POLICIES AND PROCEDURES

As of September 29, 2015

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SECTION 1: THE OFFICE OF THE CITY AUDITOR

Introduction

The purpose of this manual is to provide a description of the duties and responsibilities of the Office of the City Auditor, and to establish internal policies and procedures for the Office. This manual is a reference and guide for audit staff. In addition, it ensures that the Auditor's Office conducts its work in accordance with professional standards.

On an annual basis, the City Auditor and staff will review the contents of this manual to ensure it is timely and complete. All staff will have on-line access to this manual and its accompanying forms.

This manual reflects the changes made to Generally Accepted Government Auditing Standards (GAGAS) that the Comptroller General of the United States published in 2011.

Mission and Objectives

Mission
To provide a catalyst for improvements of municipal operations, promote credible, efficient, effective, fair, focused, transparent, and a fully accountable City Government.

Independence
The Auditor's Office must be independent in fact and appearance and free from personal, external, and organizational impairments. Independence enhances the City Auditor's credibility with the general public and is critical to ensuring that audit findings, opinions, conclusions, judgments, and recommendations are impartial.

Objectivity
Objectivity means that the Auditor's Office conducts all audits objectively, factually, and without any preconceived ideas, notions, biases, or vested interests regarding the audit subject. In addition, the Auditor's Office bases any and all conclusions and recommendations upon a full review of all relevant information. In all of its work, the Auditor's Office will operate in a manner that is open minded and considerate of opposing points of view.

Technical Accuracy
The Auditor's Office has strict quality assurance programs to ensure that staff exercises due professional care, adequately plans audits, and prepares work papers that contain sufficient and compelling evidence to support any statements of fact in its audit reports.

Authority and Responsibilities

City Code Section 2.18.010, Office of the city auditor created, states *"There is created an office of the city auditor. The city council shall appoint the city auditor, who shall be a city officer under Section 70, subdivision (d), of the Charter. The city auditor shall have such staff and budget as the city council may prescribe. The city auditor shall appoint all other members of the city auditor's office. (Ord. 2009-031 § 2)"*

City Code Section 2.18.030, Audit plan and standards, states *"By March 1st each year, the city auditor shall submit an annual audit plan to the city council for approval. The annual audit plan may be amended during the year with the approval of the city council. 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. Audits shall be conducted in accordance with standards as prescribed by council resolution. (Ord. 2009-031 § 2)"*

City Code Section 2.18.050, Access to information, states *"City departments, offices and employees shall provide the city auditor access to all sources of information, property, personnel relevant to the performance of an audit, unless restricted or prohibited by law. This section shall not apply to the office of any elected official, unless that elected official requested the audit, of that official's own office. (Ord. 2009-031 § 2)"*

City Code Section 2.18.060, Non-interference with city auditor, states *"No person shall directly or indirectly coerce or attempt to coerce the city auditor relative to the city auditor's examinations, audits, or the appointment or removal of any employee which is made by the city auditor. (Ord. 2009-031 § 2)"*

Audit Services

Performance Audits

The Auditor's Office conducts "Performance Audits" in accordance with Generally Accepted Government Audit Standards (GAGAS). Performance Audits determine whether City departments and programs are operating economically, efficiently, effectively and in compliance with applicable laws, rules, regulations and policies and procedures. Auditors examine, review, or perform other procedures on a broad range of subjects such as internal controls, compliance with requirements of specified laws, regulations, rules, policies, procedures, contracts or grants, and the reliability of performance measures.

Performance Audits include: (1) an Economy and Efficiency Review, and (2) a Program Review. An Economy and Efficiency Review determines if the audited entity has acquired its resources for the best possible price and used those acquired resources efficiently. A Program Review, on the other hand, determines whether the audited

entity has achieved its goals and objectives and provided services to its program recipients effectively.

Government services cover a broad and variable spectrum. Therefore, the audit objectives for a Performance Audit must be designed to address the unique services that are the subject of the audit. In its broadest context, audit objectives might involve assessments of: effectiveness, efficiency, economy, compliance, data reliability, policies, procedures, prospective evaluations, or risk assessment.

Non-Audit Services

The Auditor's Office may occasionally provide the following non-audit services, provided they do not impair auditor's independence:

- Participating in committees, task forces, or focus groups as an expert in a purely advisory and non-voting capacity to advise management on issues based on the auditor's knowledge or to address urgent problems;
- Providing tools or methodologies such as benchmarking studies and internal control assessment methodologies that can be used by management; and
- Providing targeted and limited technical advice to management to assist them in activities such as answering technical questions or providing training, implementing audit recommendations, implementing internal controls, and providing information on good business practices.

The City Auditor must approve all requests for non-audit services. If the City Auditor concludes that performing the requested non-audit service would impair the Auditor's Office's independence, he or she will so inform the requestor and decline to perform the work.

According to standards, before an auditor agrees to provide a non-audit service to an audited entity, the auditor should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other non-audit services provided, with respect to any GAGAS audit it performs. A critical component of this determination is consideration of management's ability to effectively oversee the non-audit service to be performed. The auditor should determine that the audited entity has designated an individual who possesses suitable skill, knowledge, or experience, and that the individual understands the services to be performed sufficiently to oversee them. The individual is not required to possess the expertise to perform or re-perform the services.

In connection with non-audit services, the auditor should establish and document their understanding with the audited entity's management or those charged with governance, as appropriate, regarding the following: a. objectives of the non-audit service; b. services to be performed; c. audited entity's acceptance of its responsibilities; d. the auditor's responsibilities; and e. any limitations of the non-audit service.

Auditors are prohibited from performing management responsibilities for organizations that they audit. Examples of activities that are considered management responsibilities and would therefore impair independence if performed for an audited entity include: a. setting policies and strategic direction for the audited entity; b. directing and accepting responsibility for the actions of the audited entity's employees in the performance of their routine, recurring activities; c. having custody of an audited entity's assets; d. reporting to those charged with governance on behalf of management; e. deciding which of the auditor's or outside third party's recommendations to implement; f. accepting responsibility for the management of an audited entity's project; g. accepting responsibility for designing, implementing, or maintaining internal control; h. providing services that are intended to be used as management's primary basis for making decisions that are significant to the subject matter of the audit; i. developing an audited entity's performance measurement system when that system is material or significant to the subject matter of the audit; and j; serving as a voting member of an audited entity's management committee or board of directors.

