REPORT TO COUNCIL
City of Sacramento

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Staff Report
February 27, 2007

Honorable Mayor and
Members of the City Council

Title: The Annual Internal Audit Workplan for Calendar Year 2007

Location/Council District: City-wide

Recommendation: Adopt a **Resolution** approving the Annual Internal Audit Workplan for Calendar Year 2007. The City Auditor recommends approving the attached Workplan with the exception of removing the proposed audit of *The Mayor and City Council Discretionary Accounts Annual Report for Fiscal Year 2005/2006.*

Contact: Marty Kolkin, City Auditor, 808-5704

Presenters: Marty Kolkin, City Auditor, 808-5704

Department: City Manager

Division: Internal Audit

Organization No: 0310

Description/Analysis

Issue: This report sets forth the City Auditor's proposed Annual Internal Audit Workplan for calendar year 2007. The proposed Workplan reflects the addition of a new Auditor, which was authorized by the Mayor and City Council on August 15, 2006. The number and scope of audits performed during the year is directly impacted by the number of auditors. The proposed 2007 Workplan reflects the Internal Audit division's increased capacity of an auditor. A senior auditor position will be proposed during the fiscal 2008/2009 budget cycle for increased audit capacity.

Due to resource limitations, the City Auditor recommends examining the Mayor and City Council Discretionary Accounts on a biennial basis. Both years of discretionary spending will still be examined, but audit fieldwork will occur only once every other year, beginning in the following calendar year.

Policy Considerations: The City Auditor's presentation of the Annual Internal Audit Workplan is consistent with the Mayor and City Council's intent to have an internal audit function for the City of Sacramento.

Environmental Considerations: The request for award of this agreement is not subject to the provisions of the California Environmental Quality Act (CEQA) under the general rule (Section 15061(b)(3)) that CEQA applies only to projects that have the potential for causing a significant effect on the environment.

Rationale for Recommendation: This staff report also provides the Mayor and City Council with an opportunity to accept the proposed Workplan or to provide comments and feedback for modification of scheduled internal audits for calendar year 2007.

Financial Considerations: No additional financial considerations

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

Respectfully Submitted by: _____
Martin Kolkin
City Auditor

Recommendation Approved:

for _____
Ray Kerridge
City Manager

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Attachment 1

Background Information: The City Auditor functions as an objective evaluator of the effectiveness of all City activities, operations, services and programs, ensuring compliance with organizational policies and procedures, state statutes, and federal regulations. The City Auditor reports to the City Manager, with access to the Mayor and City Council.

The City Auditor maintains organizational and operational independence from all other departments within the City. The results of all completed audits are required to be formally presented to the City Manager and the Mayor and City Council.

Procedures: The City Manager's internal operating practices require the submission of an Annual Internal Audit Workplan for the Mayor and City Council's approval. The Annual Workplan contains the planned projects to be completed during the calendar year. Significant audit fieldwork cannot proceed without the authorization of the City Manager and the approval of a majority of the City Council.

Additionally, the Annual Workplan for 2007 has been changed from a fiscal year basis to a calendar year basis in order to provide separation from the Annual Operating Budget approval process. The separation of two activities provides an opportunity for the Mayor and City Council to review the Annual Internal Audit Workplan outside the tight time constraints of the Annual Operating Budget process.

Responsibility: The City Auditor is responsible for preparing the Annual Internal Audit Workplan for review and authorization by the City Manager and subsequent submission to the Mayor and City Council for approval.

Work Process: The approval of the Annual Internal Audit Workplan is a critical step in the audit process. Significant audit fieldwork cannot proceed without the review and authorization of the City Manager and approval of the Mayor and the City Council.

Modifications and Changes: The Annual Internal Audit Workplan is routinely modified as circumstances change throughout the year. However, changes will only be made at 1) the direction of the City Manager and the Mayor City Council or 2) following changes initiated by the City Auditor and subsequently authorized by the City Manager and approved by the Mayor and City Council.

Attachment 2

Proposed Internal Audit Workplan for Calendar Year 2007

	Audits	Scope
1.	Completion of the Revenue Division, General Control Review of Cash Collection and Handling.	Completion of an audit in progress that examines cash collections, the handling, recording, and depositing of daily receipts within the Revenue Division.
2.	Bidding Process Examination of the Utilities Department.	Examine the bidding and change-order procedures and processes for contracts with the Utilities Department. In order to maximize audit resources, portions of the fieldwork maybe contacted.
3.	Follow-Up Audit of the Bidding and Contract Processes: the General Services Department and the Office of the City Clerk.	Follow-up examination and progress report from the previous audit.
4.	The Mayor and City Council Discretionary Accounts Annual Report for Fiscal Year 2005/2006.	The examination will perform the annual review of the recordkeeping and review the nature of discretionary spending by the Mayor and City Council during fiscal year 2005/2006.
5.	Special Projects	Perform special projects assigned by the City Manager and the City Council.
6.	General Cash Control Audit of Parks and Recreation.	Examination of cash collections, the handling, recording, and depositing of daily receipts of the Parks and Recreation Department.

	Administrative Requirements/Reports	Description
A.	Continuing Professional Education	Obtain continuing professional education as required by Government Auditing Standards.
B.	Internal Audit Annual Report	Provide an annual report detailing work completed, projects-in-process, and accomplishments.
C.	Internal Audit Workplan	Gather ideas and information for the following year's Annual Internal Audit Workplan.

Attachment 3

RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVING THE CALENDAR YEAR 2007 INTERNAL AUDIT WORKPLAN

BACKGROUND

A. The City Manager's internal operating practices require the submission of an Annual Internal Audit Workplan for the Mayor and City Council's approval.

B. The Annual Workplan contains the planned projects to be completed during the calendar year.

C. Significant audit fieldwork cannot proceed without the authorization of the City Manager and the approval of a majority of the City Council.

D. Modifications to the Annual Workplan can be made at anytime; following the authorization of the City Manager and approval by a majority of the Mayor and City Council.

E. The calendar year 2007 Annual Audit Workplan includes:

Audits

1. Completion of a General Cash Controls Audit of the Revenue Division;
2. A Bidding Process Audit of the Utilities Department;
3. A Bidding Process Follow-Up of the General Services Department;
4. The Mayor and City Council Discretionary Accounts Annual Report for Fiscal Year 2005/2006;
5. Special Projects; and
6. General Cash Controls Audit of Parks and Recreation Department.

Administrative Requirements/Reports

A. Completion of Government Auditing Standards requirements for Continuing Professional Education;
B. Completion of an Internal Audit Annual Report; and
C. Completion of the calendar year 2008 Annual Audit Workplan.

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

Section 1. The Annual Internal Audit Workplan for calendar year 2007 is approved.