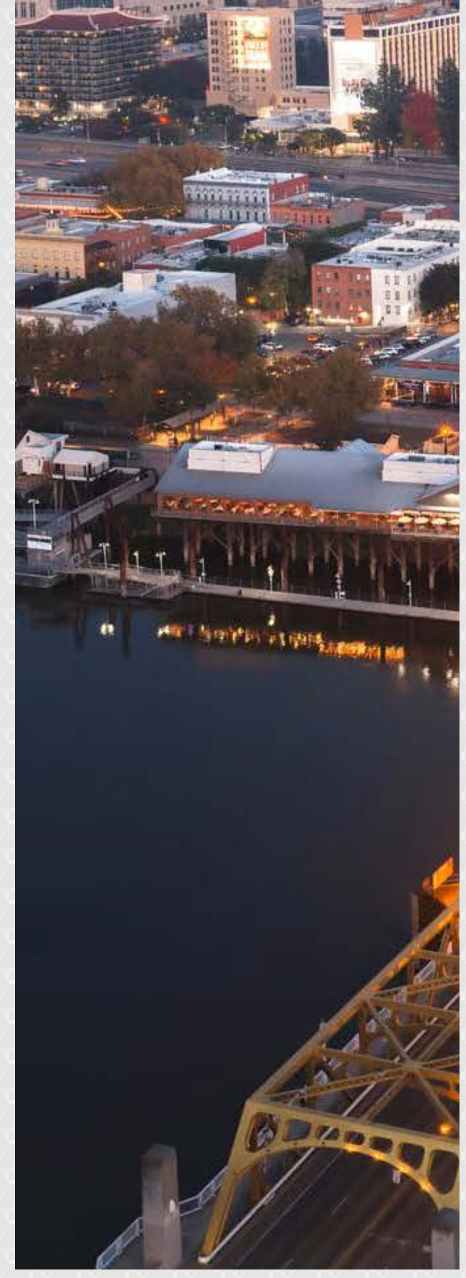
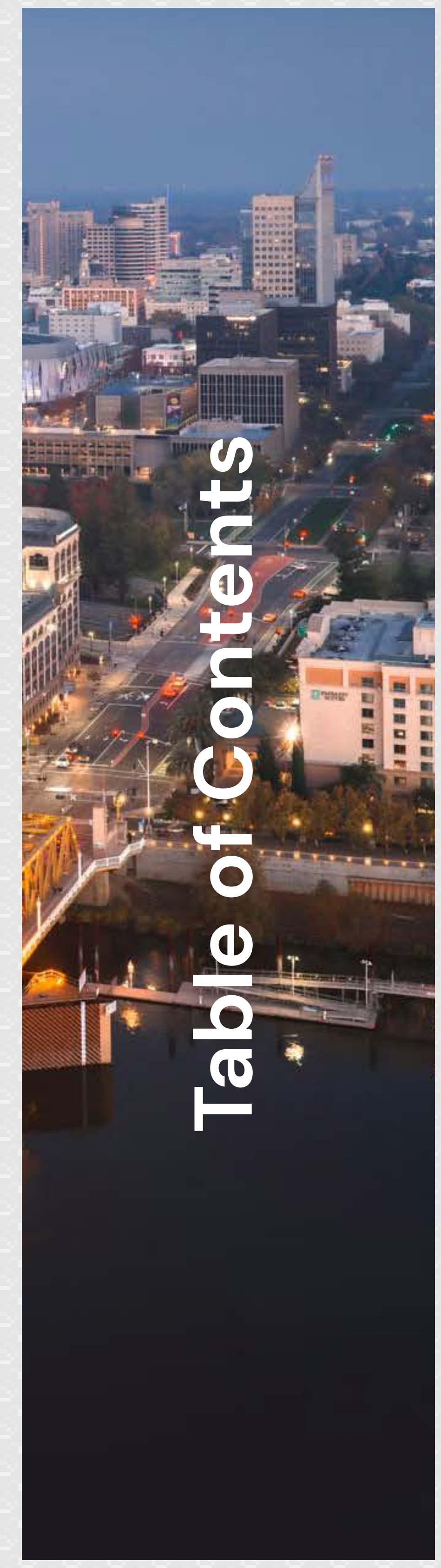
Office of the City Auditor

City of Sacramento

# Fiscal Year 2026 Annual Report





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City of
SACRAMENTO
Office of the City Auditor

Honorable Mayor, Councilmembers, and Community Members,

I am pleased to submit the Fiscal Year 2026 Annual Report of the City Auditor's Office, summarizing our work and accomplishments over the past year. As City Auditor, my Office remains committed to promoting transparency, accountability, and continuous improvement across City operations, ensuring that City government serves the public with integrity and delivers results that matter to our residents.

This year, we completed several charter-mandated and Council-directed audits that provided meaningful insight into City programs and services. Among these, our *Audit of the City's Homeless Response: Evaluation of Costs and Outcomes of Sheltering Programs* was particularly well received, providing the Council and the public a clearer understanding of how resources are being used to address one of our community's most pressing challenges and identifying opportunities to improve program outcomes.

Internally, we focused on strengthening our own operations. My Office completed a comprehensive update of our policies, procedures, and quality management system to ensure compliance with the revised Generally Accepted Government Auditing Standards. In addition, we assessed opportunities to leverage artificial intelligence (AI) to improve the efficiency and productivity of our audit work, incorporating AI tools to support research, data summarization, visualizations, and clearer report writing, while maintaining the quality and rigor our audits are known for.

I also want to acknowledge that this year presented significant budget challenges for the City. In the face of these constraints, I am grateful to the Council for its continued support of this Office and for recognizing the value of an independent, fully functioning Auditor's Office. That support allowed us to complete recruitment efforts and reach full staffing, strengthening our capacity to continue providing the objective oversight that City government and the public depend on.

I want to thank my dedicated staff for their hard work and professionalism throughout the year, and the Council for its continued partnership and support. We look forward to building on this momentum and delivering impactful, high-quality work for the City in the years ahead.

Respectfully submitted,

Farishta Ahrary

Farishta Ahrary, CPA, CFE, PMP
City Auditor

FAhrary@cityofsacramento.org
(916) 808-7266

## Overview

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 opportunities for internal control improvements.

## City Charter

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. The City Auditor reports directly to City Council and has full responsibility for the direction and management of the Office of the City Auditor. Section 77 of the Charter states the City Auditor "shall independently assess and report on City operations and services; shall assist the council in the conduct of budgetary inquiries and in the making of budgetary decisions; and shall have such other powers and duties as may be prescribed by state law and by ordinance or resolution of the city council."

## City Code

Sacramento City Code Section 2.18.050 outlines the duties of the City Auditor. Some of the duties outlined include:

- Conducting audits of City departments, offices, boards, commissions, and committees as directed by the council.
- Managing the City's Whistleblower Hotline and determining if allegations of fraud, waste, abuse, or illegal acts need further investigation.
- Assisting the Council's budgetary inquiries and budgetary decisions as directed by the City Council.
- Making recommendations to the City Council in connection with the City Auditor's audits, investigations, analyses, studies, and reports.
- If requested by an individual Councilmember, auditing that Councilmember's own office through an independent outside auditor.

The City Code also outlines the City Auditor's access to all sources of information, property, and personnel relevant to the performance of an audit, unless restricted or prohibited by law.

In addition, the City Code prohibits any person from directly or indirectly coercing or attempting to coerce the City Auditor relative to the City Auditor's examinations, audits, or appointment or removal of any employee by the City Auditor.



## Office Mission

The Office of the City Auditor's mission is to provide a catalyst for improvements of municipal operations and promote a credible, efficient, effective, equitable, fair, focused, transparent, and fully accountable City government.

