

2023/24 WORK PLAN

Office of the City Auditor



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OUR MISSION

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

The Office of the City Auditor provides independent, objective, and reliable information regarding the City's ability to meet its goals and objectives, and establish an adequate system of internal controls. In many cases, this involves verifying compliance with laws and regulations, assessing the efficiency and effectiveness of the City's operations, and identifying internal control weaknesses and failures.

City Code Section 2.18.030 requires that the City Auditor submit an Annual Work Plan to the City Council for approval. This report sets forth the City Auditor's Annual Work Plan for FY 2023/24.

Our risk-based work plan is designed using a combination of qualitative and quantitative measures. By considering a wide variety of information sources, the intent is to submit to the City Council for its approval a work plan that promotes fairness and ensures the City Auditor's Office will continue to be value-added for the City of Sacramento by focusing its resources on areas with the highest audit potential. The results of this process form the basis for the City Auditor's Annual Work Plan.

In anticipation of Council requests for analysis and information, we have reserved some of our Office's resource capacity so we can respond to those requests in a timely manner.

I am pleased to present you the Proposed Annual Work Plan for FY 2023/24. My team and I look forward to providing the City Council and the public with recommendations on improving the efficiency and effectiveness of City operations.

Sincerely,

City Auditor
Jorge Oseguera



PERFORMANCE AUDITS (4 FTE)

Audits in Progress

Fire Department	Emergency Medical Services	This audit will evaluate service delivery and general EMS operations to determine if adequate controls are in place to ensure efficient and effective performance.
Police Department	Evidence and Property Division	This audit will determine whether appropriate controls exist over property and evidence room inventory including intake, disposition, storage, preservation, and security.
Citywide	Assessments of Revenues and Expenses Associated with the City's COVID-19 Response	These assessments will help the City prepare for Federal or State audits of the City's use of emergency funding. We will provide proactive and real-time assistance in complying with regulatory requirements, securing reimbursements, tracking disaster recovery costs, and evaluating whether funds are being used efficiently and effectively.
Human Resources	Complaint Investigation and Resolution Practices	The City's complaint investigation and resolution process involves allegations of workplace discrimination, harassment, and employee wrongdoing. We will partner with the Office of Public Safety Accountability to evaluate the City's complaint intake, investigation, resolution, and employee discipline practices. These practices will also be assessed using a racial disparity lens.
Citywide	Homeless Response	The City's response to homelessness includes a variety of departments and external stakeholders working together to implement innovative solutions to meet the needs of those experiencing homelessness. This audit will evaluate the costs and effectiveness of the Citywide response to homelessness.

Planned Audits (with anticipated start date)

Citywide	Pedestrian Safety (September 2023)	One of the City's most important responsibilities is to ensure the safety of residents and visitors. With regard to the safety of pedestrians—some of the most vulnerable users of the City's roadways—this responsibility has grown even more critical in recent years. The objective of this audit is to evaluate the enforcement, education, and engineering of the City's programs responsible for pedestrian safety.
Community Development Department	Planning Division (November 2023)	The Planning Division provides permit services to customers seeking a building permit. This audit will review compliance with applicable laws and regulations, evaluate efficiency of application submittal and permit review cycle operations, and assess permit review programs such as the Expedited Plan Review program.

PERFORMANCE AUDITS

Planned Audits, Continued from Previous Page

Public Works Department	Recycling & Solid Waste (\$150,000)	The Recycling and Solid Waste Division is responsible for recycling and refuse collection, yard waste collection, household hazardous waste collection, household junk pickup, street sweeping, illegal dumping cleanup, and landfill post-closure maintenance and monitoring. This audit would be paid for by Solid Waste Funds and contracted out to a third-party vendor.
Community Development Department	Animal Care Services (June 2024)	The City's Animal Care Services Division provides animal care services including sheltering, adoption, community outreach, code enforcement, and abuse investigations. This audit will assess compliance with applicable laws and evaluate shelter practices aimed at protecting the health, safety and welfare of shelter animals, staff, volunteers, and the public.
Sacramento Police Department	Operations Division – Budgeting (October 2024)	The Police Department is responsible for maintaining public order and safety, enforcing the law, and preventing, detecting, and investigating criminal activities. Given the potential benefits and concerns associated with overtime management, this audit will assess management of overtime and evaluate SPD's measures to ensure that all overtime is appropriate and properly justified.
Council Requests	Council Requests	In anticipation of Council requests for analysis and information, we have reserved some of our resource capacity so we can respond to those requests in a timely manner.

