

CITY OF SACRAMENTO INTERNAL AUDIT

ANNUAL REPORT
FISCAL YEARS 2004-2005





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CITY MANAGER

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Honorable Mayor, City Council Members, and City Manager:

At the Mayor's request, I have compiled an Annual Report recapping the activities and accomplishments of the Internal Audit Division. The goal of the Internal Audit Division is to be a catalyst for operational improvement.

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

The Mayor, City Council, and City Manager's support during the past year were greatly appreciated. I look forward to the challenges and opportunities of the coming year.

Martin J. Kolkin
City Auditor

Sacramento City Auditor's Annual Report Fiscal Years 2004 - 2005

INTERNAL AUDIT OBJECTIVES

The City Auditor provides independent review and analysis of the City's business practices to ensure organizational efficiency and compliance with rules and regulations

The goal of the City Auditor is to be a catalyst for operational improvement. This is accomplished primarily through the use of audits, detailed examinations, and reviews. The results of internal audit activities are presented in formal reports, which are then presented to the Mayor, City Council, and the City Manager.

AUDIT REPORTS ISSUED & OPERATIONAL IMPROVEMENTS

Limit Scope Audit of the Discretionary Account for Council District Number Eight

The purpose of this audit was to determine if the Council District Number Eight Discretionary Account received an additional \$49,905 of funding during calendar year 2003.

Significant Results

The examination of the City of Sacramento's financial system clearly demonstrated that the \$49,905 of questioned funding represented reimbursement for expenditures incurred; not additional funding.

On-Street Parking Internal Audit

This report provided the Mayor, City Council, and City Manager with an objective evaluation regarding the extent to which the On-Street Parking Division was achieving its stated operational objectives; protecting its assets; and using its resources in the most productive manner.

Significant Results

1. The On-Street Parking division received approval to purchase 5,000 new electronic meters costing approximately \$2.5 to \$3.0 million.
2. The On-Street Parking division received approval to hire a consultant to assist in developing operational objectives; a parking master plan; and updating policies, at a cost of approximately \$150 thousand.
3. The On-Street Parking division received approval to purchase two mobile license plate recognition units for the "Boot Unit", for a cost of approximately \$140 thousand.
4. Seven vacant Enforcement Officer were filled.
5. Safeguards over the storage, collection, and access to cash were established for several functions, and existing controls were improved.
6. An additional camera was installed to monitor all activities within the vault room.
7. Theft resistant locks were installed on approximately 300, older, mechanical model parking meters.
8. Physical inventories were conducted for parking meters, and all related collection equipment.

9. Parking debt card value loading machines were secured; procedures were developed to track values loaded onto debit cards; physical inventories of the debit cards began; and procedures were established to reconcile cash and sales.
10. A new computer system was installed in the Parking Meter Repair Shop.
11. Parking Enforcement Officers were granted greater flexibility in approaching potential disabled placard abusers and
12. Procedures were changed so that parking meter hoods are removed on Friday evenings, instead of removing the hoods on Monday morning.

Off-Street Parking Internal Audit

This report provided the Mayor, City Council, and City Manager with an objective evaluation regarding the extent that the Off-Street Parking Division was achieving its operational objectives, following its strategic plan, and adhering to divisional policies and procedures.

Significant Results

1. The Off-Street Parking division received approval to purchase parking garage security cameras for a cost of approximately \$400 thousand.
2. The Off-Street Parking division received approval to hire a consultant to assist in developing operational objectives and a parking master plan; and updating policies and procedures, for a cost of approximately \$200 thousand.
3. Two key Administrative Officer positions were filled.
4. All parking garage cash receipts are now reconciled to the daily parking reports.
5. Contractor operated parking garages receipts are now monitored daily.
6. Procedures were developed for the oversight of daily cash deposits, including storing the daily deposit in the administrative vault.
7. Procedures were developed to match credit card receipts to credit card deposits.
8. Critical historical system reports are now accessible.
9. Prepaid parking system modules now serve as the basis for determining the number and value of parking tickets sold during periods of prepaid parking.
10. An auditor position was created to test the accuracy of reported results.
11. Parking gate arms are now left down in the evenings.

