

2026-27 PROPOSED WORK PLAN

Office of the City Auditor

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OUR MISSION

The Office of the City Auditor serves a critical role in advancing public accountability, transparency, and continuous improvement across City operations. Our mission remains: *To provide a catalyst for improvements of municipal operations and promote a credible, efficient, effective, equitable, fair, focused, transparent, and fully accountable City government.*

As an independent office, we provide objective and reliable assessments of the City's programs, services, and systems of internal control. Through performance audits, fiscal analyses, and nonaudit engagements, we evaluate compliance with applicable laws and regulations, assess operational efficiency and effectiveness, and identify opportunities to strengthen internal controls and risk management practices. Our work is designed not only to detect and deter fraud, waste, abuse, and inequities, but also to promote strategic decision-making and measurable improvements in service delivery.

Pursuant to City Code Section 2.18.030, the City Auditor is required to submit an Annual Work Plan to the City Council for approval. The Proposed Annual Work Plan for Fiscal Year 2026/27 includes audits previously approved by the City Council that are currently in progress or were not completed in the prior fiscal year, as well as capacity for new audit engagements to be selected for the upcoming year.

In conjunction with this proposed audit plan, we introduce a new process by including a comprehensive list of potential audit topics identified through our citywide risk assessment and stakeholder outreach process as an attachment to the accompanying staff report. The Budget and Audit Committee will review, discuss, and prioritize those proposed topics to determine which additional audits should be incorporated into the FY 2026/27 Work Plan. The plan is intentionally structured to allow flexibility to add the Committee's selected audits prior to presentation to the full City Council for final approval.

I am pleased to present the Proposed Annual Work Plan for FY 2026/27 for the Committee's consideration. My team and I look forward to working with the Budget and Audit Committee, the City Council, City departments, and the community to prioritize audits that will provide the greatest value, strengthen governance, and enhance public trust in City government.

Respectfully submitted,


Farishta Ahrary
City Auditor

PERFORMANCE AUDITS (4 FTE)

Audits in Progress

Fire Department	Emergency Medical Services	The objective of this audit will be to evaluate the quality of SFD's emergency medical services delivery to the public and to identify opportunities for improvement. This will entail reviewing EMS processes at the levels of both 911 dispatch and health care delivery by City Paramedics and EMTs. In conducting this audit, we will evaluate internal controls, interview members of SFD relevant stakeholders, participate in ambulance ride-alongs, observe dispatchers taking calls, review policies and government codes and regulations, review patient survey results, research industry best practices, and assess response data. Anticipated completion date is June 2026.
Police Department	Evidence and Property Division	The objective of this audit will be to determine whether SPD's Evidence and Property Division operates in compliance with applicable policies and procedures, laws, and industry best practices. This audit will determine whether appropriate controls exist over property and evidence room inventory including intake, disposition, storage, preservation, and security. Anticipated completion date is April 2026.
Human Resources	Complaint Investigation and Resolution Processes	The City's complaint investigation and resolution process involves allegations of workplace discrimination, harassment, and employee wrongdoing. This audit will evaluate the City's processes and procedures related to EEO complaint intake, investigation, and disposition. The objective of this audit will be to assess whether the City's EEO complaint investigation processes are designed and operating to ensure compliance with applicable laws and policies, and that investigations are conducted timely, consistently, independently, and equitably, without re-evaluating the merits of individual cases. This audit was previously initiated and put on hold due to staffing changes in the Office of the City Auditor and re-initiated in February 2026.
Citywide	Homeless Response – Part 2	The City funds and operates a variety of homeless shelter models aimed at providing temporary shelter and supportive services to people experiencing homelessness. These include emergency shelters, transitional housing programs, and specialized facilities such as navigation centers and non-congregate shelter options. This audit analyzes and compares the various shelters using performance metrics to identify those that have been most successful in helping clients end their homelessness. Anticipated completion date is June 2026.