Whistleblower Hotline

City council directed the Office of the City Auditor in march 2012 to begin implementing a Whistleblower Hotline in order to receive and investigate allegations (also referred to as complaints) of possible City fraud, waste, and abuse. City staff or members of the public may submit allegations by either calling the Whistleblower Hotline's toll-free number 1-888-245-8859 or by completing the online form located at https://www.reportlineweb.com/cityofsacramento. In addition, individuals may also submit allegations directly to the City Auditor or any Auditor Office staff member. Audit staff are required to handle complaints pursuant to the **Whistleblower Hotline Procedures.**

SECTION 2: AUDIT PROCESS

Annual Audit Plan

The City Auditor prepares an **Annual Audit Plan** using a variety of techniques. Those techniques include conducting a Citywide Risk Assessment and soliciting input from Council Members, Charter Officers, Department Heads, Division Managers, and City Staff. The City Auditor submits the Audit Plan to the City Council Budget and Audit Committee for review and a subsequent submission to the City Council for approval. Once the City Council approves the City Auditor's Audit Plan, the City Auditor assigns staff to the approved audit assignments.

As audit work proceeds, the City Auditor provides the Budget and Audit Committee quarterly reports describing the status of audit assignments in the Annual Audit Work Plan and the progress the Office is making toward completing them. As part of the normal audit process, the City Auditor notifies the City Council when the Office starts each audit to determine if individual City Council Members have any areas of interest or concerns that audit staff can address during the audit. The City Auditor does this to ensure that audits are responsive to the City Council's informational needs. The City Auditor will also forward any subsequently proposed additions to the Annual Audit Plan to the Budget and Audit Committee for approval.

After the Annual Audit Plan is approved, staff members will prepare a Staff Assignment and Independence Sheet pertaining to all audits on the plan. The Staff Assignment and Independence Sheet include a statement regarding personal impairments[1]. Staff is responsible for providing the City Auditor with a written update during the year should circumstances related to personal impairments or the appearance of possible personal impairments change. These statements will be attached to the original Staff Assignment and Independence Sheet.

The City Auditor follows **Generally Accepted Government Audit Standards (GAGAS)** when conducting audits included in his or her Approved Audit Plan. Audits are generally broken down into the following five audit phases: 1) Audit Initiation, 2) Preliminary Survey, 3) Risk Assessment, 4) Field Work, and 5) Audit Reporting.

Phase 1: Audit Initiation

1. **Meet with the City Auditor.** Assigned Audit Staff meets with the City Auditor to discuss 1) the general scope of work, 2) specific items or issues to be reviewed during

[1] Audit Staff participating on an audit assignment must be free from any personal impairment to independence. Personal impairments result from relationships or beliefs that might cause auditors to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way. Audit Staff **must** notify the City Auditor if they have any personal impairment to independence regarding the audit assignment.

the Preliminary Survey, 3) City Council Member, Administration and/or other stake holder concerns, 4) possible sources of information including persons to interview, 5) orientation type information audit staff should request in order to gain an understanding of the audit assignment and 6) a general timeframe for completing the audit.

2. Send a **Job Start Letter**[2]. The City Auditor notifies the City Manager and the Department Head(s) of the commencement of an audit with a Job Start Letter. The Job Start Letter should indicate the preliminary objective of the audit assignment and the orientation type information Audit Staff would like to receive at the entrance conference such as:

- organization charts
- mission statements
- goals or objectives
- budgets
- management/performance measurement reports
- financial statements
- prior audit reports
- any written policies/procedures
- internal control objectives and/or techniques

4. The City Auditor also sends a **Letter to City Officials** such as the Mayor, Members of the City Council and appropriate Administration Officials notifying them of the audit's commencement and requesting their input regarding any areas of interest or concern they would like the auditor to consider when developing the audit scope.

5. Hold an **Entrance Conference**. The objectives of the entrance conference are to: 1) provide for auditor and auditee staff introductions, 2) discuss the scope and objective(s) of the audit, 3) describe the audit process, 4) obtain the information mentioned in the Job Start Letter, 5) request that the auditee provide a statement describing any significant program accomplishments for possible inclusion in the final audit report, 6) indicate the proposed timing for the audit, 7) request that the auditee designate an individual to act as the key auditee contact and/or liaison, 8) make arrangements for working space if necessary, and 9) discuss any management concerns.

Phase 2: Preliminary Survey

Conduct a **Preliminary Survey**. The object of the Preliminary Survey is to gather historical, organizational, and financial information that will help to familiarize the auditor regarding the audit subject, provide background data for the **Preliminary Survey Memorandum** and final audit report, and facilitate subsequent **Risk Assessment** and testing procedures. Audit Staff should use professional judgment to determine the applicability of each of the following audit steps depending on the type of assignment (Preliminary Survey APR).

[2] The City Auditor may also substitute an email for a formal Job Start Letter.

