

**Meeting Date: 6/4/2013**

**Report Type:** Consent

**Report ID:** 2013-00480

**Title: City Auditor's Quarterly Activity Report**

**Location:** Citywide

**Issue:** According to City Code Chapter 2.18, the City Council should be kept apprised of the City Auditor's work. This report documents the Auditor's Office activity for the third quarter of Fiscal Year 2012/13.

**Recommendation:** Pass a Motion accepting the Auditor's Quarterly Audit Activities Report for the January 2013 to March 2013 period.

**Contact:** Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

**Presenter:** None

**Department:** Mayor/Council

**Division:** Office of the City Auditor

**Dept ID:** 01001201

**Attachments:**

- 1-Description/Analysis
- 2-City Auditor March 2013 Quarterly Activity Report
- 3-Auditor 2012-13 Audit Plan

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### **City Attorney Review**

Approved as to Form  
Matthew Ruyak  
5/29/2013 9:48:16 AM

### **Approvals/Acknowledgements**

Department Director or Designee: Jorge Oseguera - 5/23/2013 5:27:43 PM

## Description/Analysis

**Issue Detail:** According to City Code Chapter 2.18, the City Council should be kept apprised of the City Auditor's work. This report documents the Auditor's Office activity for the third quarter of Fiscal Year 2012/13.

**Policy Considerations:** The City Auditor's presentation of the Quarterly Activities Report is consistent with the Mayor and City Council's intent to have an independent audit function for the City of Sacramento.

**Economic Impacts:** None

**Environmental Considerations:** None

**Sustainability:** None

**Commission/Committee Action:** The Audit Committee unanimously accepted this report on April 30, 2013 and forwarded it to the full City Council for approval (Council Member Angelique Ashby was absent).

**Rationale for Recommendation:** This staff report provides the Audit Committee with information that may be used to meet its responsibility to provide oversight and supervision of the City Auditor.

**Financial Considerations** The costs of the audits listed in the Quarterly Activities Report were funded out of the 2012/13 Office of the City Auditor Budget.

**Emerging Small Business Development (ESBD):** No goods or services are being purchased as a result of this report.



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CITY OF SACRAMENTO  
CALIFORNIA

Office of the City Auditor  
Jorge Oseguera, City Auditor

April 30, 2013

Honorable Members of the Audit Committee  
915 I Street - Fifth Floor, New City Hall  
Sacramento, CA 95814-2604

Honorable Members of the Audit Committee:

Activity highlights for January 2013 through March 2013:

- City Auditor broke his elbow snowboarding.
- Selected The Network as the third party vendor that will administer the City's Whistleblower Hotline call center and case management system. The service is available 24/7. Through this service, all phone calls and electronic tips will be received anonymously by third party staff. The City Auditor will use the information gathered to rank the incident reported and investigate the allegation.
- Issued Auditor's Quarterly Activities Report for the October 2012 to December 2012 period.
- Issued the City Auditor's Semi-Annual Recommendation Follow-up report for the July 2012 to December 2012 period.
- Scheduled and passed an External Quality Control Review of the City Auditor's audit practices and processes.
- Initiated the City Audit of Supplemental pay audit
- Initiated a recruitment to fill the vacant Senior Auditor position.
- Investigated a number of whistleblower allegations.

## Status of the City Auditor's FY 2012/13 Audit Plan as of March, 2013

	Preliminary Survey	Risk Assessment	Audit Fieldwork	Report Writing	Audit Issuance Date
<b>Assignments Completed</b>					
Fire Inspection Fees	Completed	Completed	Completed	Completed	Aug 2012
Compliance Audit of the City Loan to SRSEF	Completed	Completed	Completed	Completed	Sep 2012
Purchase Cards	Completed	Completed	Completed	Completed	Oct 2012
<b>Assignments In Process</b>					
City Sidewalk Repair Process	Completed	Completed	Completed	Postponed	
Citywide Employee Supplemental Pay	Completed	Completed	In process		
City Inventory Systems Audit	Postponed				
<b>Assignments Not Yet Started</b>					
311 Call Center	Not Started				
City Wireless Communications Audit	Not Started				
City Vendor List Audit	Not Started				

On behalf of the Auditor's Office, I would like to express my appreciation to the City staff for their cooperation and assistance during our reviews.

Respectfully submitted,

Jorge Oseguera

## RESOLUTION NO. 2012-113

Adopted by the Sacramento City Council

May 8, 2012

### AMENDING THE CITY AUDITOR'S ANNUAL AUDIT PLAN FOR FISCAL YEAR 2012-13

#### BACKGROUND

- A. City Code Section 2.18.030 requires that the City Auditor submit an Annual Audit Plan to the City Council for approval.
- B. The Annual Audit Plan contains the planned projects to be completed during the upcoming fiscal year.
- C. The Council may, by resolution, authorize a committee, charter officer, or an individual councilmember with respect to the councilmember's own office, to request additional audits.

#### BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. Staff is directed to bring back recommended changes and updates to Chapter 2.88 of the City Code (Sports Commission).
- Section 2. Amend the City Auditor's Audit Plan for Fiscal Year 2012-13, attached as Exhibit A, to include a compliance audit of the Sacramento Sports Commission and the Sacramento Region Sports Education Foundation.
- Section 3. Exhibit A is a part of this Resolution.

