

2025-26 WORK PLAN

Office of the City Auditor

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OUR MISSION

The Office of the City Auditor plays a vital role in ensuring public accountability and transparency in municipal operations. Our mission is *"To provide a catalyst for improvements of municipal operations, promote credible, efficient, effective, equitable, fair, focused, transparent, and a fully accountable City Government."*

As an independent body, the Office of the City Auditor provides objective and reliable assessments of the City's ability to achieve its goals and maintain an effective system of internal controls. Our work includes evaluating compliance with laws and regulations, assessing the efficiency and effectiveness of City operations, and identifying internal control weaknesses. Through our work, we provide recommendations that enhance City services, mitigate risks, and address instances of fraud, waste, abuse, or inequities.

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. This document outlines our proposed audits and initiatives for the upcoming fiscal year, ensuring our office focuses its resources on the highest-risk areas that offer the greatest potential for positive impact.

Our risk-based work plan is developed through a comprehensive analysis of financial, operational, and emerging risks. By incorporating input from City leadership, employees, and the public, we aim to address the most pressing issues facing our City while promoting efficiency, effectiveness, and fairness in government operations.

I am pleased to present the Proposed Annual Work Plan for FY 2025/26. My team and I look forward to working with the City Council, City departments, and the community to provide valuable insights and recommendations that drive meaningful improvements in City operations.

Respectfully submitted,



Farishta Ahrary
City Auditor

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. Anticipated completion date is June 2025.
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.
Human Resources	Complaint Investigation and Resolution Processes	The City's complaint investigation and resolution process involves allegations of workplace discrimination, harassment, and employee wrongdoing. We will evaluate the City's processes and procedures related to complaint intake, investigation, and disposition.
Citywide	Homeless Response – Part 1	This audit will evaluate whether the Motel Shelter Program's contractual framework and oversight ensure program objectives are met. We will assess provider compliance, documentation, and performance metrics. As part of this work, we are also analyzing data in HMIS to determine whether gaps exist between interdepartmental or interagency coordination that create barriers to supporting exits from homelessness. Anticipated completion date is June 2025.
Police Department	Military Equipment Use Policy and Inventory Practices	The audit will evaluate whether the Sacramento Police Department's military equipment inventory management policies and procedures conform with best practices, state and city laws. Anticipated completion date is May 2025.
Community Development Department	Animal Care Services	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. Anticipated completion date is April 2025.

Planned Audits

Citywide	Homeless Response – Part 2	The audit will be the second phase of a series of audits of the City's Homeless Response. Prior to engaging in substantive work, we will seek direction from the City Council to ensure the audit focuses on the highest priority homelessness issues.
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PERFORMANCE AUDITS

Planned Audits, Continued from Previous Page

Citywide	Pedestrian Safety	One of the City's most important responsibilities is to ensure the safety of residents and visitors. The objective of this audit is to evaluate the enforcement, education, and operations of the City's programs responsible for pedestrian safety.
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	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	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.
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 (1 FTE)

The Cannabis Auditor developed a multi-year cannabis work plan that was approved by City Council in May 2023.

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)

The DOU Auditor has developed a multi-year audit plan that includes Audits and Special Projects. Items listed below are anticipated to be initiated in FY 2025/26.

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.

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.

Special Projects

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.

RESEARCH & ANALYSIS WORK PLAN (3 FTE)

Work 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. Anticipated completion date is April 2025.
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.
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 are exploring entering into contingency contracts 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, statues, rules, regulations and/or from overcharges or billing errors.

