." Any confidential paper files shall be locked in secure areas of the office. Consistent with GAGAS, Office staff shall not publicly disclose any information received during a project that is considered confidential by state or federal law.

IV.   Findings of Illegal Acts, Noncompliance, Abuse, or Fraud

Office staff should exercise due professional care in probing into indications of possible illegal acts so as to not interfere with potential investigations, legal proceedings, or both. Under some circumstances, laws, regulations, or policies require Office staff to report indications of certain types of illegal acts to law enforcement or investigatory authorities before continuing or extending Field Work. Office staff may also be required to withdraw from or defer further work on the project or a portion of the project in order to not interfere with an investigation. Whether a particular act is actually fraud or

City of
SACRAMENTO
Office of the City Auditor

noncompliance within provisions of laws, regulations, contracts, or grant agreements may have to await final determination by a court of law or other adjudicative body. Therefore, when Office staff disclose matters that have led them to conclude that an illegal act is likely to have occurred, they should take care not to imply that they have made a determination of illegality. The following GAGAS sections provide guidance on such findings:

> GAGAS section 9.35: "Auditors should report a matter as a finding when they conclude, based on sufficient, appropriate evidence, that noncompliance with provisions of law, regulations, contracts, and grant agreements either has occurred or is likely to have occurred that is significant within the context of the audit objectives."

> GAGAS section 9.36: "Auditors should communicate findings in writing to audited entity officials when the auditors detect instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements that are not significantly within the context of the audit objectives but warrant the attention of those charged with governance."

> GAGAS section 9.40: "Auditors should report a matter as a finding when they conclude, based on sufficient, appropriate evidence, that fraud either has occurred or is likely to have occurred that is significant to the audit objectives."

> GAGAS section 9.41: "Auditors should communicate findings in writing to audited entity officials when the auditors detect instances of fraud that are not significant within the context of the audit objective but warrant the attention of those charged with governance."

However, instances may arise where Office staff is concerned that publicly reporting information concerning fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse may compromise investigative or legal proceedings. In these instances, GAGAS sections 9.39 and 9.44 stipulate that auditors may consult with authorities or legal counsel about any potential investigative or legal proceedings. Auditors may limit their public reporting to include matters that would not compromise those proceedings – for example, they may report only on information that is already a part of the public record.

If evidence indicates that an illegal act, noncompliance, fraud, or abuse has occurred, the City Auditor (or designee) will determine whether additional work needs to be performed or whether work should be suspended as a result of the finding, and determine whether a referral should be made to the City Attorney and/or Law Enforcement regarding potential investigations or legal proceedings.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 26

GAGAS section 9.45 states in part that, "Auditors should report known or likely noncompliance with provisions of laws, regulations, contracts, and grant agreements or fraud directly to parties outside the audited entity in the following two circumstances.

   a.   When audited entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation…

   b.   When audited entity management fails to take timely and appropriate steps to respond to noncompliance with provisions of laws, regulations, contracts, and grant agreements or instances of fraud that (1) are likely to have a significant effect on the subject matter and (2) involve funding received directly or indirectly from a government agency…"

In such instances, the Office of the City Auditor will contact the affected department, City Manager, and City Attorney to discuss the matter (and to the extent possible provide documentation) and will document those discussions in the workpapers. If formal notifications and letters are appropriate to the circumstances, the Office will retain those documents as workpapers.

V.   Communication Logs

Office staff are encouraged to keep records of communications with City employees, related City entities, and external organizations regarding projects. Communication logs help record the responsiveness of these various parties, organize workpapers, and track the flow of information.

VI.   Quarterly Status Reports

The City Auditor issues quarterly reports to the Budget and Audit Committee describing the status and progress towards completing projects. Quarterly reports to the Budget and Audit Committee also provide an opportunity to reprioritize projects and to obtain City Council approval to amend the Audit Plan as necessary during the year. The Budget and Audit Committee reviews the quarterly reports and forwards the reports to the City Council for approval.

VII.   Recommendation Follow-up

On a semiannual basis, the Office of the City Auditor generates a report that details the

implementation status of City Council-adopted recommendations. To create this report, all affected departments are requested to provide evidence of recommendation status. Office staff review the status reports and documentation that have been submitted to determine and verify the progress made on recommendations.

The Office compiles a draft of the report. Recommendations are classified based on the responsible party's progress:

- **Not started** – The responsible party temporarily postponed implementing the recommendation or did not demonstrate sufficient progress toward implementing the recommendation.

- **Started** – The responsible party began implementing the recommendation, but considerable work remains.

- **Partly Implemented** – The responsible party satisfied some elements of the recommendation, but additional work and testing remains.

- **Implemented** – The responsible party provided documentation and the Office of the City Auditor verified the satisfactory implementation of the recommendation.

- **Dropped** – The Office of the City Auditor recommends eliminating the recommendation since a change in circumstances rendered it unnecessary.

Additionally, recommendations are grouped based on the fundamental intent of the recommendation:

- **Efficiency and Effectiveness** – The fundamental intent of the recommendation is to increase efficiency and effectiveness.

- **Internal Controls** – The fundamental intent of the recommendation is to strengthen internal controls.

- **Regulatory Compliance** – The fundamental intent of the recommendation is to enhance regulatory compliance.

- **Transparency and Accountability** – The fundamental intent of the recommendation is to ensure transparency and accountability.

The final report is issued to the Budget and Audit Committee to discuss the status of open recommendations; department heads are generally requested to be present to

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 28

answer Committee questions.

Interactive dashboards with information related to all recommendations issued by the Office can be found on the Office of the City Auditor's website at https://www.cityofsacramento.gov/auditor/our-reports/recommendation-follow-up

SECTION 3: ACHIEVING AUDIT QUALITY

The Office of the City Auditor is committed to achieving a high level of quality for all projects. The Office has established a quality assurance program to ensure compliance with *Generally Accepted Government Auditing Standards* (GAGAS).

GAGAS section 5.04 requires that an audit organization "should document its quality control policies and procedures and communicate those policies and procedures to its personnel. The audit organization should document compliance with its quality control policies and procedures and maintain such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent to which the audit organization complies with its quality control policies and procedures."

I.   Auditing Standards

The concept of accountability for public resources is key in our nation's governing process and a critical element for a healthy democracy. Government auditing is critical in fulfilling the government's duty of accountability to the people. Auditing allows stakeholders to have confidence in reported information about the results of programs and operations, and in the related systems of internal control. *Generally Accepted Government Auditing Standards* (GAGAS), as codified in the *"Yellow Book"*, provide a framework for auditors so that audit work can lead to improved government management, decision making, oversight, and accountability. GAGAS provides an overall framework for ensuring that auditors have the competence, integrity, objectivity, and independence in planning, conducting, and reporting on their work.

Each staff member receives an electronic copy of the *Yellow Book* and is responsible for becoming familiar with and adhering to its requirements.

The Association of Local Government Auditors (ALGA) has published the *ALGA Yellow Book Peer Review Guide* to help local government auditors meet the requirements of GAGAS. The Office of the City Auditor has incorporated portions of this guide into their processes to help ensure work conforms to GAGAS.

Each audit report includes a statement in the introduction section indicating that the work was conducted in accordance with GAGAS. The Office generally uses the wording suggested by GAGAS section 9.03: "We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 30

believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives."

Additionally, GAGAS section 9.05 recommends that "When auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report…that includes either (1) the language in paragraph 9.03, modified to indicate the requirements that were not followed or (2) language indicating that the auditor did not follow GAGAS."

II. Report References

To ensure Office staff use reliable information, they should identify reputable authoritative resources to reference in a report. Some appropriate types of resources include information published by: the United States Government Accountability Office (GAO), Institute of Internal Auditors (IIA), Association of Certified Fraud Examiners (ACFE), American Institute of Certified Public Accountants (AICPA), Committee of Sponsoring Organizations of the Treadway Commission (COSO), International Auditing and Assurance Standards Board (IAASB), Office of Management and Budget (OMB), and other sources that are accepted by most authorities in the field. News articles, blogs, and documents that appear to be the opinion of a single person or a small group of individuals with no references to authoritative sources would not be a desirable reference in a report. Websites such as Wikipedia should also not be cited in a report since anyone can write and make changes to an article.

III. Internal Quality Controls

The Office has established procedures to ensure quality work including:

Policies and Procedures Manual
The *Policies and Procedures Manual* details the specific procedures and controls used to ensure compliance with professional standards. Each staff member is responsible for reviewing and complying with the manual. An electronic version is stored in the "Audits" SharePoint drive and on the City Auditor's website at https://www.cityofsacramento.gov/auditor/what-we-do.

Standard Audit Programs
Audit Programs are standardized for each phase of performance audits. Templates exist that list forms and procedures to be completed for each phase of the audit including Preliminary Survey, Risk Assessment, Field Work, and Report Writing. These standard programs require Office staff to establish appropriate objectives depending on the audit

City of
SACRAMENTO
Office of the City Auditor

topic.

Supervisory Review
Supervisory reviews include regular, periodic briefings and meetings to discuss (1) project steps and results; (2) reviewing workpapers, Audit Programs, and independent reviewer notes; and (3) editing of report drafts. Supervisory review is documented by Office staff.

Independent Report Review (Referencing)
Referencing is conducted by Office staff not assigned to the project. Office staff are responsible for cross-indexing each statement of fact in a report to supporting workpapers. The Referencer traces all facts and statements in the report to supporting workpapers to ensure that the information is accurate and factual. In some cases, portions of the report are based on Office staff's conclusions. To index these sections, Office staff should use the following abbreviations: AC (auditor's conclusion), ACBOA (auditor's conclusion based on above), ACBOB (auditor's conclusion based on below), and AO (auditor's opinion). In the event that Office staff and the Referencer disagree on content contained within the report, a consultation will occur with the City Auditor (or designee) and the conclusion will be documented and implemented based on their guidance.

Standards Review Checklist
The Office uses a checklist at the end of each project assignment to ensure documentation of each applicable standard. At the end of the project, Office staff create a physical or electronic binder that contains key project documents. These documents are either shown in the Administrative File Checklist, which is the first page of the physical binder, or built into the main view of the electronic binder. The City Auditor (or designee) will review and sign off on the completed binder.

IV. External Quality Control

Peer Review
The Office of the City Auditor participates in ALGA's Peer Review program. It is the Office's policy to receive an external review of its practices once every three years by reviewers independent of the City of Sacramento. The City Auditor will ensure that policies and procedures and engagement documentation are retained for a period of time sufficient to permit those performing peer review to evaluate compliance. Consistent with GAGAS section 5.77, reports issued by peer reviewers are made publicly available. The most recent peer review is posted on the City Auditor's website at https://www.cityofsacramento.gov/auditor/our-reports/peer-review.

In accordance with GAGAS section 9.05, if the City Auditor does not receive an external

peer review every three years, audit reports will include a modified GAGAS compliance statement. When using another audit organization's work, the Office of the City Auditor will request a copy of its most recent peer review report.

V.   **Independence**

GAGAS requires auditors and audit organizations maintain independence so their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Auditors should avoid situations that could lead reasonable and informed third parties to conclude that the auditors are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.[11]

Conceptual Framework Approach to Independence

Office staff should Identify threats to independence (e.g., structural, self-interest, self-review, bias, familiarity, undue influence, and management participation), determine whether identified threats to independence have been eliminated or are at an acceptable level, and apply safeguards as necessary. Office staff should document which threats require safeguards and what safeguards are applied. If threats cannot be eliminated or reduced to an acceptable level, engagements should be declined or terminated.

Period of Independence

Office staff should be independent from an audited entity during: (1) any period of time that falls within the period covered by the subject matter of the audit; and (2) the period of the professional engagement, which begins when the Office either signs an initial engagement letter or another agreement to perform an audit or begin to perform an audit, whichever is earlier. The period lasts for the entire duration of the professional relationship (which, for recurring audits, could cover many periods) and ends with the formal or informal notification, either by the Office or the audited entity, of the termination of the professional relationship or by the issuance of a report, whichever is later. Accordingly, the period of professional engagement does not necessarily end with the issuance of a report and recommence with the beginning of the following year's audit or a subsequent audit with a similar objective.

Independence is comprised of:

Independence of Mind

The state of mind that permits the performance of an audit without being affected by

---

[11] GAGAS sections 3.17 through 3.63 detail requirements regarding independence.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 33

influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

Independence in Appearance

The absence of circumstances that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the audit team had been compromised.

Personal Impairments

To ensure Office staff are free from personal impairments to independence, each staff member completes a Staff Assignment/Threat Identification and Impairment Sheet each year (after the annual Audit Plan is established) for approval by the City Auditor. The Staff Assignment/Threat Identification and Impairment Sheet also serves to document staff's compliance during the previous year with the Office's independence-related policies and procedures. Contractors or specialists who perform work for the Office are also required to complete the Conflict of Interest Form for Consultants.

If a personal impairment to independence is identified, the City Auditor will meet with staff to reassign the project, or to discuss mitigating the impairment, or withdrawing from the project. If there are any remaining potential personal impairments, they would be disclosed in the scope section of the report.

In addition, Office staff are required to complete annual conflict of interest statements (*Fair Political Practices Commission form 700*).

Impairments Identified After Audit Report is Released

In accordance with GAGAS section 3.34, if impairment to independence is identified after an audit is issued, the City Auditor should assess the impact on the audit and on GAGAS compliance. If it is determined that the audit did not comply with GAGAS, the City Auditor should notify (in writing) relevant management and others known to be using the report.

VI.   Supervision

Supervision provides assurance that Office staff are performing responsibilities efficiently and effectively, and that internal policies and procedures are complied with. The City Auditor supervises the work of the Office. Depending on the project, lead staff may be asked to supervise the work of others. The City Auditor will ensure that all personnel performing supervision or review will have appropriate levels of skill and proficiency.

Role of the City Auditor

The City Auditor has significant involvement in projects conducted by the Office. The City Auditor:

- Assigns a sufficient number of appropriately skilled staff and makes sure they understand the project objectives.
- Attends entrance, exit, and other major conferences with auditees.
- Meets with Office staff on a regular basis to ensure that projects are progressing satisfactorily.
- Reviews and approves Audit Programs, selected working papers, report drafts, and the final report.
- Consults with Office staff regarding difficult and contentious issues to ensure conclusions are understood, agreed-upon, implemented and documented.
- Ensures those assigned responsibility for the system of quality control within the department have the necessary experience, ability, and authority.
- Maintains contact with the department head of the audited department, the City Manager, and City Attorney.
- Acts as the primary contact with the news media and the public.

