



No. 39

## REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604  
www. CityofSacramento.org

Consent  
Date: June 23, 2009

Honorable Mayor and  
Members of the City Council

**Title:** Ordinance: Creation of Office of the City Auditor

**Location/Council District:** Citywide

**Recommendation:** Adopt an **Ordinance** adding Chapter 2.18 to the Sacramento City Code relating to the creation of an Office of the City Auditor.

**Contact:** Eileen Teichert, City Attorney

Matthew Ruyak, Supervising Deputy City Attorney, 808-5346

**Presenters:** Matthew Ruyak

**Department:** City Attorney's Office, Org. # 09300

**Division:** N/A

**Department ID:** 09300

### Description/Analysis

**Issue:**

On May 26, 2009, the City Attorney's Office presented to the City Council a report with a draft ordinance relating to a Council-appointed city auditor. After staff presentation and Council discussion, Council directed staff to return with an ordinance for adoption.

**Policy Considerations:** The proposed ordinance and resolution touch upon issues fundamental to City operations: accountability, economic prudence, regulatory compliance, and efficiencies in City government.

**Environmental Considerations:** None

**California Environmental Quality Act (CEQA):** This action does not constitute



**Sustainability:** Not applicable.

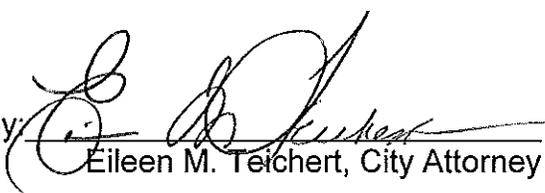
**Commission/Committee Action:** Not Applicable.

**Rationale for Recommendation:** The presented ordinance creates a Council-appointed City Auditor, but grants future flexibility on the City Auditor's operations.

**Financial Considerations:** The proposed ordinance does not affect approved staffing levels, which will be subject to the Council's future budget decisions. The FY2009/10 Budget Adoption resolution includes a technical adjustment moving the Office of the City Auditor from the City Manager's Office to the Mayor and City Council.

**Emerging Small Business Development (ESBD):** Not Applicable.

Respectfully Submitted by:   
Matthew D. Ruyak,  
Supervising Deputy City Attorney

Approved by:   
Eileen M. Teichert, City Attorney

Recommendation Approved:

  
Ray Kerridge  
City Manager

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### Background

The City of Sacramento currently has a City Auditor reporting directly to the City Manager. Each year the City Auditor presents to the Council a proposed work plan. Prior to presentation to the Council, the auditor's work plan is approved by the City Manager.

During the presentation of the annual Internal Audit Workplan on February 17 and 24, the City Council requested a report regarding the organizational placement of the City Auditor. On April 21, 2009, the City Auditor presented to Council his report back on the organizational placement of the City Auditor. The Council passed a motion directing the City Manager, City Attorney and City Auditor to work together on a report back to Council on a framework under which the auditor would report to Council. On May 19, 2009, the City Attorney's Office presented to the Council a report with a draft ordinance for review and comment. That report also discussed the potential creation of an "Audit Committee."

At the conclusion of staff's presentation, Council passed a motion directing staff to do the following three tasks simultaneously: (1) return to Council (and bypass the Law and Legislation Committee) with an ordinance substantially conforming to the draft ordinance reviewed at the May 19 meeting; (2) present to Council a resolution establishing an Audit Committee; and (3) report on the mechanics and timing for the hiring of a Council-appointed city auditor. Issues (2) and (3) were presented at the June 16, 2009, Council meeting, when the proposed ordinance was passed for publication.

The attached ordinance creates an Office of the City Auditor. The ordinance includes introductory findings about the reasons for a Council-appointed City Auditor and adds Chapter 2.18 to the Sacramento City Code. (Title 2 of the City Code covers "Administration and Personnel." Chapter 2.18 would be the first chapter within Title 2 identifying a particular department or office.) The ordinance establishes a broad framework for the auditor, by doing the following:

1. **Creating the Office of the City Auditor.** The City Auditor would be identified as a "city officer" under Section 70(d) of the Sacramento City Charter, appointed and removed by the City Council. There are presently no other non-Charter offices established under Section 70(d). As with the other council-appointed city officers, the City Auditor would be the appointing authority for the office.
2. **Establishing Qualifications.** For many California cities with charter-created or code-created auditors it is a standard requirement for the auditor to be a Certified Public Accountant or Certified Internal Auditor. The draft section setting the qualifications allows, however, for the Council to set additional or alternative qualifications. For example, the Association of Local Government Auditors' guidelines also allow for "relevant certifications" such as Certified Public Accountant or Certified Internal

Auditor “or an advanced degree in a related field with at least five (5) years of experience in government auditing, evaluation or analysis.” The auditor would set the qualifications for all others within the office.