PERFORMANCE AUDITS

Planned Audits

Citywide	Pedestrian Safety	The objective of this audit is to evaluate the effectiveness of the City's pedestrian safety efforts in reducing pedestrian-related collisions and improving safety outcomes. The audit will begin with a risk assessment to identify high-risk corridors, vulnerable populations, collision trends, operational gaps, and governance issues, and will refine its focus to the strategies, programs, and controls that present the greatest risk to achieving intended results. The review will assess enforcement, education, and operational initiatives, as well as the Quick Build program's project selection, deployment in high-risk areas, implementation, and outcome tracking to support continuous improvement.
Community Development Department	Code Compliance Night Team	The objective of this audit will be to determine whether the Code Compliance Night Team effectively disperses crowds quickly after events to reduce the risk of late-night incidents. The audit will aim to assess the adequacy of staffing levels, shift scheduling, and resource deployment of the Code Compliance Night Team, and determine whether the team contributes to a reduction in late night incidents.
Department of Information Technology	City Radio Systems	The objective of this audit is to evaluate the cost-effectiveness and long-term sustainability of the City's legacy radio system by analyzing its total cost of ownership and comparing these costs with those of alternative communication. Assess whether the aging radio infrastructure effectively supports the operational and public safety needs of City departments and identify related risks.
Convention and Cultural Services Department	Special Event Permitting	The objective of this audit is to evaluate and seek opportunities to improve the Special Event processes including cost structure, permit approval workflow, resource constraints, and event requirements. Assess the City's cost structure, staffing, and event application requirements. Conduct benchmarking focusing on staffing, event space availability, insurance requirements, and customer resources. Review accuracy and completeness of applications.

PERFORMANCE AUDITS

Planned Audits, Continued

Citywide

Proposed Audits

The FY 2026/27 Work Plan includes dedicated capacity to initiate approximately three to four additional audits or Research and Analysis projects during the fiscal year. The specific projects to be undertaken will be selected from the list of proposed audit topics provided as a supplement to the draft work plan in the accompanying staff report. The Budget and Audit Committee will review and prioritize those proposed topics, and the selected audits will be incorporated into the final Work Plan prior to presentation to the full City Council for approval. This reserved capacity allows the Office of the City Auditor to remain responsive to Council priorities, risk assessment results, and emerging issues while ensuring workload planning remains realistic and achievable.

Council Requests

Council Requests

In response to new Council requests for audits, analysis, or information, we will postpone or remove existing projects and present the amended Work Plan to City Council for approval so we can respond to those requests in a timely manner.



CANNABIS COMPLIANCE WORK (0.5 FTE)

Work in Progress

Citywide	Continuous Monitoring	The Cannabis Auditor performs ongoing monitoring of Cannabis Policymaking, Education, and Outreach; Cannabis Business Operation Tax; and Cannabis Code Enforcement Activities.
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Planned Audits

Citywide	Comparative Cannabis Code Analysis	To assess the alignment and duplication between state and City laws governing cannabis businesses, evaluating regulatory overlap in code provisions, enforcement mechanisms, and administrative activities. This audit will identify opportunities to streamline the City's cannabis regulations while ensuring compliance with state law and maintaining effective oversight.
Citywide	Audited CBOT Amount for Sacramento Children's Fund	In accordance with the Sacramento Children and Youth Health and Safety Act (Measure L), the City Auditor will annually publish an audited amount of Cannabis Business Operations Tax (CBOT) by January 15th.
Police Department	Illegal Cannabis Cultivation	Unlicensed and criminal cannabis activity continues to run rampant throughout the state. This audit will evaluate the City's ongoing efforts to crack down on illegal cannabis grow operations



DEPARTMENT OF UTILITIES AUDITS (1 FTE)

Audits in Progress

Energy Use

The City of Sacramento aims to mitigate negative impacts such as greenhouse gas emissions, pollution, dependence on non-renewable resources, and over- or excessive use of natural resources. This audit will evaluate the feasibility of DOU operations moving to 100% electric. This will include a cost-benefit analysis of DOU's solar power purchase agreements, evaluating use of solar shares, cost-benefit analysis of participating in SMUD's automated demand response program, and review of the impacts of fleet electrification on department operations and emergency responses.

Storm Drainage Fund Review

The City worked closely with the community, the Utilities Rate Advisory Commission, and the City Council to develop a new Storm Drainage Property Fee to support capital infrastructure and related operating costs. However, the fiscal stability of the Storm Drainage Fund remains in flux. This review will analyze the fiscal sustainability of the Storm Drainage Fund, including the new Storm Drainage Property Fee, and forecast future revenues based on various scenarios, including potential rate increases.

Planned Audits

Physical Security Series

The Department of Utilities operates over 200 facilities throughout the City, including two water treatment plants, a wastewater treatment plant, multiple reservoirs, numerous wells and sewer and drainage pumps (sumps), as well as various administrative and storage sites. Given the critical water, wastewater, and storm drainage infrastructure housed at many of these locations, ensuring robust physical security measures is essential to prevent unauthorized access (such as vandalism or theft) that could disrupt operations. This series of audits will assess the internal controls over physical security designed to protect these facilities and evaluate their effectiveness.



RESEARCH & ANALYSIS WORK PLAN (3 FTE)

Work in Progress

Citywide	Audit of the Transient Occupancy Tax	This audit will assess the City's administration of the Transient Occupancy Tax (TOT) imposed on hotels, transient lodging operators, and short-term rentals. The review will evaluate whether controls over reporting, remittance, and reconciliation are adequate to ensure taxable occupancy is properly reported and the correct tax is collected. The audit will also benchmark the City's TOT rate, related lodging assessments, and any statutory or policy restrictions against comparable jurisdictions to assess regional alignment, competitiveness, collection and reconciliation procedures, and associated fiscal and compliance risks.
Citywide	Potential Cost Savings and Revenue Recovery Audit Services	In March 2020, the Citywide Innovation and Efficiency Assessment, Potential Strategies recommended third-party audits to potentially identify cost savings. In alignment with this recommendation, we have entered into a contingency contract with a vendor to conduct these and/or other audits to recover potential past taxes or any other monies or revenue owed to the City that were not properly attributed to the City or were not properly paid/collected and to determine potential future taxes and other monies owed to the City not previously counted. We intend the first service to be a Utility Cost Recovery Audit, which will examine the City's electric, gas, propane, and telecommunications (data, internet, land line, cell phones) account invoices for the purpose of securing refunds, credits and cost reductions resulting from discovery of charges or costs in excess of those permitted or allowed by applicable contracts, tariffs, statutes, rules, regulations and/or from overcharges or billing errors.

Ad Hoc Projects

Citywide	Business Operations Tax (Non-Cannabis)	City Code 3.08 requires all businesses that operate in the City or do business with the City pay a Business Operations Tax (BOT). The amount of the tax levied generally depends on the type of business and their gross receipts. However, non-cannabis BOT has not been updated since 1991. This project will evaluate the financial impact of a stagnate non-cannabis BOT, provide detailed benchmarking analysis, and consider equity factors in potential updates to non-cannabis BOT.
Council Requests	Council Requests	In response to new Council requests for analysis and information, we will postpone or remove existing projects and present the amended Work Plan to City Council for approval so we can respond to those requests in a timely manner.

RESEARCH & ANALYSIS WORK PLAN

Recurring Reports

Citywide	Sacramento Children’s Fund - Baseline Funding Verification (Annually)	City Charter section 120(e)(1)(c) requires that by January 15 th of each year, the City Auditor verifies that the baseline funding amount for the Sacramento Children’s Fund was expended in the previous fiscal year. Per City Council direction, the City Auditor will provide a detailed analysis and description of all eligible youth expenditures in even numbered years while odd numbered years will only analyze eligible youth expenditures up to the baseline funding amount.
Citywide	Biennial Community Survey (FY 2028) Note: This item proposed as a cut for budget balancing strategies. If selected, this project will not move forward.	This project may be used to prioritize community issues and services that respondents feel need the most improvement. Repeating this survey biennially will allow the City to identify trends and gauge whether policy changes and priorities are improving residents’ quality of life and their opinions regarding various issues and City services.
Citywide	Triennial Audit of Employee Workforce Diversity and Salary Trends (FY 2029)	This triennial review will assess the diversity of City of Sacramento employees as it compares to the diversity of City of Sacramento residents. The review will also analyze trends to identify potential equity concerns. We will continue to update the City of Sacramento Gender and Ethnic Diversity Dashboard annually.
Citywide	Triennial Diversity Review of Employment Applications, Hires, and Separations (FY 2027)	This triennial review will assess the diversity of City job applicants, hired employees (new hires, re-hires, and promotions), and former employees as it compares to the diversity of City of Sacramento residents. The review will also analyze trends to identify potential equity concerns.



WHISTLEBLOWER INVESTIGATIVE AUDITS (ALL STAFF)

Whistleblower Tips in Progress (as of January 1, 2026)

Citywide **21 Whistleblower Tips**

Open whistleblower tips can include allegations unrelated to the City, allegations being processed for referral to other City departments for review, and allegations actively being investigated by the City Auditor's Office or City departments.