VII.   Professional Judgment

GAGAS requires use of professional judgment in planning audits, performing audits, and reporting audit results. Office staff are responsible for understanding and exercising professional judgment as described in GAGAS sections 3.109 through 3.117. All members of the Office are expected to apply ethical principles of integrity, objectivity, and professional behavior.

To promote sound professional judgment in planning and conducting projects, the City Auditor assigns staff deemed competent to conduct the project and provides ongoing supervision of assigned staff.

For each audit conducted, the Office staff complete the standard Audit Programs the office has adopted for Preliminary Survey, Risk Assessment, and Field Work. For each non-audit service conducted, Office staff may complete any combination of the Audit Programs as appropriate. Office staff are expected to assess risk, plan projects, and conduct examinations with an appropriate level of testing while considering the possibility of material irregularities or noncompliance.

All members of the Office are expected to render the care and skill expected of a prudent and competent auditor in the same or similar circumstances. In exercising due professional care, Office staff should be alert to the possibility of intentional

wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflicts of interest. Such conditions and activities should be discussed with the City Auditor.

Office staff are required to assess the materiality, impact, and effect in developing potential findings. Potential findings are discussed with the City Auditor (or designee) throughout the project. Findings that are not material in nature may be communicated internally to City staff through a separate management letter.

VIII.   <u>Competence</u>

GAGAS requires that the staff assigned to an audit collectively possess the necessary technical knowledge, skills, and abilities prior to beginning the engagement.[12] The City Auditor is responsible for staffing the Office with competent personnel that have the skills needed for their assigned roles prior to beginning the engagement and ensuring that work is conducted in accordance with professional standards, legal, and regulatory requirements. In assigning staff to projects, the City Auditor attempts to match skills and interests of Office staff to areas of work.

In accordance with GAGAS section 4.13, the Office may engage external/internal specialists when necessary. Due diligence is performed in assessing the qualifications of specialists to ensure competency as part of the City's standard request for proposal process.[13] The Office also uses the Staff Assignment/Threat Identification and Impairment Sheet to document the specialist's qualifications and independence. The nature and scope of work performed by specialists is documented in the workpapers.

Job descriptions and hiring requirements for Office staff can be found on the City's Human Resources webpage.

IX.   <u>Professional Development</u>

The City Auditor has implemented a program to ensure that Office staff maintain professional proficiency through continuing professional education and training. GAGAS[14] requires that auditors responsible for planning, directing, conducting, or reporting on government audits should complete at least 80 hours of continuing education and training every two years, which contributes to the auditor's professional proficiency. At least 20 hours should be completed in any one year of the two-year period. At least 24 of the 80 hours of continuing professional education and training

---

[12] GAGAS section 4.02
[13] GAGAS section 5.34
[14] GAGAS section 4.16, 4.17, 4.18 and 4.25

should be in subjects directly related to government. Office staff are encouraged to complete a minimum of 40 hours of training per year.

Part-time auditors involved in planning, directing, or reporting on government audits should complete at least 24 hours of CPE every two years in subjects directly related to government. If their time charged to audits reaches 20%, then the CPE requirements increase to 80 hours every two years.

Office staff are encouraged to obtain certifications including the Certified Internal Auditor (CIA) designation, a Certified Public Accountant (CPA) license, Certified Government Financial Manager (CGFM), Certified Information System Analyst (CISA), Certified Fraud Examiner (CFE), or other certifications that would enhance work-related skills. To assist with meeting continuing education requirements and to encourage involvement in professional organizations, the Office of the City Auditor, to the extent the Office's budget allows, will pay for, or reimburse the following:

- Examination costs.
- Group membership with the Association of Local Government Auditors and registration fees at the annual ALGA conference or similar conferences.
- Annual membership in the Institute of Internal Auditors (IIA), Association of Certified Fraud Examiners (ACFE), etc., necessary to maintain certification status for any designations mentioned above.
- Costs of professional meetings where continuing education credit is obtained (e.g., the Western Intergovernmental Audit Forum (WIAF), Bay Area Local Government Auditors (BALGA) meetings, etc.).

Other training courses, conferences, and professional certifications may be eligible for reimbursement at the discretion of the City Auditor.

Each staff member is responsible for maintaining their certifications and meeting GAGAS training requirements. Office staff should request approval in advance from Office management to attend trainings. Upon completion, Office staff should submit documentation of the training through the Office's automated training workflow. Documentation should include: description of the training, certificate of completion, receipts, etc. While the automated training workflow is designed to maintain training documentation in electronic folders, each employee is ultimately responsible for maintaining their training documentation in an organized manner as to facilitate internal and external reviews.

X.   Monitoring the System of Quality Control

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 37

GAGAS[15] requires audit organizations establish policies and procedures for monitoring its system of quality control. Monitoring procedures provide Office management with reasonable assurance that (1) the policies and procedures related to the system of quality control are suitably designed and operating effectively in practice and (2) auditors have followed professional standards and applicable legal and regulatory requirements.

Responsibility of Monitoring
The City Auditor is responsible and accountable for the Office's overall system of quality control while the Assistant City Auditor has operational responsibility.

Monitoring Procedures
Ongoing consideration and evaluation of the Office's system of quality control may occur in a variety of formats and can include, but are not limited to, the following monitoring procedures:

- Risk assessment that identifies risks to the Office's quality objectives;
- Review of guidance materials, templates, practice aids, etc. for appropriateness;
- Inspection of completed engagement documentation and reports;
- Discussions with Office staff or consultants; and
- Assessment of staff competencies and training.

Results of Monitoring
Ongoing consideration and evaluation of the audit Office's system of quality control may identify circumstances that necessitate changes to, or improve compliance with, the Office's policies and procedures to provide the Office with reasonable assurance that its system of quality control is effective. At least annually, the results of the monitoring process will be analyzed and summarized, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action; see the Appendix for a history of revisions to this manual based on the results of monitoring.

---

[15] 5.42 through 5.46

SECTION 4: WHISTLEBLOWER PROGRAM PROCEDURES

I.   Policy Background

In February 2012, the City Auditor released *Report 2012-01*, *Assessment for Establishing a Whistleblower Hotline*. That report analyzed Whistleblower programs in three other large California cities and assessed the potential impact of such a program in Sacramento.

In March 2012, Sacramento City Council directed the Office of the City Auditor (Office) to implement a Whistleblower Program to receive and investigate allegations of possible City-related fraud, waste, and abuse, including abuse of authority.

The following procedures aim to ensure accountability by creating a consistent and logical method for receiving and tracking allegations. These procedures describe how the Office of the City Auditor will handle these allegations and lay out a risk-based approach for using the City Auditor's limited resources to prioritize and investigate the allegations that could place the City of Sacramento at the greatest risk.

II.   Philosophy

It is the intention of the City Auditor to maintain a Whistleblower Program consistent with the best practices of responsible government. As fraud, waste, and abuse (including abuse of authority) represent threats to good governance, a well-managed Whistleblower Program serves both the public trust and the best interests of the City.

III.   Authority and Responsibilities

California Government Code 53087.6 authorizes cities to, "maintain a whistleblower hotline to receive calls from persons who have information regarding fraud, waste, or abuse by local government employees," and establishes the City Auditor's authority to investigate allegations of fraud, waste, and abuse, including abuse of authority.

Sacramento City Charter Article VI Section 77 establishes the Office of the City Auditor. *Sacramento City Code Chapter 2.18* provides for auditor access to all, "information, property, and personnel relevant to the performance of an audit" (2.18.060) and prohibits coercion relative to auditor examinations or audits (2.18.070).

The City of Sacramento's *Whistleblower Protection Policy* requires the City to take all appropriate steps to thoroughly evaluate any allegation of improper government action

that is brought to its attention and serves to 1) encourage employees to report information concerning allegedly improper governmental action or subsequent retaliation by the City's officers or employees by providing them protection against retaliation, and 2) reinforce the expected values and behaviors of City officials and employees because of their role as guardians of the public trust and resources.

IV.   Confidentiality

California Government Code 53087.6 and the City's *Whistleblower Protection Policy* require confidentiality of Whistleblower investigations. It is the policy of the City Auditor to respect and maintain confidentiality of all persons involved in a Whistleblower investigation to the greatest extent possible, as allowed by law. Due to the highly sensitive nature of whistleblower allegations, the City Auditor only releases reports related to substantiated allegations; in other words, City-related fraud, waste, and abuse (including abuse of authority) complaints and investigations are kept confidential until and unless the investigation substantiates the allegations.

Upon completion of an investigation which substantiates an allegation, an investigative summary will be prepared for inclusion in the semi-annual Whistleblower Hotline Activity Report. State law mandates that even in the event of a substantiated allegation, personnel information is to remain confidential.

Office staff should take care to protect Whistleblower case information, such as judicious use of email, informing interviewees of the confidential nature of investigations, and protecting the identity of the Whistleblower and the subject to the maximum extent possible.

V.   Public Records Requests

The Office will manage Whistleblower-related Public Records Requests in a manner consistent with the City of Sacramento's *Public Records Request Policy* and *California Government Code 53087.6.*

Requestors should make *Public Records Act* (PRA) requests through the Office of the City Clerk. Consistent with the *Public Records Request Policy*, staff members who receive a request directly should ask the requestor to utilize the City's Online Public Record Request Portal. If a requestor declines to complete an online form, staff should complete a form on behalf of the requestor. Requests made in writing, through email, or voicemail should be forwarded to the Office of the City Clerk. This process ensures requests are appropriately processed through the City Clerk.

If the Office of the City Clerk does not have access to the records being requested, they will request the records from the City Auditor using the Public Records Workflow System. Some records and information generated by the Office the City Auditor are confidential and must be protected from disclosure as outlined by *California Government Code 53087.6* and the City's *Whistleblower Protection Policy*. Due to the obligation of the Office to protect confidential information, the City Auditor will act as the Public Records Act Coordinator and will review and manage all records requests from the City Clerk.

When releasing Whistleblower investigation records pursuant to a PRA request, the City Auditor should also forward the redacted records being released to the Mayor, City Councilmembers, City Manager, the City's Public Information Officer, and affected City department(s).

VI.   Allegations Covered by the Office of the City Auditor

The City Auditor's Whistleblower Program promotes good government by providing City employees and members of the public with a way to report allegations of fraud, waste, and abuse, including abuse of authority.

California Government Code 53087.6 defines fraud, waste, or abuse, in the context of a Whistleblower program, as "any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct."

The above definition is meant to provide guidance and is not meant to cover all types of allegations that will be investigated. For example, in line with the California State Auditor's California Whistleblower Protection Act (*California Government Code 8547*), our office will investigate allegations of "improper governmental activity" which expands the above definition to more clearly include allegations of incompetency, inefficiency, and abuse of authority. More specifically, *California Government Code 8547.3* refers to abuse of authority as "us[ing] the official authority or influence of the employee for the purpose of intimidating, threatening, coercing, commanding, or attempting to intimidate, threaten, coerce, or command any person for the purpose of interfering", such that "use of official authority or influence" includes "promising to confer, or conferring, any benefit; effecting, or threatening to effect, any reprisal; or taking, or directing others to take, or recommending, processing, or approving, any personnel action, including, but not limited to, appointment, promotion, transfer, assignment, performance evaluation, suspension, or

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 41

other disciplinary action."

VII.   Receiving Allegations

The Whistleblower Hotline (Hotline) consists of a telephone hotline and an online reporting interface, both of which are available 24 hours a day, 7 days a week. Allegations reported in the Hotline result in a case being created in EthicsPoint, the online Whistleblower case management system. The Hotline and case management system are administered by a contracted third-party, not City employees, which provides an additional level of independence and anonymity.

City staff or members of the public may submit allegations by calling the Whistleblower Hotline toll-free number 1-888-245-8859 or online at www.cityofsacramento.ethicspoint.com. Individuals may also submit whistleblower reports directly to any staff member in the Office of the City Auditor in person, over the phone, by voicemail, by e-mail, or by mail. Individuals who provide whistleblower information will have their identity kept confidential to the extent permitted by law unless the individual waives confidentiality in writing.

The general procedures below should be followed when receiving allegations.

Reports Made Through the Whistleblower Hotline
The Hotline generates a notification email to Office staff when a new allegation is submitted. These emails contain no information other than a case number and the general category of the allegation (e.g., fraud, theft, waste, abuse of authority, etc.).

1. **The Whistleblower Hotline Manager reviews the allegation and:**
   a. Determines whether the allegation is within the Whistleblower Program's purview.
   b. Assigns the case to a member of the Office.

2. **The assigned investigator opens a new case file by:**
   a. Reviewing the case in EthicsPoint.
   b. Creating a digital case file on a secure flash drive.

3. **If the allegation is within the Whistleblower Program's purview, the assigned investigator should:**
   a. Determine whether to investigate the allegation to determine the validity of the allegation or refer the allegation to an appropriate City department or outside agency for investigation.
   b. Maintain investigative documents in the digital case file.

    c. If the allegation is substantiated, prepare an investigative audit report and provide the relevant information to the appropriate parties for resolution.

    d. Close the case:
        i. Ensure all investigative documents are stored in both the digital case file and uploaded to EthicsPoint.
        ii. Enter summary information into EthicsPoint.

4. **If the allegation is outside of the Whistleblower Program's purview, the assigned investigator should:**

    a. Gather preliminary information to determine the nature of the complaint.

    b. Generally, one of the following will apply:
        i. Allegation and preliminary information referred to appropriate City Department(s) or Office(s).
        ii. Allegation and preliminary information referred to outside entity on behalf of the whistleblower.

    c. Close the case:
        i. Ensure all documents are stored in both the digital case file and uploaded to EthicsPoint.
        ii. Enter summary information into EthicsPoint.

Reports Made Directly to Office Staff via Telephone or In Person

City staff or members of the public may contact Office staff via telephone or in person to make a complaint. Due to various factors (e.g., workload, availability, task restrictions, etc.), the staff member receiving the complaint may not ultimately be the assigned investigator. The following procedures only ensure the complaint is appropriately received and processed; case assignment remains the purview of the Whistleblower Hotline Manager and the City Auditor. The staff member receiving the allegation should:

1. **Gather enough information to ascertain whether the allegation is within the Whistleblower Program's purview (who/what/when/where/how)**.

    a. Determine the nature and subject of the allegation to ensure the complainant is reporting to the correct entity.

    b. If the allegation appears to be within the Whistleblower Program's purview, gather enough information to initiate an investigation.

    c. If the allegation appears to be outside of the Whistleblower Program's purview, provide the complainant with contact information for the appropriate agency.

2. **Explain the Whistleblower Protection Policy to the complainant**.

    a. Discuss the complainant's preference regarding anonymity.

    b. If appropriate, request the complainant provide their contact information for follow-up purposes.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 43

3. **Initiate a new case in EthicsPoint**.
   a. If possible, this should be completed with the complainant to ensure completeness and to provide the complainant with a confirmation number and password to access their case.

4. **Brief the Whistleblower Hotline Manager, City Auditor, or Assistant City Auditor.**

Reports Made to Office Staff via Voicemail, e-Mail, or Regular Mail/Dropoff
City staff or members of the public may make an allegation in writing or via voicemail. Due to various factors (e.g., workload, availability, task restrictions, etc.) the staff member receiving the information may not ultimately be the assigned investigator. The following procedures only ensure the complaint is appropriately processed; case assignment remains the purview of the Whistleblower Hotline Manager and the City Auditor. The staff member receiving the information should:

1. **Initiate a new case in EthicsPoint.**
   a. Hard copy letters should be scanned and uploaded to EthicsPoint.
   b. E-mails should be converted to PDF and uploaded to EthicsPoint.
   c. Voicemails should be forwarded to the Whistleblower Hotline Manager.

2. **Brief the Whistleblower Hotline Manager, City Auditor, or Assistant City Auditor.**

Screening for Merit and Relevance
As the Whistleblower Hotline is open to the public at large, it welcomes an expansive range of complaints. Therefore, it is important to consider how the allegation may relate to fraud, waste, or abuse, including abuse of authority, by the City or its employees. To do this, staff should think broadly about how the provided statements could tie into a related matter. From a cursory review, allegations may appear to lack merit or relevance due to a myriad of reasons. However, upon a thorough and professional evaluation, they may lead to an issue that puts the City at risk and should be investigated.

Reports that lack merit and relevance, as evidenced by insubstantial statements, should be documented and closed in EthicsPoint in order to preserve Office resources. These necessary steps protect the integrity of the Whistleblower Hotline and efficiently preserve resources for matters that have merit and relevance.

VIII. <u>Prioritizing Allegations</u>

Due to the limited staff in the Office of the City Auditor and the Office's chief responsibility to conduct performance audits, research, and analysis in accordance with the City Council-approved workplan, conducting full investigations of all allegations is

not feasible. Instead, the City Auditor applies a risk-based approach to investigate whistleblower allegations to focus investigative efforts on those allegations that represent the greatest risk or loss to the City. The following guidance applies when rating allegations:

High Priority
Reasons why allegations may be considered high priority include a health, safety, or welfare concern, losses to the City of Sacramento more than or equal to $75,000, criminal activity resulting in a loss of at least $400, high-level involvement, collusion of multiple wrongdoers, a major department-wide issue, or need for immediate action to stop a potential major issue. High-priority items should be discussed immediately. In addition, addressing these items could take priority over other investigations and projects at the City Auditor's discretion.

Medium Priority
Allegations in this category could include a loss to the City of Sacramento between $25,000 and $75,000, abuse of authority, medium to low-level employee involvement, minor department-wide issues, or patterns of small problems that could become serious when summed.

Low Priority
Allegations in this category could include a loss to the City less than $25,000, isolated instances of time abuse, wasteful practices that would lead to limited gains in efficiencies if corrected, or allegations that lack credibility and evidence. The Office would aim to investigate these items but may not do so because of limited resources or if the complaint is insubstantial due to a lack of sufficient information to warrant an investigation. However, if the same or similar issues were reported multiple times, low priority items may become a higher priority.

Unrelated to the City
Some allegations received through the Whistleblower Hotline do not involve City of Sacramento departments or employees. The Office of the City Auditor assesses these allegations for any City involvement. If no City involvement can be determined, those allegations are closed as "Unrelated to the City"; some allegations not related to the City are referred to other jurisdictions.

IX.   Allegations Covered by Other City Departments

The intent of establishing a Whistleblower Program is not to replace or limit other reporting options, as some allegations are more appropriately investigated by other City departments or offices. For example, many Human Resources-related issues should be reported to the appropriate Human Resources staff; labor grievances, allegations of

workplace discrimination, and workers' compensation claims should be reported using City procedures established for that purpose. Similarly, complainants may need to report legal issues to the City Attorney's Office or code enforcement violations to the Community Development Department.

As appropriate, the Office will refer cases to other City departments or offices. However, it may still be appropriate for staff to gather initial information to better understand the issues involved and to review the outcomes, responses, and investigation documents from other City departments or offices to ensure the allegations were addressed. This is similar to *California Government Code 8547.6*, which allows the California State Auditor to refer allegations to other agencies for investigation "under the State Auditor's supervision" and requires these agencies to "report the results of the investigation to the State Auditor..."

X.   City Referrals

- **Risk Management for workers' compensation information**:
  916-808-5741
  https://www.cityofsacramento.gov/HR

- **Risk Management for environmental health and safety programs like OSHA and DOT compliance:**
  916-808-5278
  https://www.cityofsacramento.gov/HR

- **Risk Management for liability claims:**
  916-960-0980
  https://www.cityofsacramento.gov/HR/hr-documents-resources

  Labor Relations for union grievance procedures:https://www.cityofsacramento.gov/HR/hr-documents-resources

- **Equal Employment Opportunity for the grievance procedures alleging discrimination:**
  916-808-5825
  https://www.cityofsacramento.gov/HR/equal-employment-opportunity

- **Other Human Resources related issues:**
  https://www.cityofsacramento.gov/HR

- **City Attorney:**
  916-808-5346
  http://www.cityofsacramento.org/CityAttorney

- **Code Enforcement for neighborhood code, housing and dangerous buildings, business compliance, landscape requirements, rental house standards, and anti-graffiti:**

311 or 916-808-5011 *(inside City limits)*
916-264-5011 *(outside of City limits)*
https://www.cityofsacramento.gov/information-technology/311

- **Sacramento Ethics Commission:**
  916-808-7200
  https://www.cityofsacramento.org/Clerk/Good-Governance-and-Compliance/File-An-Ethics-Complaint

- **Police for non-emergencies:**
  916-808-5471
  https://www.cityofsacramento.gov/police

XI.   Allegations Covered by Non-City Agencies

By nature of being the State Capital as well as the County Seat, the City of Sacramento is home to a large number of Federal, State, and County agencies. As a result, some complaints made to the City's Whistleblower Hotline may be partly or solely related to government agencies external to the City of Sacramento. Allegations involving an external government entity or employee will be referred in whole or in part to the most appropriate government entity. Office staff will document all referrals in the case file.

Complaint investigation services are available at many government agencies and may include fraud, waste, and abuse, Whistleblower programs, internal affairs programs, judicial oversight authorities, offices of professional responsibility, etc. Some common referral agencies are noted below.

Common Non-City Referrals

Jurisdiction	Organization	Reporting	Methods
County of Sacramento	County Auditor-Controller	Fraud Hotline	916-874-7822 audits@saccounty.net Fraud Hotline - Confidential County of Sacramento 10481 Armstrong Ave., Mather, CA 95655 https://www.saccounty.gov/Government/Pages/FraudHotline.aspx
State of California	California State Auditor	Whistleblower Hotline	800-952-5665 Investigations California State Auditor P.O. Box 1019 Sacramento, CA 95812 http://www.bsa.ca.gov/hotline/filecomp
Health, Safety, and other complaints against employers	US Department of Labor (OSHA)	Whistleblower Hotline	800-321-OSHA (6742) https://www.whistleblowers.gov/
Consumer Complaints Against a Business	California Office of the Attorney General	Comment/ Complaint Form	https://oag.ca.gov/contact/consumer-complaint-against-business-or-company
Consumer Complaints Against a Business	Better Business Bureau	Complaints	https://www.bbb.org/file-a-complaint
California Attorneys	State Bar of California	Complaints	800-843-9053 http://www.calbar.ca.gov/Public/Complaints-Claims
California Judges	Commission on Judicial Performance	Complaints	Commission on Judicial Performance 455 Golden Gate Avenue, Suite 14400 San Francisco, California 94102 http://cjp.ca.gov/file_a_complaint/

XII.   Special Circumstance

Complaints Made Against City Council

The Office of the City Auditor may receive allegations about elected officials. As the Office does not generally have the authority to audit the Mayor and City Council without their request, allegations involving these officials shall be discussed with the City Auditor immediately. The City Auditor, Assistant City Auditor, and the Whistleblower Hotline Manager will evaluate the allegation, possibly with the advice of other City Staff and officials, to determine how to proceed. Allegations may be referred to the City's Ethics Commission.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 48

Complaints Made Against Office of the City Auditor Staff

Allegations against members of the Office of the City Auditor should be made directly to the City Auditor and not through the Whistleblower Hotline. As all Office staff have access to the Whistleblower case management system, the subject of the allegation could potentially see the complaint and the complainant information; confidentiality and anonymity could not reasonably be maintained.

In the event a complaint is made through the Whistleblower Hotline, access to the case should be restricted to the Whistleblower Hotline Manager, Assistant City Auditor, and City Auditor (unless any of these individuals are named in the complaint) as soon as practical.

In the event a complaint is made directly to a staff member regarding other Office staff, the individual receiving the allegation should immediately notify the City Auditor.

Office staff are expected to keep allegations against other staff members confidential and not inform the subject of the allegation.

The City Auditor, Assistant City Auditor, and the Whistleblower Hotline Manager (unless any of these individuals are named in the complaint) will evaluate the allegation, possibly with the advice of other City staff and officials, to determine how to proceed.

Complaints Made Against the City Auditor

Allegations against the City Auditor should be made directly to City Councilmembers and not through the Whistleblower Hotline. As noted above, the City Auditor has access to all allegations in the Whistleblower case management system; therefore, confidentiality and anonymity cannot reasonably be maintained. In the event a complaint against the City Auditor is made directly to Office staff, the individual receiving the allegation should discuss it with the Whistleblower Hotline Manager and the Assistant City Auditor and possibly seek guidance from City staff or officials outside of the office to determine how to proceed.

SECTION 5: INFORMATION SECURITY AND CONTINGENCY PLANNING

I.   Policy Background

The Office of the City Auditor utilizes the *City's Information Security Policy* as an administrative control to manage the risks to the Office's information technology resources from deliberate acts of sabotage or ill-intent, natural disasters, and accidents caused by humans and non-humans.

II.   Information Security

The Office of the City Auditor is the data owner of all data generated from the operation and maintenance of the City's Whistleblower program. The Whistleblower Hotline Manager is the data custodian and is responsible for maintaining and protecting the data. Data that is generated from Whistleblower activities is classified as Confidential (Level 1).[16]

III.   Use of Artificial Intelligence (AI)

Upon approval from Office management, Office staff may be allowed to utilize Artificial Intelligence[17] (AI) in the course of their work as it can increase efficiency and enhance the Office's work. In all use of AI, Office staff are expected to adhere to applicable City-wide policies, such as the City's *Information Security Policy*.

Data Privacy and Security
Special care should be taken when using AI and proprietary, confidential, or sensitive information should generally be excluded from its use. If proprietary, confidential, or sensitive information is inadvertently uploaded to AI, staff must notify their supervisor immediately.

Acceptable Uses
AI is a tool and does not replace standard auditing processes. However, there may be a variety of circumstances where use of AI can be beneficial in the performance of work-related tasks. The following list contains pre-approved uses of AI in audit work. Office

---

[16] *Information Security Policy*.

[17] Generally, references to Artificial Intelligence (AI) refer to Large Language Models (LLMs). Examples include, but are not limited to: ChatGPT, Google BARD, and Microsoft Copilot.

staff wanting to use AI in tasks outside of this pre-approved list must consult with their immediate supervisor prior to using AI in the performance of work-related tasks.

- General Research: Examples of general research include gathering information in preliminary survey; legal and/or case law research; legislative research; business case research; researching best practices or authoritative standards or frameworks; researching administrative tasks or tools; gathering criteria; benchmarking; researching ideas for employee engagement; summarizing public documents; researching potential vendors; etc.

- Risk Assessment: While AI can be used to identify potential risks/threats and potential internal controls, information related to the City's actual internal control structure should not be input into the AI model.

- Natural Language Processing (NLP): Examples of NLP include looking for commonly used words, numbers, or phrases within text to identify common threads or anomalies; detecting AI generated information within public text; automating the extraction and analysis of information from unstructured text in public documents or social media; etc.

- Administrative Tasks: Examples include writing emails that exclude proprietary, confidential, or sensitive information; generating presentations that exclude proprietary, confidential, or sensitive information[18]; transcriptions (with appropriate approval from those being transcribed); developing requests for proposals; etc.

- Supervisory or Management Tasks: Examples of supervisory or management tasks include writing performance evaluations (without inputting specific personnel details); researching ideas for coaching and conducting 1:1s; researching strategies for providing verbal or written feedback; role-playing difficult conversations (without inputting specific personnel details); etc.

Ensuring Accuracy and Fairness
Office staff should note that although generative AI applications are helpful in many ways, they can be prone to biases, hallucinations, copyright infringement, or produce inaccurate results. Office staff must verify the accuracy of AI information before relying on it in their work.

Ethical Considerations
Office staff shall not use AI to violate laws, policies, or contracts or to generate content that enables harassment, threats, defamation, hostile environments, stalking, or illegal

---

[18] Audit information that is not yet public, should be excluded from this use case.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 51

discrimination. Office staff that become aware of an instance where AI caused harm must report the instance to their supervisor immediately.

Workpaper Documentation
The purpose and use of AI must be disclosed within workpapers. Supporting documentation should include both inputs and outputs to verify the integrity of the results.

Training and Resources
Office staff is encouraged to attend AI-related trainings. Examples could include: technical use of AI; ethical use of AI; effective use of AI in performance auditing; AI risks, best practices, and internal controls; etc. For information on AI risks, best practices, and internal controls, see the Institute of Internal Auditors' (IIA) *Artificial Intelligence Auditing Framework*.

IV.   Contingency Planning

Business Continuity Plan
A Business Continuity Plan (BCP) documents a predetermined set of instructions or procedures that describe how an organization's mission/business processes will be sustained during and after a significant disruption.

The City Auditor has developed this BCP to coordinate recovery of critical business functions in managing and supporting the business recovery in the event of a facilities (office building) disruption or disaster. The City Auditor's BCP is limited in scope to recovery and business continuance from a serious disruption in activities due to non-availability of City facilities. This plan is separate from the City's Disaster Recovery Plan, which focuses on the recovery of technology facilities and platform.

The primary location of the Office is 915 I Street, Historic City Hall, Second Floor, Sacramento, California, 95814. In the event of a disaster or disruption to the Office facilities, the strategy is to recover operations by relocating to an alternate business site. The alternate business site shall be remote work (e.g. employees may work from home or other appropriate sites).

Termination of the alternate business site and transition back to the original or new primary Office location shall follow the Citywide BCP.

Disaster Recovery Plan
A Disaster Recovery Plan (DRP) is a written plan for processing critical applications in the event of a major hardware or software failure or destruction of facilities.

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 52

Based on the size and work of the Office, a City Auditor specific DRP is not required. In the event of a disaster, the Office of the City Auditor will follow the Citywide DRP.

Cyber Incident Response Plan
A Cyber Incident Response Plan (Cyber IRP) documents the processes to follow in the event of various cyberattack scenarios.

Based on the size and work of the Office, a City Auditor specific Cyber IRP is not required. In the event of an incident, the Office of the City Auditor will follow the Citywide Cyber IRP.

Information Technology Contingency Plan
An Information Technology (IT) Contingency Plan documents the coordinated recovery strategy for IT systems, operations, and data after disruption.
Based on the size and work of the Office, a City Auditor specific IT Contingency Plan is not required. In the event of a disruption, the Office of the City auditor will follow the Citywide IT Contingency Plan.

SECTION 6: ADMINISTRATIVE OFFICE PROCEDURES

This section of the *Policy and Procedures Manual* describes general office procedures for the Office of the City Auditor (Office).

I.   Office Hours

Normal working hours are 8:00 a.m. to 5:00 p.m., with one hour lunch, Monday through Friday. The City Auditor (or designee) may approve other alternate work schedules on a case-by-case basis. Such requests should be made in writing and discussed with the City Auditor. Each employee is expected to be punctual and to adhere to their approved work schedule.

II.   Time Reporting

In order to be paid, employees are responsible for entering their hours worked into the City's eCAPS system on a bi-weekly basis. eCAPS timecards are approved by Office management or the Council Operations Manager according to Payroll's bi-weekly schedule.

In addition to the eCAPS timecard, employees will fill out a separate timecard in Missionmark that documents specific hours worked on projects and leave time taken. Staff should submit their timecard in Missionmark at least bi-weekly. Guidance for entering time in Missionmark can be found in the Office's *Missionmark Timetracking Framework*, located in the "Audits" SharePoint, in the Policies and Procedures folder.

III.   Remote Work

Office staff may work from non-City office locations, like their homes, at the discretion of the City Auditor (or designee). Those interested in remote work must review and comply with the City's Remote Work Policy. Employees working outside of the office are expected to complete as much work as they would do while in the office and ensure the security of work documents. The City Auditor (or designee) may decide to limit or not allow an employee remote work if there are concerns about that employee's performance.

Employees may work from their personal computers or take their Office laptop home. Employees may work with the City's Information Technology Department to establish access to Office files and City systems through a Virtual Private Network (VPN).

IV.   Staff Meetings

The City Auditor shall set bi-weekly staff meetings. During this time, the City Auditor and staff will provide updates on recent work and discuss any work-related issues. In addition to discussing assigned work, meetings are also an opportunity to share office-related ideas and concerns.

V.   Vacation, Sick Leave, and Leave of Absence

The rules and regulations for non-productive time accruals are described in the City's *Personnel Resolution Covering Unrepresented Officers and Employees* and the *Sacramento City Exempt Employees Association (SCXEA) labor agreement*.

Planned leave, such as vacation and personal business, of 8 hours or more should be approved in advance by Office management. Leave less than 8 hours may be requested informally, but should be obtained at least 24 hours in advance. Regarding sick leave, staff are requested to notify Office management by at least 9:00 a.m.

Office staff should familiarize themselves with relevant City-wide policies such as the *Leave Administration Policy* and the *Sick Leave Policy.* Depending on an employee's classification, additional information can also be found in the current *Unrepresented Resolution* or Sacramento City Exempt Employees Association (SCXEA) *Memorandum of Understanding*.

VI.   Flexible Work Schedules

Full-time, salaried employees are expected to work a minimum of 40 hours per week. The job requirements of some salaried employees mean they regularly work considerably more than 40 hours, and that the time worked frequently occurs during hours outside of the normal schedule.

These circumstances are recognized by allowing some flexibility in the work schedule so that, with the approval of Office management, employees who work more than 40 hours in a workweek may occasionally be allowed to reduce their work schedule by the same number of hours, or less, within the same bi-weekly pay period. For good cause shown, the reduced work schedule may occur in a subsequent pay period. The employee must:

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 55

1) Work in an assignment that allows such flexibility with consideration of internal and external customer needs, operational requirements, and status of current assignments; and

2) Be in good standing and performing at a satisfactory or higher level.

This flexible work schedule guideline applies to all Office staff regardless of whether they are working remotely or onsite.

VII.　Use of Computer Equipment, Email, Internet, and Telephone

The City's policy on acceptable use of information technology resources is the *Information Technology Resource Policy*. Additional information is also contained in the *Information Security Policy*.

VIII.　Contact with the City Council and the News Media

The City Auditor is the point of contact with members of the City Council and with the news media. Any request for information should be routed to the City Auditor. The City Auditor may, at their discretion, delegate the responsibility to staff for specific issues.

IX.　Public Records Requests

The Office of the City Auditor should manage Public Records Requests in a manner consistent with the City's *Public Records Request Policy*.

Requestors should make Public Records Act (PRA) requests through the Office of the City Clerk. Consistent with the Public Records Request Policy, staff members who directly receive a request should ask the requestor to utilize the City's Online Public Record Request Portal. If a requestor declines to complete an online form, staff should complete a form on behalf of the requestor. Written requests, emailed requests, or voicemail requests should be forwarded to the Office of the City Clerk. This process ensures requests are appropriately processed through the City Clerk's Office.

If the Office of the City Clerk does not have access to the record being requested, they will request the records from the City Auditor using the Public Records Workflow System. Some records and information generated by the Office the City Auditor are confidential and must be protected from disclosure as outlined by California Government Code 53087.6 and the City's Whistleblower Protection Policy. Due to the

obligation of the Office to protect confidential information, the City Auditor will act as the Public Records Act Coordinator and will review and manage all records requests from the City Clerk.