3. **Mandating an Audit Plan and Standards.** This section of the draft ordinance mandates the City Auditor to present an annual audit plan to City Council for approval. This is the method for establishing the City Auditor’s yearly scope of work. The section also provides a means for expansion of the audit plan without approval of the full council – i.e., through a resolution authorizing others to make audit requests, such as an audit committee, council member, or Charter officers. As for standards, there are multiple standards that may be applicable. For example, the Comptroller General of the United States issues Government Audit Standards; and there are the Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors. The standards to be followed would be adopted by resolution.
4. **Requiring Reports.** This draft section simply requires the city auditor to prepare written reports. However, it leaves the details for a future resolution. City Council may, for instance, wish to have the auditor prepare the reports in a certain format or within a specified time period. It may wish to allow for a “response” by audited departments.
5. **Access to Information.** To ensure cooperation with the city auditor’s requests, this section places upon city departments, offices and employees a duty of providing information and access. However, there may be some information the auditor is not permitted by law to obtain, e.g., certain criminal history information. Therefore, the access is not unlimited. Additionally, the last sentence is added to so as not to “politicize” the city auditor’s office.
6. **Non-Interference.** This section seeks to maintain the independence of the city auditor. That is, the auditor is to perform audit functions as directed or authorized by the council, without individual influence.

The ordinance is intended to be consistent with other parts of the Sacramento City Code in its structure. It has been crafted to afford Council flexibility with respect to the City Auditor. That is, it allows for Council resolution to fill in the details. Specifically, draft Section 2.18.020 allows for flexibility in the City Auditor’s qualifications; Section 2.18.030 allows the City Council to authorize a committee, council member, or charter officer to request additional audits, as well as setting the standards for audits; and Section 2.18.040 allows a resolution to set the manner of report preparation and presentation. It is contemplated that City Council would adopt a resolution detailing such issues in the near future, and staff solicits and welcomes direction on the substance of that resolution.

**ORDINANCE NO.**

Adopted by the Sacramento City Council

Date Adopted

**AN ORDINANCE ADDING CHAPTER 2.18 TO THE SACRAMENTO CITY CODE TO  
CREATE THE OFFICE OF THE CITY AUDITOR**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

Section 5 of the Charter of the City of Sacramento provides that “[t]he city council may establish departments, divisions, offices and positions of employment not established by this Charter or created thereunder and shall have the power to abolish, merge or consolidate same.” Section 70 et seq. of the Charter further provides that the City Council may appoint officers of its own body to serve at the City Council’s pleasure. The City Council finds that the creation of an Office of the City Auditor, with a Council-appointed City Auditor, pursuant to the foregoing provisions serves the best interests of the City, by making the City Auditor independent of the other City offices.

A city auditor directly appointed by the City Council promotes honest, efficient, effective, and fully accountable city government. A city auditor fulfills that mission by independently conducting audits and examinations of any city department, program, service or activity. Audits and examinations provide the city council and city management with information and evaluations regarding the effectiveness and efficiency with which city resources are employed, the adequacy of the system of internal controls, and compliance with city policies and procedures and regulatory requirements.

SECTION 2.

Chapter 2.18 is added to the Sacramento City Code to read as follows:

**Chapter 2.18**

**Office of the City Auditor**

**2.18.010 Office of the City Auditor Created**

There is created an Office of the City Auditor. The city council shall appoint the city auditor, who shall be a city officer under Section 70, subdivision (d), of the Charter. The city auditor shall have such staff and budget as the city council may prescribe. The

city auditor shall appoint all other members of the city auditor's office.

**2.18.020 City Auditor Qualifications**

The city auditor shall be a certified public accountant, a certified internal auditor, or have such other or additional qualifications as the city council may establish by resolution. The city auditor shall set the qualifications for subordinate staff.

**2.18.030 Audit Plan and Standards**

A. By March 1 each year, the city auditor shall submit an annual audit plan to the city council for approval. The annual audit plan may be amended during the year with the approval of the city council. The council, by resolution, may authorize a committee, charter officer, or an individual councilmember with respect to audits of the councilmember's own office, to request additional audits.

B. Audits shall be conducted in accordance with standards as prescribed by council resolution.

**2.18.040 City Auditor Reports**

The city auditor shall prepare a written report of the results of each audit conducted and will be responsible for retaining a copy as a permanent record. The council may prescribe by resolution the manner of report preparation and presentation.

**2.18.050 Access to Information**

City departments, offices and employees shall provide the city auditor access to all sources of information, property, and personnel relevant to the performance of an audit, unless restricted or prohibited by law. This section shall not apply to the office of any elected official, unless that elected official requested the audit of that official's own office.

**2.18.060 Non-Interference with City Auditor**

No person shall directly or indirectly coerce or attempt to coerce the city auditor relative to the city auditor's examinations, audits, or the appointment or removal of any employee which is made by the city auditor.

Adopted by the City of Sacramento City Council on \_\_\_\_\_ by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest:

\_\_\_\_\_  
MAYOR

\_\_\_\_\_  
City Clerk

Passed for Publication:

Published:

Effective: