

2021-22 DEPARTMENT OF UTILITIES AUDIT 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.

The Department of Utilities (DOU) and the City Auditor's Office share a strong interest in continuous operational improvement. In October 2015, with the support of DOU, the City Council adopted resolution 2015-0318 approving the establishment of a DOU Auditor (1.0 FTE) in the City Auditor's Office. The scope and responsibilities of the DOU Auditor include conducting independent audits and providing recommendations to improve the economy, efficiency, and effectiveness of DOU operations; evaluating compliance with laws, regulations, and policies; testing internal controls to verify processes are working as intended; conducting research, studies, and benchmarking of DOU programs; and investigating DOU-related whistleblower investigations and reporting on substantiated cases.

To date, the DOU Auditor has conducted three risk assessments, investigated several whistleblower complaints, issued four performance audits, and completed a storm drainage fund review.

This proposed audit plan for the DOU Auditor has been developed with the collaboration and support of DOU Management. I am pleased to present you the FY2021/22 Proposed Department of Utilities Audit Plan. 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



DOU AUDITS & SPECIAL PROJECTS LIST

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.

Prioritized Audits (In Tentative Order)

Security and Emergency Preparedness

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.

Asset Management and Preventative Maintenance

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.

Special Projects (In Tentative Order)

Succession Planning and Turn-over Analysis

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.

Hiring/ Recruitment

Hiring and recruitment are core processes in any organization. Due to the critical nature of DOU's services, it is important for the department to utilize efficient and effective hiring and recruitment practices to ensure continuity of services. This project will evaluate the efficiency and effectiveness of the hiring and recruitment practices and identify potential strategies for consideration.

Fund Reviews

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.

AUDIT SELECTION PROCESS

The City Auditor's Audit Plan is developed on an annual basis; however, the City Council may add audits to the workplan during the year and the City Auditor may propose additional audits 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 whistle blower hotline, and the public is also taken into account when developing the annual audit 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, 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 unrestricted access to information, unless prohibited by law.