- Obtain copies of departmental brochures, web pages, etc., to provide background information regarding the program or activity being audited.
- Obtain an organization chart for the program or activity being audited. Identify the key divisions, their staffing, and their principal responsibilities. Identify the key program staff and describe their responsibilities for administering or monitoring the program or activity being audited. Identify key program locations and their functions.
- Review prior audit reports and work papers from the City Auditor's Office as well as management letters from the City's outside auditors for indications of prior problems. Evaluate whether the entity has taken appropriate corrective actions in response to prior findings and recommendations.
- Interview program managers to obtain additional background information regarding the program or activity being audited including intended benefits, history and accomplishments, current objectives, workload, peak periods, backlogs, and any known problems or obstacles.
- Identify the key divisions, their staffing, and their principal responsibilities. Identify the key program staff and describe their responsibilities for administering or monitoring the program or activity being audited. Identify key program locations and their functions.
- If not received during the Entrance Conference, obtain a copy of relevant written procedures and sample copies of the reports that management receives concerning workload, use of major program resources (including budget, people, and equipment), achievement of program objectives, organization and relevant process flowcharts, citizen complaints and requests for service.
- Review budget documents for background on the program. Review department/program mission statements and objectives. Identify the principal cost and revenue elements over the last 2-3 years. Identify the program's source of funds and potential restrictions on the use of those funds.
- As appropriate, interview staff on a section-by-section basis and walk through and observe processes and activities to become generally familiar with how programs operate and the program's data systems function. Identify relevant forms, files, and management reports. Obtain samples of forms, files, and reports (internal and external). Identify the principal physical assets used in carrying out the program or activity (determine their location and ownership).
- Determine whether computer-processed data are an important or integral part of the program or activity being audited. If they are likely to be significant to the audit objectives, obtain copies of relevant written procedures, input forms, file layouts, and reports. Determine if information system's general and application controls are documented.
- Review City Charter and Municipal Code sections relevant to the program or activity being audited. Determine the legal authority for the audited organization, program, activity, or function.

- Identify laws and regulations applicable to the program or activity being audited. If appropriate, request the assistance of the City Attorney's Office in identifying relevant Federal and State laws and regulations and/or City Charter provisions and ordinances.
- If the program involves a City contract, obtain and review an executed copy of the contract. Find out how the contractor was selected (competitive bidding or negotiated). Obtain background information regarding the contractor and the contract, including current and past contractors and key provisions of current and past contracts.
- Identify authoritative standards relevant to the program (e.g. professional standards or industry associations), data sources, and/or practices in other jurisdictions that can potentially be benchmarked.
- Obtain and review copies of audits of similar programs in other jurisdictions from the ALGA website or elsewhere.

Prepare a <u>Preliminary Survey Memorandum.</u> The purpose of the Preliminary Survey Memorandum is to summarize the Preliminary Survey efforts and results. The Preliminary Survey Memorandum usually includes:

- Background information regarding the audit assignment such as; 1) the history of the audit subject, 2) a description of current operations including key responsibilities, funds, divisions, functions, processes, activities, and revenue sources, 3) relevant auditee goals and objectives, 4) relevant organization and process flowcharts, and 5) a 2 to 3 year summary of expenses and/or revenues, budgetary, operating and capital program information, and staffing levels.
- Known problems with the auditee's operations or other local jurisdiction's operations that are performing similar functions.
- Any City Council Member or Administration input or requests regarding the audit assignment. Applicable 1) City Charter or Municipal Code provisions, 2) Federal or State laws or guidelines, 3) City policies or procedures, 4) contract or grant requirements, 5) best practices or industry standards or 6) Joint Powers or other agreements with other jurisdictions.

Phase 3: Risk Assessment

The City Auditor's Office implements a risk based audit approach to test internal controls and help identify threats inherent to the auditee's activities. The essence of a **<u>Risk Assessment Audit Approach</u>** is the **<u>Overarching Risk Assessment Tenet</u>** that Management is responsible for developing a system of **<u>Internal Controls</u>** that is: 1) designed to facilitate good things to happen and prevent bad things from happening, 2) well documented, complete, current, efficiently executed, and effectively communicated, 3) consistently adhered to and applied, and 4) subject to continuous and effective monitoring and review. Therefore, it is management's responsibility to

speculate on what can go wrong with its operations and put appropriate measures in place to prevent those things from occurring.

It is this Overarching Risk Assessment Tenet that provides Audit Staff with the universal criteria for any and all Performance Audit assignments. In essence, does management have an adequate system of Internal Controls in place to address the risks that are inherent to the entities operations?

Audit Staff are expected to perform the following **Eight Risk Assessment Tasks** during a Performance Audit (Risk Assessment APR).

1. Identify the **Threats** associated with the subject of the audit.
2. Assess the **Inherent Risk Level** for each Threat.
3. Prepare a **Threat List**.
4. Obtain the auditee's **Internal Control Objectives** and **Internal Control Techniques**.
5. Assess the **Relative Strength Level** of the auditee's **Internal Controls**.
6. Assess the auditee's **Vulnerability** to identified Threats.
7. Prepare the **Risk Matrix**.
8. Write the **Audit Program**.

The Audit Program is the final task in completing the Risk Assessment Phase and provides a plan for conducting Field Work. The program should include the major steps to perform the audit and act as a guide through Field Work.

Phase 4: Field Work

Audit Fieldwork is the execution of the written audit program during which the City Auditor or Audit Staff performs procedures to develop the elements of a finding for inclusion in the audit report.

Appropriate and Sufficient Evidence
GAGAS requires Auditors to "… obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions…". Interpreting, summarizing, or analyzing evidence is typically used in the process of determining the appropriateness and sufficiency of evidence and in reporting the results of the audit work.

Appropriateness is the measure of the quality of evidence that encompasses its relevance, validity, and reliability in providing support for Audit Findings and Conclusions related to the Audit Objectives. Relevance refers to the extent to which evidence is a meaningful or reasonable basis for measuring what is being evaluated.. Validity refers to the extent to which evidence is based on sound reasoning or accurate information. In essence, validity refers to the extent to which evidence represents what it is purported to represent. Reliability refers to the consistency of results when

information is measured or tested and includes the concepts of being verifiable or supported.

The following contrasts are useful in judging the appropriateness of evidence:

- Evidence obtained when internal control is effective is generally more reliable than evidence obtained when internal control is weak or nonexistent.
- Evidence obtained through the Auditor's direct physical examination, observation, computation, and inspection is generally more reliable than evidence obtained indirectly.
- Examination of original documents is generally more reliable than examination of copies.
- Testimonial evidence obtained under conditions in which persons may speak freely is generally more reliable than evidence obtained under circumstances in which the persons feel intimidated.
- Testimonial evidence obtained from an individual who is not biased and has direct knowledge about the area is generally more reliable than testimonial evidence obtained from an individual who is biased or has indirect or partial knowledge about an area.
- Evidence obtained from a knowledgeable, credible and unbiased third party is generally more reliable than evidence from management of the audited entity or others who have a direct interest in the audited entity.