## Philosophy

**Independence:** Maintain independence in fact and appearance, and remain free from personal, external, and organizational impairments to ensure audit findings, opinions, conclusions, judgments, and recommendations are impartial.

**Objectivity:** Conduct all projects objectively, factually, and without preconceived ideas, notions, biases, or vested interests. Base all conclusions and recommendations on a full review of relevant information and on open-minded consideration of opposing viewpoints.

**Technical Accuracy:** Utilize strict quality assurance programs to ensure staff exercise due professional care, adequately plan audits, and prepare workpapers that contain sufficient and compelling evidence to support any statements of fact in reports.

## Vision

**Improve City Services:** Provide independent, objective, and reliable information regarding the City's ability to meet its goals and objectives and establish adequate internal control systems.

**Mitigate Fraud:** Root out improper governmental activities (i.e., fraud, waste, or abuse).

**Address Inequities:** Address racial, gender, and ethnic inequities.

## On April 22, 2025, the City Council approved the City Auditor's Fiscal Year 2025/26 Work Plan which included work under the Office's three divisions:

Performance Audits

Research and Analysis

Whistleblower Hotline

## During Fiscal Year 2026, the Office of the City Auditor completed eight projects:

- Audit of the City's Homeless Response: Evaluation of Costs and Outcomes of Sheltering Programs
- City's Homeless Sheltering Programs - Fact Book
- Audit of Emergency Medical Services
- Audit of the Sacramento Police Department Evidence and Property Section
- Fiscal Year 2024/2025 Baseline Funding Verification for the Sacramento Children's Fund
- Fiscal Year 2024/2025 Audited Amount of Cannabis Business Operations Tax
- 2026 National Community Survey
- 2025 Audit of City Employees' Workforce Diversity and Salary Trends

## The Office of the City Auditor also provided the City Council with the following activity reports:

**Quarterly Activity Reports:**

- January through March 2025
- April through June 2025
- July through September 2025
- October through December 2025
- January through March 2026