MAYOR & CITY COUNCIL DISCRETIONARY ACCOUNTS ANNUAL REPORT – FISCAL 2004

This annual audit was requested by the Mayor and City Council to evaluate if the Mayor and City Council discretionary spending was appropriate for fiscal year 2004.

Additionally, this examination provided an assessment of existing policies, procedures, and practices associated with these accounts.

Significant Results

1. Mayor and City Council discretionary spending was appropriate for fiscal year 2004.
2. No inappropriate payments and no misuse of public funds were discovered during the audit of the Mayor and City Council Discretionary Accounts.
3. Written polices and procedures were established.

FIRE DEPARTMENT TASK FORCE REPORT REGARDING MANAGEMENT OVERSIGHT OF FIREFIGHTER'S CONDUCT AND THE DEVELOPMENT OF AN INTERNAL AFFAIRS UNIT

The City Auditor served as a task force member on the Fire Department Task Force. The Task Force was charged with conducting a systems review of the Fire Department Management, accountability, and adequacy of existing policies and procedures.

Significant Task Force Results

1. The Mayor and City Council approved the establishment of an Internal Affairs/Profession Standards Unit, lead by a Battalion Fire Chief, for the Fire Department.
2. A new Assistant Chief for Operations position was added.
3. Policies and Procedures were updated and modernized.
4. A required training program was implemented to reinforce written expectations of behavior and conduct.
5. Each level of management was specifically required to discuss conduct and behavior within their span of control, starting with the Fire Chief down to the Fire Captains.
6. A six-month report back to Council was scheduled.

ON-STREET & OFF-STREET PARKING, FOLLOW-UP

This report provided the Mayor, City Council, and City Manager with an evaluation of the status of audit findings outlined in two previous audit reports; the *On-Street Parking Internal Audit Report* and the *Off-Street Parking Internal Audit Report*.

Significant Results

1. The Parking Division began detailed oversight of \$2.1 million of funds borrowed to purchase new electronic parking meters.
2. Debt service and cash for the new electronic parking meters are now accurately reflected in the City's Financial System.
3. Approximately \$1.2 million of funding reserved for new parking meters was used to reduce the associated debt service, while the Parking Division explores new parking technology, "pay and display" machines.
4. The accurate inventorying of parking meters assisted management in making critical replacement decisions for aging parking meters.
5. Approximately 1,700 mechanical parking meters, the repeated targets of thefts, were replaced with new, safer electronic parking meters.
6. Electronic data, needed to perform management analysis, is now retrieved from the new electronic parking meters.
7. Inaccuracies in customer payment ledgers for the monthly parking cardholder accounts were resolved.
8. October 2005 was the estimated completion date for implementing a system to that ensures that only paying monthly parking customers receive parking in municipal garages.
9. September 2005 was the estimated completion date for the installation of security cameras.

WORK IN PROGRESS

The release of the *Campaign Financing Audit* is anticipated in the near future. Fieldwork is in progress for the *Bidding Process Review*.

PROFESSIONAL EDUCATION & DEVELOPMENT

The City Auditor fulfilled the annual forty-hour professional education requirement of Government Auditing Standards. Professional education and development provide a cost-effective technique for increasing productivity and effectiveness.

The City Auditor maintained certification and licensure as a Certified Public Accountant, a Certified Fraud Examiner, a Certified Government Financial Manager, and a Certified Business Manager.

Additionally, the City Auditor recently completed the requirements of the Institute of Internal Controls, and received accreditation as a Certified Internal Controls Auditor.

CONCLUSION

The prevailing goal of the City Auditor remains to locate opportunities for operational improvements for the City of Sacramento.