Sufficiency is a measure of the quantity of evidence used to support the Audit Findings and Conclusions related to the Audit Objectives. In assessing the Sufficiency of evidence, Auditors should determine whether enough evidence has been obtained to persuade a knowledgeable person that the Audit Findings are reasonable.

Auditors should assess the sufficiency and appropriateness of computer-processed information regardless of whether this information is provided to auditors or auditors independently extract it. The nature, timing, and extent of audit procedures to assess sufficiency and appropriateness is affected by the effectiveness of the audited entity's internal controls over the information, including information systems controls, and the significance of the information and the level of detail presented in the auditors' findings and conclusions in light of the audit objectives. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.

The following presumptions are useful in judging the sufficiency of evidence:

- The greater the audit risk, the greater the quantity and quality of evidence required.
- Stronger evidence may allow less evidence to be used.

Having a large volume of evidence does not compensate for a lack of relevance, validity, or reliability.

According to GAGAS Professional judgment assists auditors in determining the sufficiency and appropriateness of evidence taken as a whole. The concept of sufficient, appropriate evidence is integral to an audit. The working papers should reflect the details of the evidence and disclose how it was obtained.

Types of Evidence

Audit programs should be designed to rely on different types of evidence depending on the audit objective. The types of evidence include:

- ***Physical evidence*** -- Physical evidence is obtained by direct inspection or observation of (a) activities of people, (b) property, or (c) events. Such evidence may be documented in the form of memoranda summarizing the matters inspected or observed; photographs; charts; maps; and actual samples.
- ***Documentary evidence*** -- Documentary evidence consists of created information. The documents, forms, journals or reports may originate within the auditee organization or may come from an external source. Examples are letters; contracts; laws; regulations; procedures; budget information; accounting records; and management information on performance.
- ***Testimonial evidence*** -- Testimonial evidence is obtained from others through statements received in response to inquiries or through interviews. Statements important to the audit should be corroborated when possible with additional evidence. Testimonial evidence also needs to be evaluated from the standpoint of whether the individual may be biased or only have partial knowledge about the area.

Early Communication of Deficiencies: For some matters, early communication to those charged with governance or management may be important because of the relative significance and the urgency for corrective follow-up action. For example, when a control deficiency results in noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, early communication allows management to take prompt corrective action to prevent further noncompliance. Therefore, the need to communicate deficiencies to departments will be discussed with the City Auditor

Staff may initiate preparing a **Finding Development Work Sheet** when they identify potential **Audit Findings** during the course of fieldwork. An audit finding typically[3] includes the following five elements:

- Condition: What is
- Criteria: What should be

[3] See GAGAS section 7.72 developing elements of a finding

- Cause: What produced the condition (Who? Why?)
- Effect : The "so what" or the product of the condition
- Recommendation: Proposed mitigating action

On a **bi-weekly** basis staff will meet with the City Auditor to discuss the progress of their audit assignments. During the staff meetings, auditors will report on what they accomplished since the last meeting and discuss any audit issues needing City Auditor direction or resolution. Furthermore, the City Auditor will meet with auditors individually, as needed, to resolve issues.

At the conclusion of Fieldwork, staff will meet with the City Auditor for a "**Pre-Draft**" Conference. The purpose of the Pre-Draft Conference is to help expedite the report drafting process by ensuring concurrence from the City Auditor and staff regarding 1) the Audit Findings, 2) the Punch Paragraph(s), 3) the finding(s) outline and 4) finding conclusions and recommendations.

Phase 5: Audit Reporting

The City Auditor performs the following Audit Reporting Functions.

1. Directs staff to prepare a **Draft Report** that incorporates the decisions reached during the Pre-Draft Conference. Staff submits the completed draft report to the City Auditor for review and editing. Each audit report shall include:

    - An introduction statement and statement of compliance with GAGAS.
    - A statement of audit objectives and a description of the audit scope and methodology.
    - A full discussion of Audit Findings and Conclusions.
    - Each Audit Finding should have a descriptive Title. An Audit Finding begins with a Punch Paragraph which is a succinct summary of the information contained in the Audit Finding in the order the information is presented in the Audit Finding.
    - Recommendations for necessary or desirable action.
    - A response from the city manager or the highest official of the audited entity, except as described above.
    - Nature of confidential or sensitive information submitted.

    Staff will also index the draft report to the work papers prepared during the audit as a means to facilitate the **Referencing Process**. The Referencing Process involves an Auditor who did not work directly on the audit assignment, comparing the indexed audit report to the supporting work papers to ensure compliance with the GAGAS Evidence Standards. Referencing is one of the most important audit quality assurance steps in the City Auditor's Office audit process. During the Referencing

Process the Referencer uses the Referencing Form to record his or her Reference Notes which identify any questions or comments related to the adequacy and sufficiency of the evidence supporting the draft audit report. The Audit Staff that prepared the draft report must respond to all Reference Notes to the satisfaction of the Referencer. Failure to do so will result in amendments to or elimination of items in the draft report. When the Referencer is satisfied with Audit Staff's responses to his or her Reference Notes he or she draws a blue line through the Reference Note and initials the Reference Note. Should the Audit Staff and the Referencer disagree on whether the Audit Staff's response satisfies the Referencer's Reference Note, the City Auditor will make the final decision in order to resolve the disagreement.

The City Auditor provides a copy of the Draft Audit Report to representatives of the audited entity for review and comment during the Exit Conference stage of the audit process.

2. Schedules an Exit Conference with representatives of the audited entity to receive their input and comments on the Draft Audit Report. To ensure technical accuracy and fairness to the audited entity, the City Auditor incorporates any needed changes to the Draft Audit Report identified during the Exit Conference into the Final Audit Report. The City Auditor then allows the representatives of the audited entity two weeks to prepare a written response for inclusion in the Final Audit Report. If the City Auditor's Office does not receive a written response from the Administration within the aforementioned two weeks, the City Auditor will reserve the right to issue the audit report to the City Council without a written response from the Administration. If the Administration provides a response that the City Auditor believes is inaccurate or misleading, the City Auditor reserves the right to include a rebuttal to the Administration's Response in the final report.