**Annual Reports:**

- Fiscal Year 2025 Annual Report

**Semi-Annual Recommendation Follow-Up Reports:**

- January through June 2025
- July through December 2025

**Whistleblower Hotline Activity Reports:**

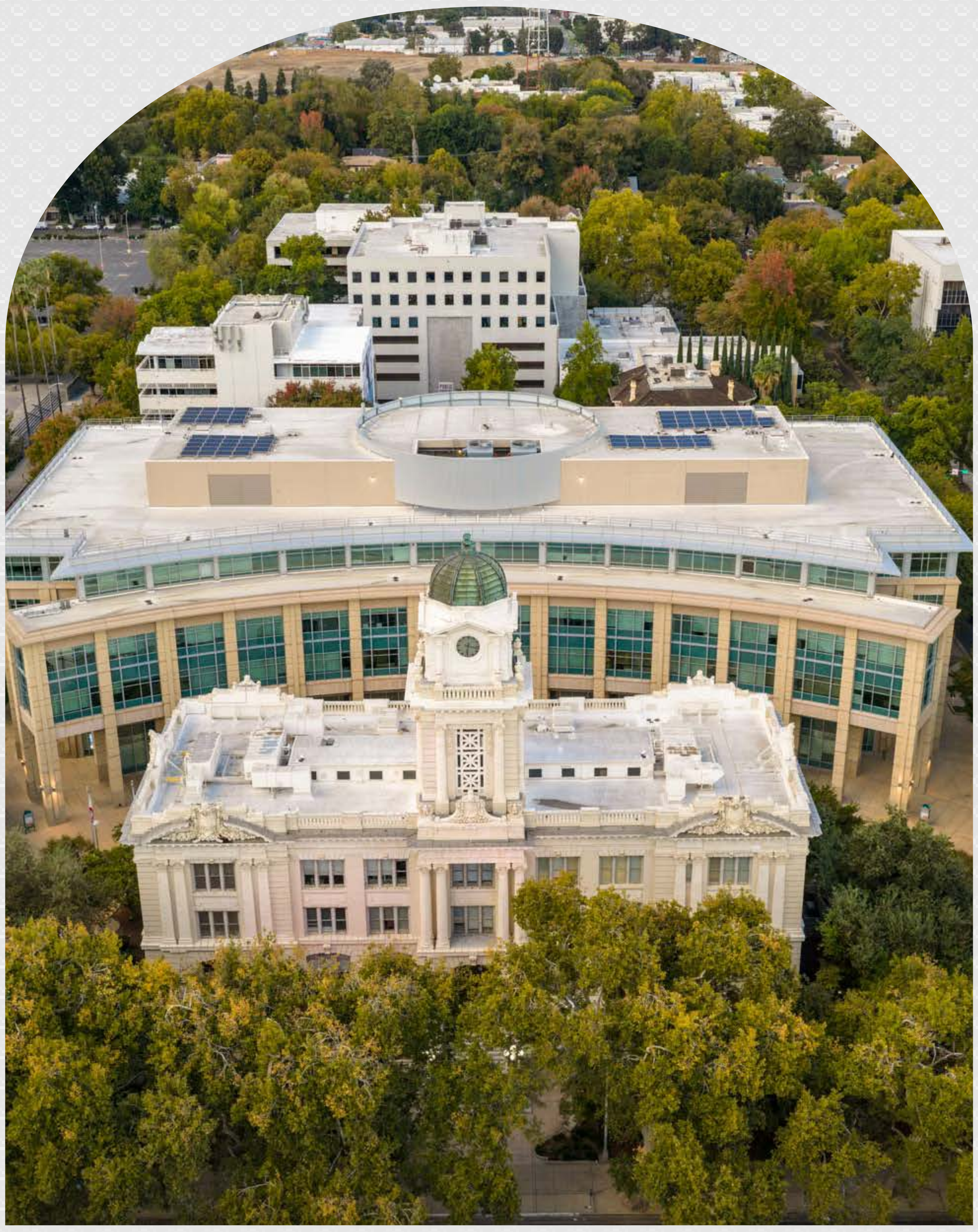
- January through June 2025
- July through December 2025

## Status of Projects in Progress:

| Project | Preliminary Survey | Risk Assessment | Fieldwork | Report Writing |
|---|---|---|---|---|
| Audit of the Transient Occupancy Tax | Complete | Complete | Complete | In Progress |
| Audit of the Department of Utilities' Energy Use: Power Purchase Agreements | Complete | Complete | Complete | In Progress |
| Storm Drainage Fund Review | Complete | Complete | Complete | In Progress |
| Potential Cost Savings and Revenue Recovery Audit Services | Complete | Complete | In Progress | |
| Audit of Complaint Investigation and Resolution Practices | Restarted In Progress | | | |
| Audit of the City's Radio Systems | In Progress | | | |

## Projects Not Yet Started:

The City Auditor's Work Plan is designed to be flexible, adjusting to new risks and changing priorities. Annually, we review and reprioritize projects to determine their relevance for the upcoming year. Consequently, some projects are deferred to the next year's Work Plan, while others may be re-assessed and excluded. This ensures that our efforts are consistently aligned with the City's most pressing needs.



**Projects Carried Over to the Fiscal Year 2027 Work Plan:**

- Audit of Pedestrian Safety
- Comparative Cannabis Code Analysis
- Audit of Illegal Cannabis Cultivation
- Department of Utilities Physical Security Series

## Semi-Annual Recommendation Follow-Up Reports:

REPORTING PERIOD 1:
**JANUARY – JUNE 2025**

**TRACKED PROGRESS AND IMPLEMENTATION**

REPORTING PERIOD 2:
**JULY – DECEMBER 2025**

**TRACKED PROGRESS AND IMPLEMENTATION**

## Highlights:

Since the establishment of the Office of the City Auditor as an independent office in 2010, the Office has issued over 90 reports and made over 850 recommendations as of June 30, 2026. Most of our work yield both financial and non-financial benefits. While it is difficult to easily quantify non-financial, and in some cases, financial benefits, our reports have also been able to quantify financial benefits to the City. The figure below illustrates the potential financial benefits identified in our reports as well as the estimated realized financial benefits resulting from the implementation of recommendations made by the Office.

