REPORT TO AUDIT COMMITTEE

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

Staff Report
October 9, 2012

Honorable Members of the Audit Committee

Title: City Auditor's Quarterly Activities Report

Location/Council District: Citywide

Recommendation: Accept the Auditor's Quarterly Activities Report for the July 2012 to September 2012 period and forward to City Council for final approval.

Contact: Jorge Oseguera, City Auditor 808-7270

Presenters: Jorge Oseguera

Department: Mayor and City Council

Division: Office of the City Auditor

Organization No: 01001201

Description/Analysis

Issue: According to City Code Chapter 2.18, the City Council should be kept apprised of the City Auditor's work. The Audit Committee shall receive, review, and forward to the full Council the City Auditor's updates and reports. This report documents the Auditor's Office activity for the first 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.

Environmental Considerations: None.

Sustainability Considerations: None.

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.

Respectfully Submitted by: _____
Jorge Oseguera, City Auditor

Table of Contents:

Report to Audit Committee pg. 1

Attachments

1	Attachment 1 – Quarterly Activity Report for July 2012 to September 2012	pg. 3
2	Attachment 2 – FY 2012/13 Adopted Auditor Audit Plan	pg. 5

Attachment 1

CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

October 9, 2012

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 July 2012 through September 2012:

- Completed the Audit of the Fire Prevention Program.
- Completed an audit of the Sacramento Region Sports Education Foundation (SRSEF).
- Issued Auditor's Quarterly Activities Report for the April 2012 to June 2012 period.
- Issued the Semi-Annual Recommendation Follow-up report for the January 2012 to June 2012 period.
- Initiated an audit of the Citywide Purchase Card Use.
- Initiated the City Sidewalk Repair Program audit.
- Initiated the recruitment process to fill a vacant staff position.
- Made a presentation to the Western Intergovernmental Audit Forum on "Keeping Products On Time."
- Started the City Auditor's Fellows Program that will provide volunteers/interns with first hand performance audit experience in the public sector.

Status of the City Auditor's FY 2012/13 Audit Plan as of September, 2012

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

Jorge Oseguera

Attachment 2

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.

Mayor Kevin Johnson

Attest:

Shirley Concolino, City Clerk

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.