3. The City Auditor may meet with City Council Members prior to the issuance of the final report to alert them that a report is forthcoming and inform them regarding the report findings and recommendations.

4. Issues the **Final Audit Report** simultaneously to the City Council, the audited entity, the media and the public.

5. Presents completed audit reports to the Budget and Audit Committee which will also hear testimony from the audited entity and other interested parties. The Budget and Audit Committee will report at a subsequent City Council meeting the results of the Committee's review of the audit report and its recommendations. After the presentation to the Budget and Audit Committee, the City Auditor usually presents audit reports directly to the full City Council.

If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information, the auditor

should disclose in the report that certain information has been omitted and the reason or other circumstances that make the omission necessary. Certain information may be classified or may be otherwise prohibited from general disclosure by federal, state, or local laws or regulations. In such circumstances, the auditor may issue a separate, classified or limited use report containing such information and distribute the report only to persons authorized by law or regulation to receive it.

If after an audit report is issued, it is determined that the auditors lacked sufficient, appropriate evidence to support the findings or conclusions, the Auditor's Office should notify appropriate officials (City Management and City Council) and should remove the report from the Office Website and post a public notice that the report was removed. They should then decide whether to do more audit work to reissue the report with revised findings and conclusions (GAGAS Section 7.07).

Audit Documentation

Auditors should prepare and maintain audit documentation related to planning, conducting, and reporting on the audit. Documentation should be sufficient to enable an experienced auditor who has had no previous connection with the audit to ascertain whether the evidence that supports the auditor's judgment and conclusions is adequate. Audit documentation should contain support for findings, conclusions, and recommendations. Documentation collected during the audit can be retained in the form of both electronic files and hard copy working papers.

Subject matter in working papers that is deemed confidential should be handled with care and stored separately from non-confidential work papers. Confidential electronic and paper documents shall be saved in folders that are labeled "confidential." Any confidential paper files shall be locked in secure areas of the office. The Auditor's Office has considered how requests for work papers from outside parties should be handled. Work papers generally may be subject to the public records law (California Public Records Act).

According to California Government Code 36525:

> (a) As used in this section "City Auditor" includes an elected or appointed officer or full-time employee of the city who is compensated, but does not include an independent contractor.
>
> (b) All books, papers, records, and correspondence of the City Auditor pertaining to his or her work are public records subject to Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 and shall be filed at any of the regularly maintained offices of the City Auditor. However, none of the following items or papers of which these items are a part may be released to the public by the City Auditor, or his or her employees:

(1) Personal papers and correspondence of any person providing assistance to the City Auditor when that person has requested in writing that his or her papers and correspondence be kept private and confidential. Those papers and that correspondence shall become public records if the written request is withdrawn or upon the order of the City Auditor.

(2) Papers, correspondence, memoranda, or any substantive information pertaining to any audit not completed.

(3) Papers, correspondence, or memoranda pertaining to any audit that has been completed, which papers, correspondence, or memoranda are not used in support of any report resulting from the audit.

Requests from outside parties for work papers will be dealt with on a case-by-case basis, taking into consideration the information contained therein, whether any of it should be redacted, and the public records requests.

Audit work papers are essential to a successful audit. Audit work papers provide the principal evidentiary support for the audit report and the related conclusions. They document whether the audit objectives were achieved; facilitate review and evaluation of work performed; provide a central ongoing reference during the audit so that the audit can proceed effectively and efficiently; and provide a convenient reference for audit follow-up.

Section 6.11 of GAGAS requires that audit organizations establish information systems controls concerning accessing and updating electronically maintained audit documentation. Audit work papers are stored on the shared drive in the Auditor's folder. Access to this folder is limited to the City Auditor's Office Staff. In accordance with Section 7.41 of GAGAS, after the completion of an audit, work papers are saved to a CD and stored with the hardcopy work papers.

Whenever possible, source documents should be included in the working papers. However, when source documents are too voluminous to be incorporated, auditors should identify the specific documents they examined, copy relevant data, and/or include samples of documents to facilitate the reviewer's understanding of what the auditors did. Auditors are not required to include copies of every document they examined, nor are they required to list detailed information from every document they examine.

The form and content of audit documentation may vary depending on the circumstances of the particular audit. Working papers should include:

- Work paper index.

- Cross-indexed audit program for each phase of the audit (as appropriate) describing the objectives, scope, and methodology of the audit. If an audit step is omitted or not applicable, this should be explained in the work papers.
- Working papers to document the work performed to support significant judgments and conclusions, including descriptions of records examined, interviews conducted, procedures performed, sampling, and other selection criteria used
- Supervisory review log or other documentation of supervisory review.
- Cross-indexed and referenced copy of the audit report.
- Quality control questionnaire documenting compliance with GAGAS.

Labeling Working Papers

Individual work papers should include title (e.g. name of person interviewed, type of test performed), electronic filename, date, preparer, source, purpose, conclusion, and name of audit. Records and documents obtained during the audit should be labeled to show source and date received. When data is obtained electronically, the original data file should be retained. Standard work paper templates are available on the audit drive.

Organizing and Numbering Working Papers

Working papers should be organized in a logical manner. As working papers are gathered and prepared, they should be placed in a 3-ring binder (working papers may be created and organized electronically following the same scheme). At the beginning of the audit, the auditor-in-charge prepares a numbering scheme for working papers.

To be consistent with the standard audit programs, auditors are encouraged to organize their binders as follows:

A	Audit Administration
PS	Preliminary Survey
RA	Risk Assessment
FW	Fieldwork Objectives
SR	Supervisory Review

Auditors are encouraged to number work papers according to the audit step performed. The abbreviations listed above are used to identify the audit phase in which the information was obtained followed by a hyphen and numerals to identify the work paper number and page. For example: PS 21 - 25

- "PS" indicates the work paper was created in Preliminary Survey
- "21" represents the 21st work paper created
- "25" represents the page number of the 21st work paper.

***Cross-indexing**:* Auditors are encouraged to cross-reference working papers to each other during the audit process. Both the audit program (either explicitly or by use of the above work paper numbering system whereby work papers are numbered by audit step) and the final report **MUST** be cross-indexed to the working papers.