**Identified**

$100 Million

*in Potential Benefits*

**Realized**

$41.9 Million

*in Estimated Realized Benefits*

During Fiscal Year 2026, the Office tracked the status of nearly 150 recommendations and confirmed that more than 60 recommendations were implemented. As of the end of the June 30, 2026 reporting period, 118 recommendations remained open. Of these, 34 were new recommendations that will undergo their initial follow-up in Fiscal Year 2027.

## Semi-Annual Whistleblower Hotline Activity Reports:

REPORTING PERIOD 1:

**JANUARY – JUNE 2025**

**Case Activity:**
Cases Received: **93**
Cases Closed: **85**

**Open Cases Status:**
Open Cases (as of Jan 1, 2025): **23**
Open Cases (as of July 1, 2025): **31**

REPORTING PERIOD 2:

**JULY – DECEMBER 2025**

**Case Activity:**
Cases Received: **139**
Cases Closed: **148**

**Open Cases Status:**
Open Cases (as of July 1, 2025): **30**
Open Cases (as of Jan 1, 2026): **21**

Note: The discrepancy in open cases as of July 1, 2025, between periods stems from a correction: one case reported open had actually been closed during the first period.

## Highlights:

The City Auditor's Whistleblower Hotline promotes good government by providing City employees and members of the public with a way to report allegations of improper government activities, defined as fraud, waste, or abuse.

Since the hotline's inception in 2012, the Office has received more than 2,000 reports with an estimated benefit of more than $1 million. A total of five cases were substantiated during the calendar year 2025 reporting periods.

During the January through June 2026 reporting period, the Office received 109 cases and closed 114 cases, one of which was substantiated. As of July 1, 2026, a total of 16 cases remained open.


## Key Deliverables

**Certificate of Compliance with Generally Accepted Government Auditing Standards within last three years:**
Last peer review was completed April 2025. Certificate of Compliance awarded to Office of the City Auditor for the period January 1, 2022 through December 31, 2024.

**Present Proposed Work Plan by April 15:**
City Auditor's Proposed Work Plan for Fiscal Year 2026/27 was presented to the Budget and Audit Committee on March 10, 2026. The final Work Plan was approved by the City Council on March 24, 2026. It was subsequently revised and approved by the City Council on June 23, 2026.

**Provide the City Council with activity reports regarding audits, recommendations, and whistleblower tips and investigations:**
City Council was kept apprised of Office activities through various mechanisms such as: quarterly activity reports, semi-annual recommendation follow-up reports, whistleblower hotline activity reports, annual work plans, presentations, and individual briefings.

## Performance Goals

**100%**

### CPE Compliance

of staff met continuing professional education requirements of Generally Accepted Government Auditing Standards.

**100%**

### Audit Findings Acceptance

of the 26 audit findings were accepted by the City Council.

* City Council also heard the Audit of the City's Animal Care Services Division completed in FY 2025 which had 10 findings and 31 recommendations.

**97%**

### Management Agreement

of the 34 audit recommendations were agreed upon by City management.

**100%**

### Recommendations Acceptance

of the 65 audit recommendations were accepted by the City Council.

**54%**

### Work Plan

of the Work Plan was completed or initiated during the fiscal year.

* The Office experienced a 20% vacancy rate in the first half of the fiscal year.

## Office Dashboards

To promote transparency and accountability the Office maintains several dashboards that City Council, City employees, and the public can use to analyze certain information. The Office maintains the following dashboards:

**RECOMMENDATION FOLLOW-UP**
- Most Recent Reporting Period
- Open Recommendations
- Closed Recommendations

**WORKPLACE CLIMATE SURVEY**
- Survey Results By Department
- Survey Results By Ethnicity
- Survey Results By Sex

**COMMUNITY SURVEY DASHBOARDS**

**WHISTLEBLOWER HOTLINE**
- Most Recent Reporting Period
- All Closed Cases
- Substantiated Cases

**DIVERSITY**
- Gender and Ethnic Diversity
- Applicants Diversity
- Hires Diversity
- Separations Diversity

## City Auditor's Office Partners With CSUS For Summer Fellowship

During Fiscal Year 2026, the City Auditor's Office began conversations to partner with the Department of Public Policy and Administration at California State University Sacramento (CSUS) for a fellowship program. Students in the Master of Public Policy and Administration (MPPA) program would be placed in the Office of the City Auditor as Audit Fellows. Students would be compensated for their work by CSUS through the Hazel Cramer Endowed Scholarship.

The program was piloted in June 2026 with the first cohort of two fellows from the CSUS MPPA program beginning part-time work in the Office of the City Auditor. The Office developed a training program to teach fellows about local government and conducting performance audits in accordance with Generally Accepted Government Auditing Standards.

## Office of the City Auditor Team

**Farishta Ahrary** – City Auditor

**Charles Meadows** – Principal Fiscal Policy Analyst
**Joseph Fleming** – Senior Fiscal Policy Analyst
**Mary Washburn** – Senior Fiscal Policy Analyst
**Parinaz Nejatie** – Fiscal Policy Analyst
**Ricardo Sanchez Molinero** – Fiscal Policy Analyst

**Kevin Christensen** – Assistant City Auditor

**Joyce Chih** – Principal Fiscal Policy Analyst
**Chevelle Jackson** – Senior Fiscal Policy Analyst
**Jessica Lugo** – Fiscal Policy Analyst

## Office of the City Auditor Demographics

The City of Sacramento is a very diverse community, and the Office of the City Auditor generally does well to reflect in its staff the gender and ethnic diversity of the City of Sacramento.

In the first half of the fiscal year, the Office had a 20 percent vacancy rate. After successfully completing recruitment efforts, the Office was fully staffed by January 2026.

**Office of the City Auditor Gender Diversity**

| | Male | Female | Total Population |
|---|---|---|---|
| Auditor's Office 2021 | 40% | 60% | 10 |
| Auditor's Office 2022 | 44% | 56% | 9 |
| Auditor's Office 2023 | 50% | 50% | 10 |
| Auditor's Office 2024 | 29% | 71% | 7 |
| Auditor's Office 2025 | 38% | 63% | 8 |
| Auditor's Office 2026 | 40% | 60% | 10 |
| 2024 City Population | 49% | 51% | 535,787 |

**Office of the City Auditor Ethnic/Racial Diversity**

| | White | Hispanic | Asian | Black or African American | Two or More Races | Middle Eastern or North African | Filipino | American Indian or Alaska Native | Native Hawaiian or Other Pacific Islander | Total Population |
|---|---|---|---|---|---|---|---|---|---|---|
| Auditor's Office 2021 | 30% | 30% | 10% | 10% | 10% | 10% | 0% | 0% | 0% | 10 |
| Auditor's Office 2022 | 33% | 33% | 11% | 11% | 0% | 11% | 0% | 0% | 0% | 9 |
| Auditor's Office 2023 | 20% | 40% | 20% | 10% | 0% | 10% | 0% | 0% | 0% | 10 |
| Auditor's Office 2024 | 14% | 29% | 29% | 14% | 0% | 14% | 0% | 0% | 0% | 7 |
| Auditor's Office 2025 | 38% | 13% | 25% | 13% | 0% | 13% | 0% | 0% | 0% | 8 |
| Auditor's Office 2026 | 40% | 10% | 20% | 20% | 0% | 10% | 0% | 0% | 0% | 10 |
| 2024 City Population | 28% | 29% | 19% | 12% | 7% | 0% | 4% | 0% | 1% | 535,787 |

