

Meeting Date: 4/17/2014

Report Type: Consent

Report ID: 2014-00229

Title: City Auditor's Audit Plan for Fiscal Year 2014/15

Location: Citywide

Recommendation: Pass a Resolution approving the City Auditor's Annual Audit Plan for Fiscal Year 2014/15.

Contact: Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

Presenter: Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

Department: Mayor/Council

Division: Office of the City Auditor

Dept ID: 01001201

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Resolution
- 4-City Auditor 2014-15 Audit Plan

City Attorney Review

Approved as to Form
Sandra Talbott
4/3/2014 5:10:19 PM

Approvals/Acknowledgements

Department Director or Designee: Jorge Oseguera - 4/2/2014 4:51:42 PM

Description/Analysis

Issue Detail: City Code Section 2.18.030 requires that the City Auditor submit an Annual Audit Plan to the City Council for approval. This report sets forth the City Auditor's Annual Audit Plan for Fiscal Year 2014/15.

Policy Considerations: The City Auditor's presentation of the Annual Audit Plan is consistent with the Mayor and City Council's intent to have an independent audit function for the City of Sacramento.

Economic Impacts: None

Environmental Considerations: None

Sustainability: None

Commission/Committee Action: On February 11, 2014, the Audit Committee voted unanimously to forward the Annual Audit Plan to the full City Council for approval.

Rationale for Recommendation: This staff report provides the Mayor and City Council with an opportunity to approve the City Auditor's Annual Audit Plan or to provide comments and feedback for modification of scheduled audits for Fiscal Year 2014/15.

Financial Considerations: The costs of the audits listed in the proposed 2014/15 Audit Plan will be funded out of the Office of the City Auditor operating budget, as proposed and subject to approval by Council, for 2014/15.

Local Business Enterprise (LBE): No goods or services are being purchased as a result of this report.

Attachment 02 – Background

The audit function is an essential element of the City of Sacramento's public accountability. The mission of the Office of the City Auditor is, "To provide a catalyst for improvements of municipal operations, promote credible, efficient, effective, fair, focused, transparent, and a fully accountable City Government."

According to City Code Section 2.18.030, "the Annual Audit 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 audits."

In developing the initial Annual Audit Plan, the City Auditor uses a number of techniques and input sources to identify areas of high audit potential that can be completed or initiated during 2014/15 with the audit resources available. For example, in order to identify and prioritize potential audits based on the level of risk to the City, the City Auditor's Office completed a Citywide Risk Assessment. The City Auditor's Office also solicited audit suggestions from the Mayor, City Council members, City Management, and City staff, and identified potential audit areas by reviewing City financial information, reports, policies, procedures, ordinances and regulations. Finally, the City Auditor relied on professional experience and expertise to identify areas of high audit potential.

By considering a wide variety of information sources, the intent is to submit to the City Council for its approval an Annual Audit Plan that promotes fairness and ensures that the City Auditor's Office will prove to be value added for the City of Sacramento by focusing its resources on those areas with the highest audit potential. The results of this process form the basis for the City Auditor's Annual Audit Plan for Fiscal Year 2014/15.

Given limited audit resources and the addition of a whistleblower hotline operation, only two new projects are being added to the proposed 2014/15 audit plan. The remainder of the audits listed on the Audit Plan are audits that are being carried over from the 2013/14¹.

Audit Process

To ensure that audits are responsive to the City Council's needs, as part of the normal audit process, the City Auditor will request input from each councilmember at the start of each audit.

The City Auditor will present completed audit reports to the Audit Committee, which will also hear testimony from the audited entity and other interested parties. The Audit Committee will report at a subsequent City Council meeting the results of the Committee's review of the audit report and its recommendations. The City Auditor may present an audit report directly to the City Council when the City Council directs the City Auditor to do so.

¹ The Auditor's Office was not fully staff during a portion of 2013/14, limiting the ability to initiate or complete several of the audits approved for the 2013/14 Audit Plan. The Office also handled a significant increase in workload associated with whistleblower activity.

Attachment 03 – Audit Plan Resolution

RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVING THE CITY AUDITOR’S ANNUAL AUDIT PLAN FOR FISCAL YEAR 2014/15

BACKGROUND

- A. City Code Section 2.18.030 requires that the City Auditor submit an Annual Audit Plan to the City Council for approval.
- B. The Annual Audit Plan contains the planned projects to be completed during the upcoming fiscal year.
- C. Significant audit fieldwork cannot proceed without the adoption of the audit plan by a majority of the City Council.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Auditor’s Audit Plan for Fiscal Year 2014/15, attached as Exhibit A, is approved.
- Section 2. Exhibit A is a part of this Resolution.