Findings of Illegal Acts, Noncompliance, Abuse, or Fraud

When auditors conclude, based on sufficient, appropriate evidence, that fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse either has occurred or is likely to have occurred which is significant within the context of the audit objectives, they should report the matter as a finding.

Whether a particular act is actually fraud or noncompliance within provisions of laws, regulations, contracts or grant agreements may have to await final determination by a court of law or other adjudicative body. Therefore, when auditors disclose matters that have led them to conclude that an illegal act is likely to have occurred, they should take care not to imply that they have made a determination of illegality. When auditors detect instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that are not significant within the context of the audit objectives but warrant the attention of those charged with governance, they should communicate those findings in writing to audited entity officials. When auditors detect any instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that do not warrant the attention of those charged with governance, the auditors' determination of whether and how to communicate such instances to audited entity officials is a matter of professional judgment. Auditors should exercise due professional care in pursuing indications of possible illegal acts so as not to interfere with potential investigations, legal proceedings, or both. Under some circumstances, laws, regulations, or policies require auditors to report indications of certain types of illegal acts to law enforcement or investigatory authorities before extending audit steps and procedures. Auditors may also be required to withdraw from or defer further work on the audit or a portion of the audit in order not to interfere with an investigation.

If evidence indicates that an illegal act, noncompliance, fraud, or abuse has occurred, the City Auditor will determine whether additional work needs to be performed or whether audit work should be suspended as a result of the finding, and determine whether a referral should be made to the City Attorney and/or Law Enforcement regarding potential investigations or legal proceedings. GAGAS 8.21 now states "When auditors conclude, based on sufficient, appropriate evidence, that fraud, illegal acts, significant violations of provisions of contracts or grant agreements, or significant abuse either has occurred or is likely to have occurred, they should report the matter as a finding."

GAGAS 7.18 states that auditors should report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties outside the City in two circumstances: (1) when management fails to satisfy legal or regulatory requirements to report to external parties or (2) management fails to take timely steps to respond to fraud, illegal acts, violations of contracts or grant agreements, or abuse that is significant to the findings and conclusions and also involves funding from a government agency, and when required to do so by law or regulation.

Since city officials are responsible for taking timely and appropriate steps to remedy these types of acts, the Office will in such instances contact the department, City Manager, and City Attorney to discuss the matter (and to the extent possible provide documentation), and will document those discussions in the work papers. If formal notifications and letters are appropriate to the circumstances, the Auditor's Office will retain those documents as part of our working papers.

Quarterly Status Reports

The City Auditor issues quarterly reports to the Budget and Audit Committee describing the status and progress towards completing the audits on the annual audit plan. Quarterly reports to the Budget and Audit Committee also provide an opportunity to reprioritize projects and to obtain City Council approval to amend the audit plan as necessary during the year. The Budget and Audit Committee reviews the quarterly reports and forwards the reports to the City Council for approval.

Audit Recommendation Follow-up

On a semiannual basis, the Auditor's Office generates a report that details the implementation status of council adopted recommendations. In creating this report, a request to provide evidence of status is sent to all affected departments. The City Auditor and audit staff review the status reports and documentation that has been submitted to determine and verify the current status of the recommendations.

The Auditor's Office compiles a draft of the report. Recommendations are rated based on the following categories:

- Not started – The Auditee temporarily postponed implementing the audit recommendation or did not demonstrate sufficient progress toward implementing the recommendation.
- Started – The Auditee began implementing the recommendation, but considerable work remains.
- Partly Implemented – The Auditee satisfied some elements of the audit recommendation, but additional work and testing remains.

- Implemented – The Auditee provided documentation and the Auditor verified the satisfactory implementation of the audit recommendation.
- Drop – The auditor recommends eliminating the recommendation since a change in circumstances rendered it unnecessary.
- ☑ – A checked box[4] indicates notable new progress since the last semi-annual report towards implementing the recommendation.

Prior to issuance, the Auditor's Office distributes drafts to respective departments. The Auditor's Office then issues the final report to the Budget and Audit Committee. The Committee discusses the status of open audit recommendations from audit reports that were originally heard in that committee. Department heads are generally requested to be present to answer City Council questions.

[4] Audits that are undergoing this process for the first time do not include a box.

SECTION 3: ACHIEVING AUDIT QUALITY

The City Auditor's Office is committed to achieving a high level of audit quality. The Office has established a quality assurance program to ensure compliance with Government Auditing Standards.

GAGAS Section 3.83 requires an audit organization to include policies and procedures in its system of quality controls that collectively address (1) leadership responsibilities for quality within the audit organization (2) independence, legal, and ethical requirements (3) initiation, acceptance, and continuance of audit and attestation engagements (4) human resources (5) audit and attestation engagement performance, documentation, and reporting and (6) monitoring of quality. Section 3.84 goes on to say that an "audit organization should analyze and summarize the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action. (Under GAGAS, reviews of the work and the report that are performed as part of supervision are not monitoring controls when used alone. However, these types of pre-issuance reviews may be used as a part of this analysis and summary.)"

The Auditor's Office uses a review sheet to document the annual analysis and summary of monitoring procedures to comply with GAGAS Section 3.84.

Government Auditing Standards

The concept of accountability for public resources is key in our nation's governing process and a critical element for a healthy democracy. Government auditing is a key element in fulfilling the government's duty to be accountable to the people. Auditing allows stakeholders to have confidence in reported information about the results of programs and operations, and in the related systems of internal control. Generally Accepted Government Auditing Standards (GAGAS), as codified in "the Yellow Book", provides a framework to auditors so that audit work can lead to improved government management, decision making, oversight, and accountability. GAGAS provides an overall framework for ensuring that auditors have the competence, integrity, objectivity, and independence in planning, conducting, and reporting on their work.

Each staff member receives an electronic copy of "the Yellow Book" and is responsible for becoming familiar with and adhering to its requirements.