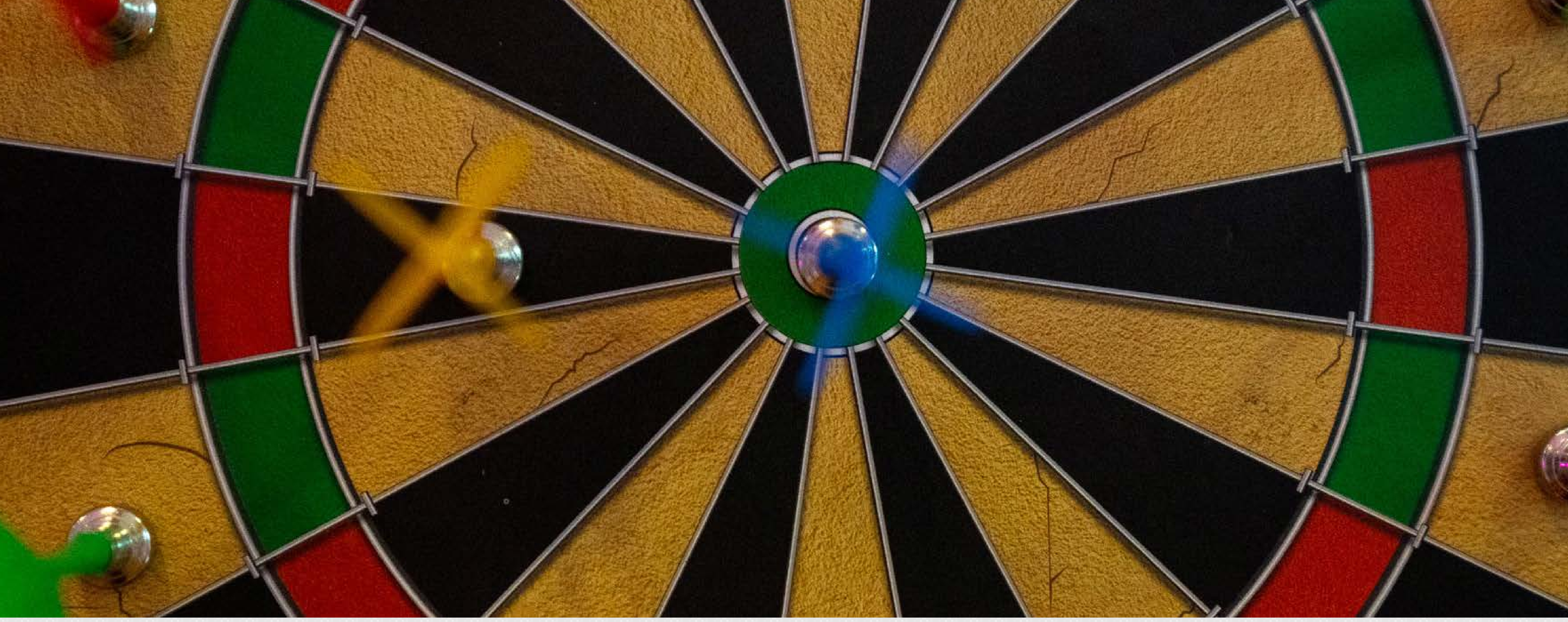
## Fiscal Year 2026 Budget vs. Actuals

The Office experienced cost savings during Fiscal Year 2026 and closed the year under budget.

- **Overall Savings: The General Fund** costs were $244,057 under budget, realizing a nearly 18% net cost savings.
- **Primary Cost Driver: Employee Services** generated the largest dollar savings at $194,187 below allocation due to staff vacancies the first half of the fiscal year.
- **Operational Savings: Services and Supplies** achieved significant percentage savings, coming in $41,995, or 25 percent, under budget. This budget category was cut by $59,000 for Fiscal Year 2027.
- **Budget Overrun: Property** exceeded allocations by more than double due to several laptop purchases for the Office.

