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Honorable Mayor, City Council Members, and the City Manager:

The City of Sacramento's City Auditor has completed an audit of Mayor and City Council discretionary accounts for fiscal year 2005. The audit was conducted in accordance with generally accepted government auditing standards and the responsibilities of the City Auditor.

This examination was performed to evaluate if appropriate use of public funds occurred in the Mayor and City Council Discretionary Accounts during fiscal year 2005, and to provide an assessment of existing policies, procedures, and practices associated with these accounts.

Based upon the records examined and auditing techniques employed, I have concluded that Mayor and City Council discretionary spending was appropriate and that public funds were not misused during the year examined, fiscal 2005.

Martin J. Kolkin  
City Auditor

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**Mayor & City Council Discretionary and CIP Accounts  
Annual Report – Fiscal Year 2005  
Report Number 2006-02**

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**CONCLUSION**

I have concluded that Mayor and City Council discretionary spending for fiscal year 2005 was appropriate and that public funds were not misused during the year examined. Additionally, procedures and practices implemented during fiscal 2005 provided reasonable assurance that desired results were achieved.

**OBJECTIVES**

The purpose of this audit was to evaluate if the Mayor and City Council discretionary spending was appropriate for fiscal year 2005. Additionally, procedures and practices associated with these accounts, implemented in the beginning of fiscal year 2005, were assessed.

**AUDIT SCOPE & METHODOLOGY**

The scope of this audit focused on spending within the nine discretionary accounts, the Mayor and the eight City Council districts. Additionally, procedures and practices associated with the discretionary accounts were examined. The audit included, but was not limited to the following:

- Physical observations of budget and accounting operations and practices;
- Analytical review of budget data and financial information;
- Examination and verification of general ledger revenue and expense data for fiscal year 2005. Over 55% of the total discretionary spending in fiscal 2005 was selected for audit sampling; and
- Interviews and discussions with personnel from the Mayor and City Council Department, the Accounting Division, and the Budget Division.

**BACKGROUND**

**Use of Discretionary Accounts**

Discretionary accounts afford the Mayor and City Council with an annual funding mechanism that provides opportunities to promote the City or compliment City functions. It is a budget source to support activities within their districts which benefit City residents. The use of these accounts is at the discretion of the Mayor and individual City Council members. However, the guidelines for the use of public funds still govern the use of these accounts, misuse and gifts to individuals remain prohibited. Accordingly, the City Auditor defined "inappropriate use" as spending that does not adhere to the guidelines for the use of public funds.

**History**

The Mayor and City Council discretionary accounts were established during fiscal year 1999. Annual budgetary funding for discretionary spending was established at \$75,000 in fiscal 1999 and \$50,000 for fiscal years 2000 - 2005.