Adopted by the City of Sacramento City Council on May 8, 2012 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, R Fong, McCarty, Pannell, Schenirer, Sheedy, and Mayor Johnson.

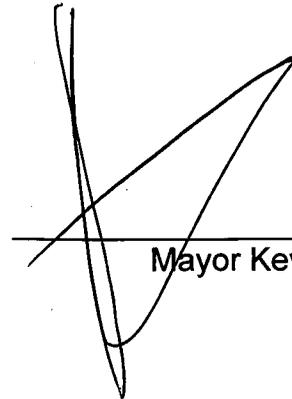
Noes: None.

Abstain: None.

Absent: None.

Attest:

  
Shirley Concolino, City Clerk

  
Mayor Kevin Johnson

## EXHIBIT A – CITY AUDITOR ANNUAL AUDIT PLAN FOR FISCAL YEAR 2012-13

### Carried Over From Last Year's Audit Plan

#### Purchase Cards

I am proposing an audit of Purchase Cards because: 1) the City makes extensive use of Purchase Cards to acquire goods and services; 2) a prior Sacramento City Auditor Office report identified several problems with a department's use of Purchase Cards; and 3) other jurisdiction's audits of Purchase Card Programs have resulted in significant cost savings and improved internal controls over procurement processes.

#### City Sidewalk Repair Process

After reviewing the Auditor's proposed audit plan, the audit committee requested that an audit of the City's sidewalk repair process be added to the audit plan that will go before the City Council. The committee is concerned with how sidewalk repairs are being identified, prioritized, and addressed. The committee believed there is an opportunity to improve our sidewalk repair system.

#### 311 Call Center

I am proposing an audit of the 311 Call Center because: 1) In April 2010 the 311 Call Center received 37,626 calls, e-mails, walk-ins and faxes; 2) recent 311 Call Center activity reports show significant service level deteriorations in both caller wait times and caller hang ups due to long wait times; 3) on average 400 callers per day (Monday- Friday) hang up before getting service; and 4) wait times between 8:00 A.M. and 4:00 P.M. (Monday- Friday) average 5 to 10 minutes.

#### Citywide Employee Supplemental Pay

I am proposing an audit of the Employee Supplemental Pay because the Council has expressed interest in enhancing the City's transparency and providing citizen access to information about elected and employee compensation information. In addition to disclosing base pay, it is also important for the City to have a clear understanding of overall employee cash compensation. According to the Finance Department, labor costs make up almost 80% of the General Fund's expenditures. This audit may review supplemental labor costs, overtime, premium pay, out of class pay, and leave costs.

### Additional Audits Proposed

#### City Inventory Systems Audit

Establishing strong controls to protect City assets is important to ensure adequate supplies of materials, inventory accuracy, and inventory accountability. For this audit, we will perform a targeted Citywide risk assessment to identify which City operations could most benefit from a inventory audit. Based on this risk assessment, we will perform additional analysis to review and test whether adequate internal controls exist to manage City inventories, prevent and detect errors and irregularities, and ensure system access is properly segregated.

#### City Wireless Communications Audit

The purpose of this audit is to assess whether adequate controls are in place regarding cell phone assignment, oversight and use. This audit will also review contracts with service providers to determine if they are designed to economically and effectively meet the City's

communication needs.

### City Vendor List Audit

The master vendor file is a critical City resource. Inaccurate, incomplete, or unauthorized master vendor files could have a negative effect on processing vendor payments and may increase the risk of fraud or abuse in the City's vendor payments. This audit will assess whether the City has adequate controls regarding its master vendor file and is effectively monitoring and maintaining its vendor information.

### Other Reports from the Auditor's Office

#### Quarterly Reports

The City Auditor will forward to the Audit Committee quarterly reports describing the status of audit assignments and the progress the Office is making toward completing them.

#### Recommendation Follow-up Reports

On a semiannual basis, the City Auditor will report on the status of audit recommendations.

### Other Potential Audits Not Included in the City Auditor's 2012-13 Audit Plan

The City Auditor's 2012-13 Audit Plan is ambitious and encompasses a broad array of City programs and services. However, there are many other potential audits that are not included in the 2012-13 Audit Plan due to limited audit resources. The following are a few of the audit areas not included due to limited audit resources:

- City Grants Management and Oversight
- Citywide Inventory of City IT Systems
- An Audit of Heavy Vehicle Use
- Audit of the use of City owned property and facilities
- City Overtime Controls Audit

During the course of the year, the City Council may collectively decide to add an audit of an area not listed on the approved audit plan. The Audit Committee may also modify the Auditor's approved audit plan to as needed. However, doing so will limit the Office's ability to complete the audits already on the audit plan.

### Audit Process

To ensure that audits are responsive to the City Council's needs, as part of the normal audit process, the City Auditor will request input from each council member at the start of each audit.

The City Auditor will present completed audit reports to the Audit Committee, which will also hear testimony from the audited entity and other interested parties. The Audit Committee will report at a subsequent City Council meeting the results of the Committee's review of the audit report and its recommendations. The City Auditor may present an audit report directly to the City Council when the City Council directs the City Auditor to do so.