CANNABIS CONTINUOUS MONITORING (1 FTE)

The Cannabis Auditor performs ongoing monitoring of the five key areas listed below.

Cannabis Activities that Have Already Received an Initial Review

Office of Cannabis Management	Cannabis Policymaking, Education and Outreach	The Office of Cannabis Management (OCM) develops cannabis policy and provides education and outreach in the City of Sacramento. This review will continuously monitor new cannabis policy and OCM's education and outreach efforts.
Finance Department	Cannabis Business Operations Tax (CBOT)	Cannabis businesses pay a four percent business tax on monthly gross receipts. This review will continuously monitor monthly tax payments made by cannabis businesses and industry compliance with the CBOT program.
Community Development Department	Cannabis Code Enforcement Activities	The Cannabis Code Enforcement Unit (CCEU) assists the Office of Cannabis Management with the enforcement of commercial cannabis regulations. This review will continuously monitor the CCEU's enforcement activities.

Cannabis Activities scheduled for Continuous Review

Office of Cannabis Management	Business Permitting	The Office of Cannabis Management manages the business permitting process for cannabis businesses in the City. This review will continuously monitor the efficiency and effectiveness of the permitting processes.
Office of Cannabis Management	Cannabis Opportunity Reinvestment and Equity (CORE) Program	The CORE program was created to assist individuals who face barriers to entering the cannabis industry due to historical disparate enforcement of cannabis crimes. This review will continuously evaluate the effectiveness of the City's social equity program.

CANNABIS COMPLIANCE WORK

The Cannabis Auditor has developed a multi-year cannabis work plan that was approved by City Council in May 2022. In November 2022, Sacramento Voters passed Measure L, the Sacramento Children and Youth Health and Safety Act. Measure L requires that the City Auditor to perform several tasks, including annually publishing an audited amount of Cannabis Business Operations Tax (CBOT), which is the basis for the revenue allocation for the newly established Children’s Fund.

Work in Progress

Citywide	Sacramento Children and Youth Health and Safety Act - Measure L	In accordance with the Sacramento Children and Youth Health and Safety Act (Measure L), this project will fulfill the City Auditor’s responsibilities described in Measure L. Specifically, the City Auditor will calculate and publish a baseline funding amount no later than December 31, 2023. Additionally, the City Auditor will publish an audited amount of Cannabis Business Operations Tax (CBOT) and verify that the baseline funding amount was expended in the previous fiscal year by January 15th, starting in 2025.
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Planned Audits (with anticipated start date)

Police Department	Illegal Cannabis Cultivation (February 2024)	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.
Office of Cannabis Management	Cannabis Administrative Penalty Appeal Process (January 2025)	A unique process has been established to conduct appeals for cannabis administrative penalties. This audit will review the efficiency and effectiveness of the cannabis administrative penalty appeal process.

DEPARTMENT OF UTILITIES AUDITS (1 FTE)

The DOU Auditor has developed a multi-year audit plan that includes Audits and Special Projects, with tentative start dates.

Audits in Progress

Supervisory Control and Data Acquisition (SCADA)

Supervisory Control and Data Acquisition (SCADA) is a computer-based industrial control system that allows staff to remotely control operations, monitor equipment status, and analyze historical and real-time data. The audit will review authoritative guidance to determine best practices and complete a risk assessment of DOU's SCADA practices to assess the adequacy of internal controls. It will also consider cybersecurity risks and the impacts of staffing and funding.

Planned Audits (with anticipated start date)

Asset Management and Preventative Maintenance (December 2023)

DOU's infrastructure is vital to maintaining clean drinking water and other essential services. Inadequate maintenance can significantly increase the cost of this vital infrastructure. This audit will evaluate DOU's asset replacement cycles and preventative maintenance schedules for optimization and economic impact.

Security and Emergency Preparedness (March 2025)

DOU's Security and Emergency Preparedness Unit was created to protect employees and facilities, and to better prepare DOU to respond to various types of emergencies. This audit will review security protocols and assess the department's ability to respond to emergencies in a safe, efficient, and effective manner.

Special Projects (with anticipated start date)

Water and Wastewater Fund Reviews (June 2023)

These reviews will analyze the fiscal sustainability of the Water Fund and the Wastewater Fund and forecast future revenues based on various scenarios, including potential rate increases.

Succession Planning and Turn-over Analysis (October 2024)

Due to the number of on-going vacancies and anticipated retirements, it is critical that DOU be adequately prepared to address staffing challenges. This project will analyze the department's turnover and succession planning practices and identify potential strategies for DOU to consider.

RESEARCH & ANALYSIS WORK PLAN (3 FTE)

Audits in Progress

Ethics Commission	Ethics Commission Assessment	The City Auditor will perform an assessment of the Ethics Commission's ability to meet the purpose and duties established by the City Council. This may include an assessment of relevant processes and policies, review of complaint intake procedures, and a benchmark study to identify best practices.
Citywide	Audit of the Transient Occupancy Tax	A Transient Occupancy Tax (TOT) of 12% is charged for all people who exercise occupancy at a hotel in the City of Sacramento (City Code 3.28). This audit will evaluate compliance, enforcement, and revenue collection associated with TOT.

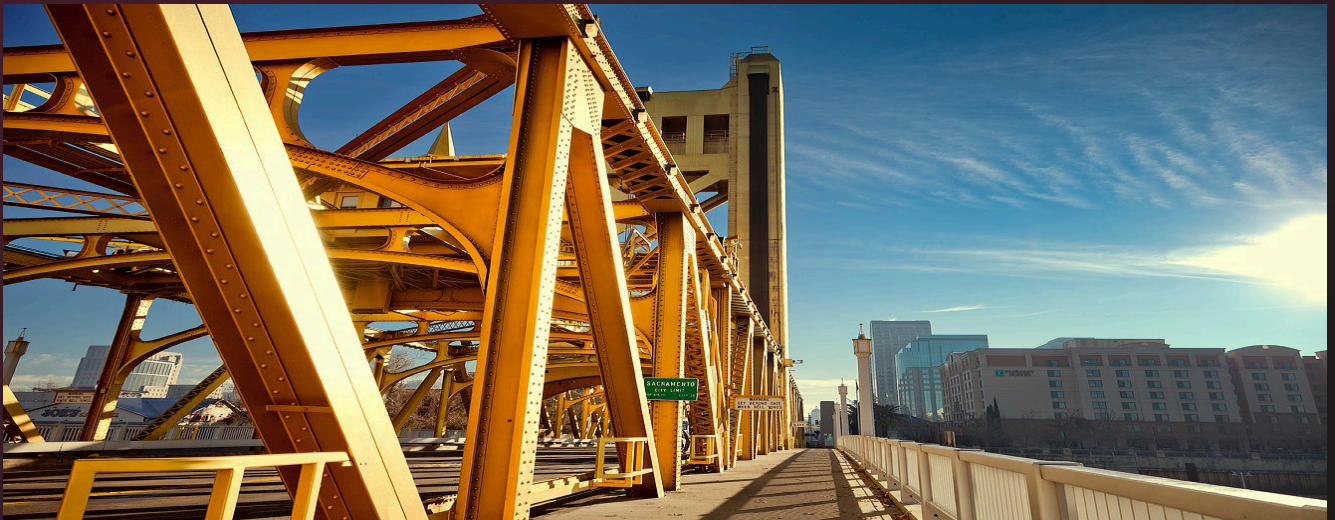
Recurring Reports (with anticipated start date)

Citywide	Annual Community Survey (May, Annually)	This project may be used to prioritize community issues and services that respondents feel need the most improvement. Repeating this survey annually 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 Diversity Review of Employment Applications and Separations (June 2023)	This triennial review will assess the diversity of City job applicants, newly hired employees, 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.
Citywide	Triennial Review of City Employee Diversity, Equity, and Inclusion (June 2024)	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 Boards, Committees, and Commissions (June 2025)	This triennial review will assess the diversity of City of Sacramento boards, committees, and commissions as it compares to the diversity of City residents. The review will also analyze trends to identify potential equity concerns.

RESEARCH & ANALYSIS WORK PLAN

Ad Hoc Audits (with anticipated start date)

Finance	Audit of the Business Operations Tax (November 2023)	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 the business's gross receipts. This audit will evaluate compliance, enforcement, and revenue collection associated with BOT.
Fire	Audit of the Advanced Life Support Rates, Fees, and Charges (December 2023)	Advanced life support (ALS) are special services designed to provide definitive prehospital emergency medical care. City Code 2.24.100 establishes that ALS rates, fees, and charges shall not exceed the City's estimated actual cost to provide the services. This audit will evaluate compliance, enforcement, and revenue collection associated with ALS rates, fees, and charges.
Citywide	Continuous Auditing Project (January 2024)	Continuous auditing assesses an organization's risks, controls, and practices on an ongoing basis. This project will establish continuous auditing protocols to assess various financial and operational aspects of City government on an ongoing basis.
Council Requests	Council Requests	In anticipation of Council requests for analysis and information, we have reserved some of our resource capacity so we can respond to those requests in a timely manner.



WHISTLEBLOWER INVESTIGATIVE AUDITS (ALL STAFF)

Cases in Progress (as of February 1, 2023)

Citywide **55 Whistleblower Investigative Audits**

Open whistleblower investigative audits include: contested City charges, wasteful practices, fraud, insufficient action by City, payroll/timecard issues, theft of goods/services, and violate City policy/local/state/federal law.

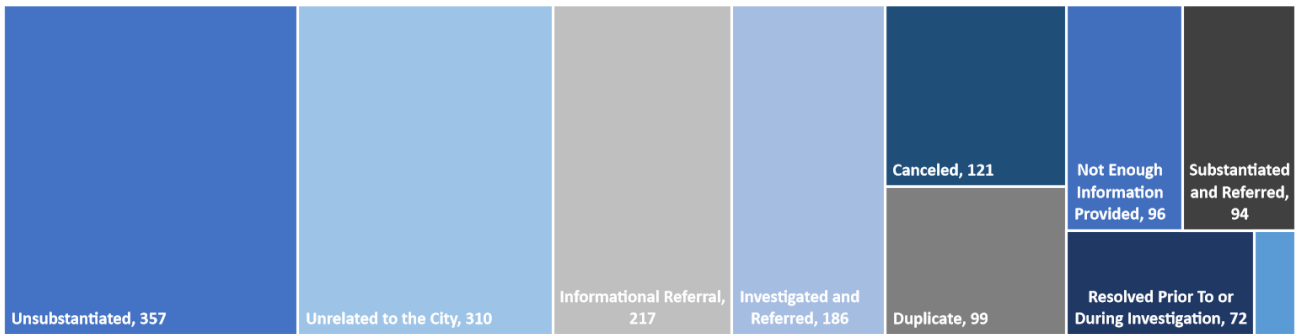
Projected Whistleblower Reports

Citywide **145 Whistleblower Investigative Audits**

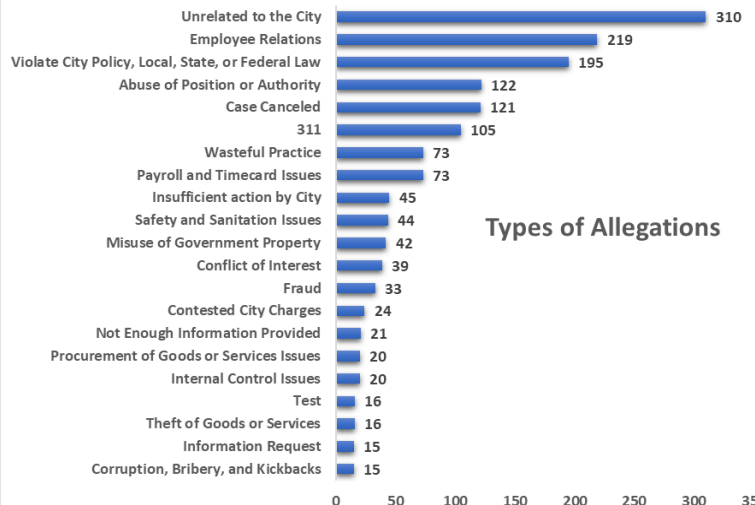
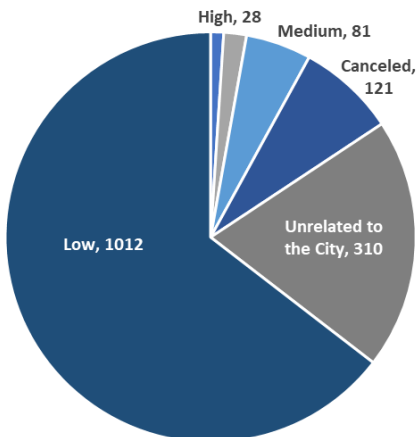
Based on historical trends, we anticipate receiving approximately 145 whistleblower tips in FY2023/24. We will report the results of these investigative audits in our Semi-Annual Whistleblower Hotline Activity Reports.

Historic Information (as of February 1, 2023)

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.