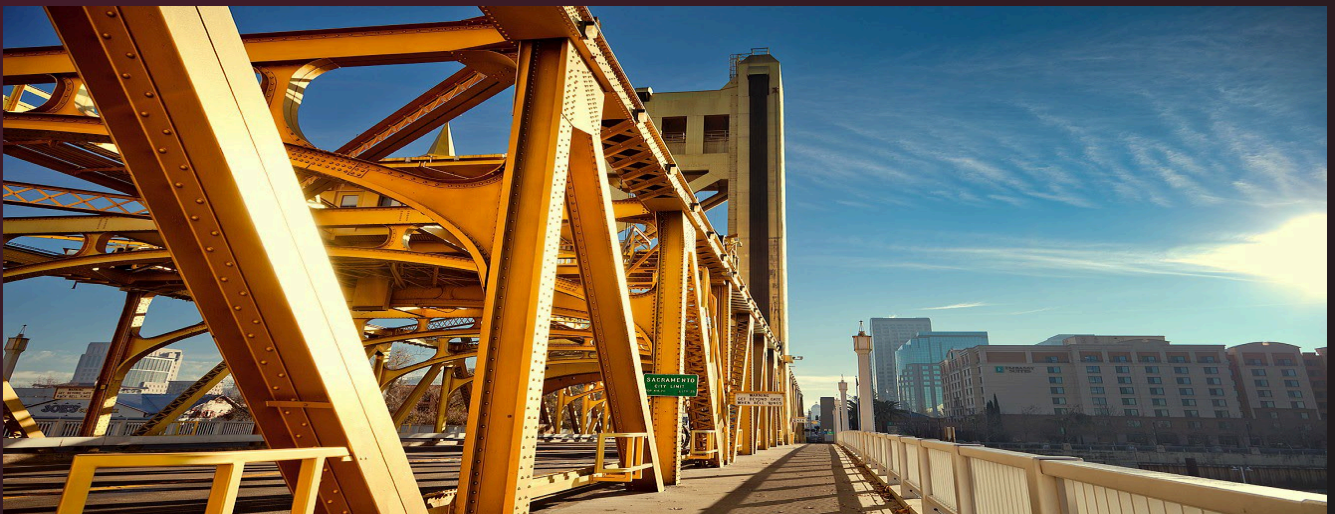
Ad Hoc Projects

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	Biannual Community Survey (FY 2026) Note: This item was identified as a Level 1 Budget Reduction Strategy. 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 biannually 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 Review of City Employee Diversity, Equity, and Inclusion (FY 2026)	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 2026)	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, 2025)

Citywide **23 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.

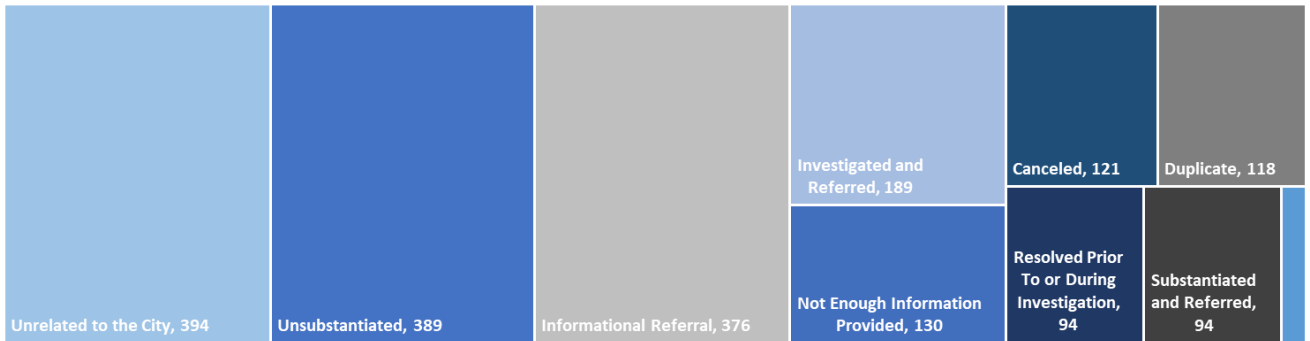
Projected Whistleblower Tips

Citywide **160 Whistleblower Tips**

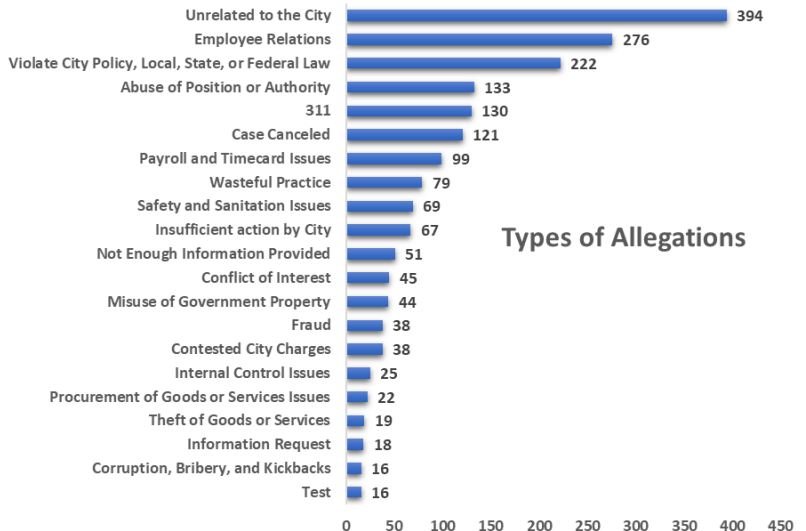
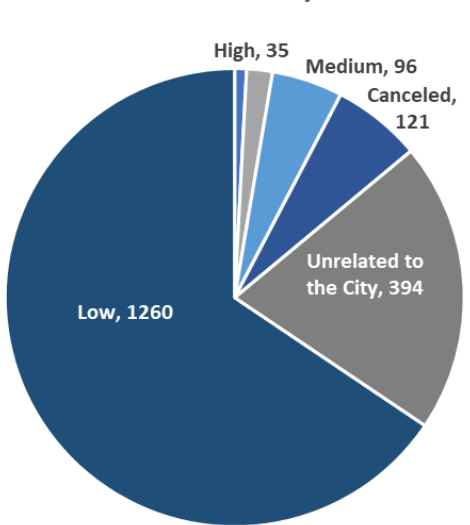
Based on historical trends, we anticipate receiving approximately 160 whistleblower tips in FY2025/26. We will report the results of these tips in our Semi-Annual Whistleblower Hotline Activity Reports.

Historic Information (as of January 1, 2025)

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.