The Association of Local Government Auditors (ALGA) has published the ALGA Peer Review Guide to help local government auditors meet the requirement of GAGAS. The Auditor's Office has incorporated portions of the Guide into the audit process to help ensure audit work conforms to GAGAS.

Each audit report includes a statement in the introduction section indicating that the work was conducted in accordance with GAGAS. The Office uses the wording suggested by GAGAS 7.3:

"We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives."

According to GAGAS 7.31 "When auditors do not comply with all applicable GAGAS requirements, they should use a statement that includes either (1) the language in 7.3, modified to indicate the standards that were not followed or (2) language that the auditor did not follow GAGAS."

Audit Report References

To ensure the auditor has reliable information, he or she should identify reputable authoritative resources to reference in a report. Some appropriate types of resources include information published by: The US Government Accountability Office (GAO), Institute of Internal Auditors (IIA), Association of Certified Fraud Examiners (ACFE), American Institute of Certified Public Accountants (AICPA), Committee of Sponsoring Organizations of the Treadway Commission (COSO), International Auditing and Assurance Standards Board (IAASB), Office of Management and Budget (OMB), and other sources that are accepted by most authorities in the field. News articles, blogs, and documents that appear to be the opinion of a single person or a small group of individuals with no references to authoritative sources would not be a desirable reference in a report. Websites such as Wikipedia.com should also not be cited in a report since anyone can write and make changes to an article.

Internal Quality Controls

The Office has established procedures to ensure audit quality including:

- ***Policies and procedures manual*** – detailing the specific procedures and controls that we use to ensure compliance with professional standards. Each staff person is issued a copy of the manual. An electronic version of the manual and forms are on the shared drive.
- ***Standard audit programs for each phase of our performance audits*** – listing forms and procedures to be completed for each phase of the audit including preliminary survey, risk assessment, fieldwork, and report writing. The standard

programs require auditors to establish appropriate objectives depending on the audit topic.

- ***Supervisory review by the City Auditor*** – include periodic briefings and meetings to discuss audit steps and results; reviews of working papers, audit programs, and independent reviewer notes; and editing of report drafts. Supervisory review is documented by the City Auditor.
- ***Independent report review, or "referencing"*** – is done by audit staff not assigned to a project. Auditors are responsible for cross-referencing each statement of fact in an audit report to the working papers. The independent reviewer traces all facts and statements in the report to supporting work papers to ensure that the information is accurate and factual. In some cases, portions of the report are based on auditor's conclusions. To index these sections, auditors can use the following abbreviations: AC, auditor's conclusion; ACBOA, auditor's conclusion based on above; and ACBOB, auditor's conclusion based on below.
- ***Use of a Standards Review checklist*** - the Office uses a checklist at the end of each audit assignment to ensure documentation of each applicable standard. At the end of the audit, auditors create a binder that contains key audit documents. These documents are shown in the Administrative File Checklist, which is the first page of the audit binder. The City Auditor will review and sign off on the completed binder.

External Quality Control Reviews

The Office participates in the Association of Local Government Auditor's Peer Review program. It is the goal of the office to send one auditor each year on a peer review of another jurisdiction. It is the policy of the Office to have an external review of its audit practices once every 3 years by reviewers independent of the City of Sacramento. Consistent with Section 3.105 of the GAGAS, reports issued by the peer reviewers are publicly available. We post the most recent peer review on our website.

In accordance with GAGAS 7.31, if the Auditor's Office does not have an external peer review every 3 years, audit reports will include a modified GAGAS compliance statement.

Independence

GAGAS requires in all matters relating to the audit work, the audit organization and the individual auditor, must be independent. Independence comprises:

a. Independence of mind – The state of mind that permits the performance of an audit without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

b. Independence in Appearance – The absence of circumstances that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the audit team had been compromised.

Auditors and audit organizations maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Auditors should avoid situations that could lead reasonable and informed third parties to conclude that the auditors are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work.

- ***Personal impairments.*** To ensure auditors are free from personal impairments to independence, each auditor completes a Staff Assignment Sheet each year (after the Audit Plan is established) for approval by the City Auditor. In addition, auditors are required to complete annual conflict of interest statements (Fair Political Practices Commission form 700). If a personal impairment to independence is identified, the City Auditor will meet with staff to reassign the project, or to discuss mitigating the impairment or withdrawing from the project. If there are any remaining potential personal impairments, they would be disclosed in the scope section of the report. Contractors or specialists who perform audit work are also required to complete the Assignment Sheet.
- ***Auditor Independence.*** Auditors should be independent from an audited entity during: a. any period of time that falls within the period covered by the financial statements or subject matter of the audit, and b. the period of the professional engagement, which begins when the auditors either sign an initial engagement letter or other agreement to perform an audit or begin to perform an audit, whichever is earlier. The period lasts for the entire duration of the professional relationship (which, for recurring audits, could cover many periods) and ends with the formal or informal notification, either by the auditors or the audited entity, of the termination of the professional relationship or by the issuance of a report, whichever is later. Accordingly, the period of professional engagement does not necessarily end with the issuance of a report and recommence with the beginning of the following year's audit or a subsequent audit with a similar objective.
- ***Impairments identified after audit report is released****.* In accordance with Section 3.26 of the Yellow Book, if impairment to independence is identified after an audit is issued, the Auditor's Office should assess the impact on the audit and on GAGAS compliance. If it's determined that the audit did not comply with GAGAS, the Auditor's Office should notify (in writing) relevant management and others known to be using the report.

Supervision

Supervision provides assurance that audit staff perform responsibilities efficiently and effectively, and that internal policies and procedures are complied with. The City Auditor supervises the work of the City Auditor's Office. Depending on the project, in-charge auditors may be asked to supervise the work of others.

Role of the City Auditor – The City Auditor has significant involvement in audits conducted. The City Auditor:

- Assigns staff and makes sure they understand the audit objectives.
- Attends entrance, exit, and other major conferences with auditees.
- Meets with the auditor/team on a regular basis to ensure that the audit is progressing satisfactorily.
- Reviews and approves audit programs, selected working papers, report drafts, and the final report.
- Maintains contact with the department head of the audited department, the City Manager, and City Attorney.
- Acts as the primary contact with the news media and the public.