When releasing Whistleblower investigation records pursuant to a PRA request, the City Auditor should notify and provide copies of the redacted reports and records to be released to the Mayor, City Councilmembers, City Manager, the City's Public Information Officer, and the affected department(s).

X. Professional Appearance and Conduct

It is the policy of the City Auditor to promote an attitude of professionalism and competence. Professional appearance and conduct help to convey these attributes. As such, Office staff should dress appropriately when on the job and treat other employees with courtesy and respect. Due to typical hot summer weather in Sacramento, staff may dress business casual during the months of July and August. However, they may be required to dress more formally during those months depending on circumstances (e.g., meeting with City Councilmembers). All staff members are representatives of the Office of the City Auditor and should present themselves accordingly.

The success of any project is due in part to the cooperation and assistance of City staff. As such, it is important to remember that these employees are working for their respective departments and that their primary duty is to fulfill their daily assignments. Therefore, Office staff should be courteous and understanding of employee time constraints. If Office staff needs an employee to perform a major task, this should be discussed with the Office management in advance.

Staff members are responsible for keeping their work areas neat and orderly. Care must be exercised to avoid exposure of confidential or potentially sensitive documents.

XI. Performance Appraisals

The City Auditor (or designee) conducts annual performance evaluations for Office staff including an evaluation of past performance, opportunities for improvement, performance objectives for the coming year, and targeting appropriate training. Performance planning and appraisal is normally conducted prior to setting individual employee compensation.

XII. Department Budget

The City Auditor (or designee) is responsible for processing the Office's financial

transactions and monitoring the Office's budget.

XIII.   Calendars, Appointments, Meetings

Staff will maintain their electronic Outlook calendar up to date in order to facilitate scheduling of appointments and meetings by others.

XIV.   Travel

All travel must be approved in advance by the City Auditor (or designee) through the City's travel management system. Reimbursement requests will be handled in conformance with the City's *Travel Request and Reimbursement Policy.*

XV.   Outside Employment

Employees who would like to seek supplemental employment should fill out the *City of Sacramento Supplemental Employment Request* form for review by the City Auditor (or designee).

XVI.   Gifts

It is contrary to the City Auditor's ethical standards for any Office of the City Auditor employee to accept gifts or gratuities from any individual, business, or organization doing business with, seeking to do business with, seeking permits from, or seeking other entitlements from the City.

XVII.   Motor Pool

The City allows employees the use of City vehicles from the Motor Pool for City business. For more information regarding the Motor Pool, refer to City policies. Those who receive a vehicle stipend are not eligible to use vehicles from the Motor Pool.

APPENDIX: UPDATES AND RESULTS OF ANNUAL MONITORING OF QUALITY

This appendix documents the history of revisions to this manual based on the results of monitoring of quality. If no revisions were needed in a given year, a notation is indicated.

2024

Minor grammatical and formatting revisions were made to this manual for readability. Information in the Whistleblower Program Procedures was updated to reflect current practices. The Use of Artificial Intelligence (AI) section was expanded to provide Office Staff with a more defined framework for incorporating AI into their work.

2023

Minor grammatical and formatting revisions were made to this manual for readability. Links to City websites were updated as the City migrated to a new platform. The Time Reporting section was updated to reflect the Office's new process of tracking time in Missionmark, rather than Excel timesheets. The Remote Work section was updated to align with the City's *Remote Work Policy*. The Information Security and Contingency Planning section was added in response to the City's *Information Security Policy* and the emerging Artificial Intelligence (AI) technology.

Additionally, as part of the City's *Race and Gender Equity Action Plan* (RGEAP), the Office's Equity Team reviewed and updated, if necessary, all Office templates. This included any templates used in phases 1 through 5 of the audit process: Project Initiation, Preliminary Survey, Risk Assessment, Field Work, and Project Reporting. While the focus of these reviews and updates was to incorporate race and gender equity, templates were also updated to enhance compliance with GAGAS and strengthen the Office's processes.

2022

Minor grammatical and formatting revisions were made to this manual for consistency. References to audits and auditors were generally updated to projects and Office staff. The Research and Analysis section was removed and the responsibilities of that division were incorporated into the Performance Audits and Non-Audit Services sections of this manual. The Whistleblower Program Procedures, the Professional Development procedures, and other minor procedures were updated to more closely align with current practices and the expanded responsibilities of Office management.

2021

Minor grammatical and formatting revisions were made to this manual for consistency. Minor updates to the procedures for storing confidential documents, following up on recommendations, creating audit binders, and approving travel were also made to more

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 59

closely align with current practices. Additional GAGAS and CA Government Code citations were included for reference.

2020
Minor grammatical and formatting revisions were made to this manual for enhanced alignment with auditing standards. Minor changes were also made throughout the manual to reflect adjustments to working conditions brought about by the COVID-19 pandemic. Additionally, the Whistleblower Program Procedures and the Public Records Request procedures were updated to more closely align with current practices.

2019
In order to stay current with GAGAS, the 2018 revision to the *Yellow Book* was reviewed and appropriate changes implemented. The Independent Budget Analyst Division was renamed to the Research and Analysis Division.

2018
The Office of the City Auditor's Whistleblower Hotline Procedures were incorporated into this manual. Additionally, the manual was also updated to include the newly created Independent Budget Analyst Division.

2017
Minor revisions were made to this manual, primarily for formatting and grammatical consistency.

2016
The manual was substantially revised in December. The entire manual was reorganized under a hierarchical heading format, some verbiage was changed to more closely mirror Yellow Book and other regulation language, syntax and grammar corrections were made, style corrections were made for consistency, most hyperlinks were deleted, outdated references were updated or deleted, sections were reorganized for flow and clarity, and procedures were added for Public Records Release, Whistleblower Review during Preliminary Survey, and Communications Logs.

2015
This manual was revised in September. In order to stay current with GAGAS, *the Yellow Book* was reviewed and appropriate changes implemented. Changes to grammar, style, and syntax were made. In addition, the Audit Committee was relabeled to the Budget and Audit Committee.

2014
The manual was revised in July for minor grammatical corrections only.

2013

Policies and Procedures Manual
As of December 31, 2024

City of
SACRAMENTO
Office of the City Auditor

Page 60

The manual was revised in July. Substantive changes included adding City Code Section detail regarding the City Auditor being appointed, adding *2011 Yellow Book* language on independence and Non-Audit Services, adding Whistleblower Hotline details under Audit Services, updating Phase 5: Audit Reporting with other required statements and language regarding information prohibited from public disclosure, adding policies on the Motor Pool and Appropriate Authoritative Resources.

2012

The manual was revised in February/March. Substantive changes included adding the "working away from the office," "staff meetings," and "partial leave" sections. Also, we updated GAGAS references, as section numbers changed due to the revision of the Yellow Book that became effective for performance audits beginning on or after December 15, 2011. Additional changes were made to the policy between April and May to add clarifying language to the Sacramento policy from the *2011 Yellow Book*.

2011
No revisions were made.

Farishta Ahrary
City Auditor

Farishta Ahrary