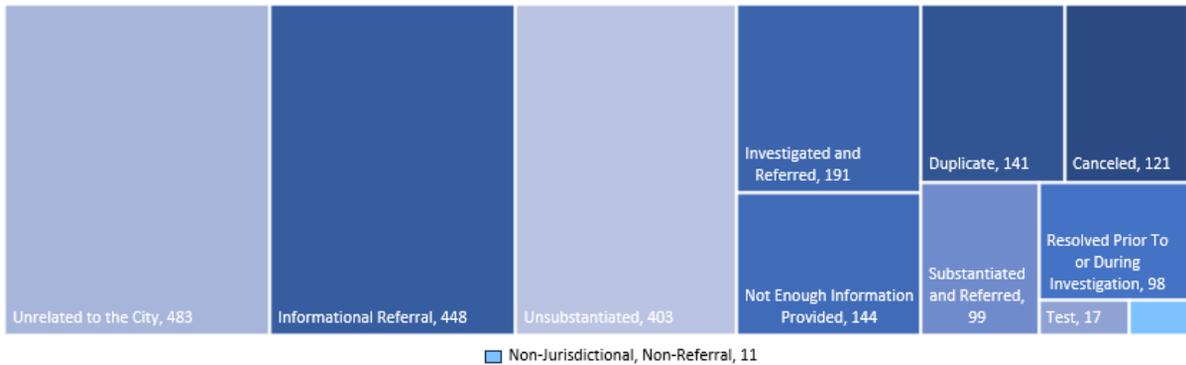
Projected Whistleblower Tips

Citywide **200 Whistleblower Tips**

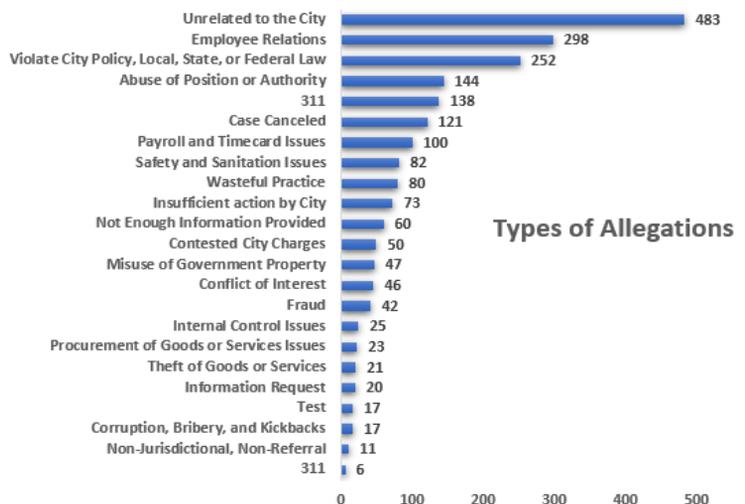
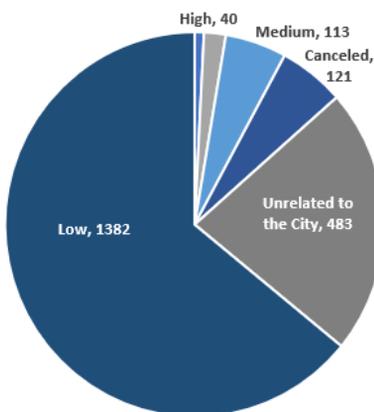
Based on historical trends, we anticipate receiving approximately 200 whistleblower tips in FY2026/27. This reflects an increase in the anticipated cases due to an uptick in the cases received over the last couple of years. We will report the results of these tips in our Semi-Annual Whistleblower Hotline Activity Reports.

Historic Information (as of January 1, 2026)

Disposition of Closed Cases



Case Priority



AUDIT SELECTION PROCESS

The City Auditor's Work Plan is developed on an annual basis; however, the City Council may add projects to the work plan during the year and the City Auditor may propose additional work should new risks emerge.

Audit topics are selected using a combination of quantitative and qualitative factors that come from a variety of sources. Areas of risk that may be assessed when evaluating risks related to a department or division include, but are not limited to:

- ✓ Annual Budget
- ✓ Number of Employees
- ✓ Funding Sources
- ✓ Age of Programs
- ✓ Fiscal Sustainability
- ✓ Customer Satisfaction
- ✓ Regulatory Compliance
- ✓ Significant Changes
- ✓ Criticality
- ✓ Emerging Areas of Risk

Input from elected officials, city management, the whistleblower hotline, and the public is also taken into account when developing the annual work plan.

AUDITOR'S AUTHORITY

The City Council appoints the City Auditor to promote efficient, effective, transparent, and accountable City government. The City Auditor reports directly to City Council and has full responsibility for the direction and management of the Office of the City Auditor. The City Auditor works closely with the City Council, Budget and Audit Committee, Charter Officers, Department Directors, and Division Managers when conducting audits and evaluating programs.

The City Auditor conducts audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) and provides City Council and the public with objective, timely, and accurate information about the City government. Findings and recommendations are designed to save tax dollars and improve City operations.

In November 2018, the Sacramento City Government Accountability and Efficiency Act (Measure K) was passed by voters. This established the City Auditor as a charter officer and combined the duties of the City Auditor and the Independent Budget Analyst. City Code 2.18 *Office of the City Auditor* outlines the office's duties and establishes the City Auditor's access to information.