Attachment 04 – City Auditor’s 2014/15 Audit Plan

EXHIBIT A – CITY AUDITOR ANNUAL AUDIT PLAN FOR FISCAL YEAR 2014/15

Carried Over From Last Year’s Audit Plan

311 Call Center

I am proposing an audit of the 311 Call Center because: 1) In April 2010 the 311 Call Center received 37,626 calls, e-mails, walk-ins and faxes; 2) recent 311 Call Center activity reports show significant service level deteriorations in both caller wait times and caller hang ups due to long wait times; 3) on average 400 callers per day (Monday- Friday) hang up before getting service; and 4) wait times between 8:00 A.M. and 4:00 P.M. (Monday- Friday) average 5 to 10 minutes.

City Vendor List Audit

The master vendor file is a critical City resource. Inaccurate, incomplete, or unauthorized master vendor files could have a negative effect on processing vendor payments and may increase the risk of fraud or abuse in the City’s vendor payments. This audit will assess whether the City has adequate controls regarding its master vendor file and is effectively monitoring and maintaining its vendor information.

City Procurement of Small Contracts

The City Auditor will audit the City’s contracting activity for both professional and non-professional services of less than \$25,000. This audit will test if contracting functions are performed in compliance with applicable Federal, State and City laws, regulations, ordinances and policies. The audit will also assess the uniform and consistent application of the contracting process.

An Audit of Human Resources Risk Management Division

Risk Management staff protect City employees and assets by providing loss prevention, claims administration, and risk financing services. The objective of this audit is to assess how well the City’s Risk Management Division is handling, accounting for and reporting public liability and loss recovery. The Risk Management Division’s approved budget for FY 2013/14 is \$24,388,008.

Additional Audits Proposed

An Audit of the Fire Department’s Use of Overtime

The Fire Department responds to many types of emergencies including fires, emergency medical calls, hazardous materials incidents, and specialized rescues, such as water, vertical, confined space and animal rescues. During our *Audit of City Employee Supplemental Pay*, we noticed that in 2012, the Fire Department expended almost \$7 million in overtime which accounted for approximately 53% of the City’s total overtime costs and that some Firefighters were working over 1,500 hours of overtime per year. Given the potential benefits and concerns associated with overtime management, the City’s Audit Committee requested that an audit of the Fire Department’s overtime be performed in 2014/15.

An Audit of the Solid Waste Division

The City’s Recycling and Solid Waste Division (Division) have executed a significant number changes to their business model over the past several years with the objective of stabilizing costs for residents while improving services. These changes include modernizing the solid waste truck fleet, reducing contamination rates, more efficiently routing trucks, and containerized yard waste collection. An audit of the Division would look at the current operations and assess the impact of key changes and seek to identify additional opportunities for further service improvement. The Solid Waste Approved Budget for 2013/14 was \$51,572,294.

Whistleblower hotline investigations

City Auditor anticipates that approximately one third of the Office's resources will be used throughout the year to manage and investigate Whistleblower Hotline activity.

Other Reports from the Auditor's Office

Quarterly Reports

The City Auditor will forward to the Audit Committee quarterly reports describing the status of audit assignments and the progress the Office is making toward completing them.

Whistleblower Hotline Activity Reports

On a semiannual basis, the City Auditor will report on the status of the City's Whistleblower Hotline Activity and results.

Recommendation Follow-up Reports

On a semiannual basis, the City Auditor will report on the status of audit recommendations.

Other Potential Audits Not Included in the City Auditor's 2014/15 Audit Plan

The City Auditor's 2014/15 Audit Plan is ambitious and encompasses a broad array of City programs and services. However, there are many other potential audits that are not included in the 2014/15 Audit Plan due to limited audit resources. The following are a few of the audit areas not included due to limited audit resources:

- Citywide grants management
- Citywide telephone land line costs and administration
- An evaluation of the citywide "greening" efforts
- Audit of the use of City owned property and facilities

If during the course of the year, the City Council requests an audit of an area not listed on the approved audit plan, the City Auditor will forward the request to the Audit Committee for consideration and approval.