### Fiscal Year 2026 Budget Results

| Category | FY2026 Approved Budget | FY2026 Actual Expenses | Variance / (Over budget) |
|---|---|---|---|
| Employee Services | $2,112,477 | $1,918,290 | ▲ +$194,187 |
| Services and Supplies | $163,581 | $121,586 | ▲ +$41,995 |
| Property | $5,000 | $10,745 | ▼ -($5,745) |
| Other Funds Transfers and Offsets | ($919,008) | ($932,628) | ▲ +$13,620 |
| **Total General Fund Expenses** | **$1,362,050** | **$1,117,993** | ▲ **+$244,057** |





## Progress on Fiscal Year 2026 Strategic Goals and Objectives

During Fiscal Year 2026, the Office of the City Auditor identified key priorities to strengthen our operations and ensure compliance with professional standards. Below is a summary of our progress towards these objectives.

- **Promoting Operational Efficiencies**
  - The Office implemented new processes for Council-requested audits in which the Budget and Audit Committee reviews audit requests and makes recommendations for final approval by the City Council.
  - The Office assessed opportunities to leverage artificial intelligence (AI) technology to improve the efficiency and productivity of our audit processes. Staff responsibly utilized AI tools to support research, summarize information, develop visuals and PowerPoint presentations, and enhance the clarity and readability of report language. These efforts have helped streamline aspects of our workflow while maintaining the quality and rigor expected of our audit products.
- **Strengthening Organizational Capacity**
  - At the start of the fiscal year, the Office had two vacancies. In the first half of the fiscal year, we successfully completed recruitment efforts and filled both positions. As of January 2026, the Office is fully staffed.
- **Ensuring Standards Compliance and Professional Excellence**
  - During the fiscal year, the Office completed a comprehensive review of policies, procedures, and audit templates to ensure alignment with the 2024 revision to Generally Accepted Government Auditing Standards (GAGAS), including the transition to the new quality management framework. As a result, the Office is now fully aligned with current GAGAS requirements, positioning us for continued compliance and audit quality going forward.
- **Advancing Equity and Inclusion**
  - The Office continued to participate in the Citywide Racial and Gender Equity Action Plan, further embedding equity principles into our audit planning, fieldwork and reporting processes.




## Fiscal Year 2027 Strategic Goals and Objectives

For Fiscal Year 2027, we are excited to work with the City Council and City management to continue managing the City's Whistleblower Hotline and auditing City operations and services to identify opportunities for enhanced efficiency and effectiveness.

We will also be focused on internal improvements including:

- **Promoting Operational Efficiencies**
  - **Project Management:** We will assess opportunities to further leverage project management principles, tools, and methodologies across all phases of the audit lifecycle to optimize resource allocation, reduce engagement times, and ensure consistent, timely delivery of reports to City Council and the public.
  - **AI Opportunities:** Continue to evaluate opportunities to leverage AI technology to improve efficiency and productivity of audit processes.
- **Strengthening Organizational Capacity**
  - **Audit Fellowship Program:** To expand on our new partnership with CSUS, the Office will build out the Audit Fellowship Program to deliver hands-on performance auditing experience, comprehensive foundational training, and career pathway development for university fellows while boosting audit office productivity and capacity.
- **Enhance Audit Recommendation Tracking and Implementation**
  - **City Council Recommendation Framework:** Work with the Budget and Audit Committee to design a transparent, dedicated process for tracking and implementing recommendations directed to the City Council.
  - **Departmental Implementation Process:** Work with the City Manager to establish an efficient workflow for recommendations assigned to City departments, ensuring timely follow-through and accountability.

# City of Sacramento Office of the City Auditor

**Contact:**
Farishta Ahrary, City Auditor
FAhrary@cityofsacramento.org
916-808-7266

www.cityofsacramento.gov/auditor