Professional Judgment

GAGAS requires use of professional judgment in planning and performing audits and reporting the results. The Office provides an electronic copy of the Yellow Book to each auditor; auditors are responsible for understanding and exercising professional judgment as described in section 3.6-3.68 of the Yellow Book. All members of the audit team are expected to apply ethical principles of integrity, objectivity, and professional behavior.

To promote sound professional judgment in planning and conducting an audit, the City Auditor assigns staff deemed competent to conduct the audit and provides ongoing supervision of assigned staff.

For each audit conducted, the auditor prepares a comprehensive audit program based on the standard audit programs the office has adopted for preliminary survey, risk assessment, field work, and report writing. Auditors are expected to assess risk, plan audits, and conduct examinations with an appropriate level of testing while considering the possibility of material irregularities or noncompliance.

All members of the audit team are expected to render the care and skill expected of a prudent and competent auditor in the same or similar circumstances. In exercising due professional care, the audit staff should be alert as to the possibility of intentional

wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflicts of interest. Such conditions and activities should be discussed with the City Auditor.

Auditors are required to assess the materiality, impact, and effect in developing potential audit findings. Potential audit findings are discussed with the City Auditor throughout the audit process. Findings that are not material in nature may be communicated internally to City staff through a separate management letter.

Competence

GAGAS requires that the staff assigned to an audit collectively possess adequate professional competence for the tasks required. The City Auditor is responsible for staffing the Office with competent personnel, ensuring that sufficient and qualified staff is assigned to each audit, and ensuring that audit work is conducted in a competent and timely manner. In assigning staff to audit projects, the City Auditor attempts to match skills and interests of auditors to areas of audit work.

In accordance with GAGAS 3.79, the Office has the ability to engage specialists when necessary. Due diligence on the qualifications of outside consultants/auditors is performed as part of the City's standard request for proposal process. The Office also uses the Assignment Sheet in Appendix B to document the specialist's qualifications and independence.

Pursuant to city policy, the City Auditor conducts annual performance evaluations for all regular staff including an evaluation of past performance, areas for improvement, performance objectives for the coming year, opportunities for improving skills, and targeting appropriate training.

Job descriptions and hiring requirements for audit staff can be found on the Human Resources webpage.

Professional Development

The City Auditor's Office has implemented a program to ensure that its staff maintains professional proficiency through continuing education and training. GAGAS requires that auditors responsible for planning, directing, conducting, or reporting on government audits should complete, every 2 years, at least 80 hours of continuing education and training which contributes to the auditor's professional proficiency. At least 20 hours should be completed in any one year of the 2-year period. At least 24 of the 80 hours of continuing education and training should be in subjects directly related to government. Auditors are encouraged to complete a minimum of 40 hours training per year.

Part-time auditors involved in planning, directing, or reporting on government audits should complete at least 24 hours of CPE every two years in subjects directly related to government. If their time charged to audits reaches 20%, then the CPE requirements increases to 80 hours every two years.

Auditors are encouraged to obtain certifications including the Certified Internal Auditor (CIA) designation, the Certified Government Auditing Professional (CGAP), a Certified Public Accountant (CPA) license, Certified Government Financial Manager (CGFM), Certified Information System Analyst (CISA), Certified Fraud Examiner (CFE), or other certifications that would enhance work-related skills. To assist with meeting continuing education requirements and to encourage involvement in professional organizations, the City Auditor's Office, to the extent the Office's budget allows, will pay for or reimburse the following:

- Costs to take the above certification exams.
- Group membership with the Association of Local Government Auditors and registration fees at the annual ALGA conference or similar conferences.
- Annual membership in the Institute of Internal Auditors necessary to maintain Certified Internal Auditor status;
- Professional meetings where continuing education credit is obtained (e.g. IIA, AGA, the Western Intergovernmental Audit Forum (WIAF) and Bay Area Local Government Auditor (BALGA) meetings.

Other training courses, conferences, and professional certifications may be eligible for reimbursement. Requests should be presented in writing in advance and submitted to the City Auditor for review and approval.

Each auditor is responsible for maintaining their certifications and meeting GAGAS training requirements. Auditors should submit a copy of the certificate of completion or agenda from each training session to the City Auditor. Each employee is responsible for maintaining an electronic folder of their training forms and evidence of training completion by calendar year. The two-year measurement period for purposes of complying with GAGAS begins with fiscal year 2010-11.

SECTION 4: ADMINISTRATIVE OFFICE PROCEDURES

This section of the manual describes the general office procedures for the City Auditor's Office.

Office Hours

Normal working hours are 8:00 a.m. to 5:00 p.m., with one hour lunch, Monday through Friday. The City Auditor may approve other alternate work schedules on a case by case basis. Such requests should be made in writing and discussed with the City Auditor. Each employee is expected to be punctual and to adhere to his or her approved work schedule.

Time Reporting

In order to be paid, employees are responsible for entering their hours worked into the City's eCAPS system on a biweekly basis. eCAPS timecards are approved by the City Auditor or the Council Operations Manager according to Payroll's bi-weekly schedule.

In addition to the eCAPS time card, employees will fill out a separate time card on excel that will more closely document specific hours worked and leave time taken. Staff should provide a hard copy of their Excel based timecard to the City Auditor for approval on a biweekly basis.

Working Away From The Office

Auditors may occasionally work from non-City office locations, like their homes, at the discretion of the City Auditor. Those interested in working away from the office must e-mail the City Auditor with a request to work outside the office for a specific date. The request will include a brief description of the work that will be completed while outside the office. After the auditor returns to the office, he or she will show the City Auditor the work completed outside of the office. Working outside of the office will be limited to three days per month and will only be allowed after an auditor has worked for the Auditor's Office for at least six months. Employees working outside of the office are expected to complete as much work as they would do while in the office and ensure the security of work documents. The City Auditor may decide to limit or not allow an employee to work away from the office if there are concerns about that employee's' performance.

Auditors may work from their personal computers or take home the Office's laptop. To facilitate access to audit files, auditors may work with the City's Information Technology Department to establish access to the audit drive through a Virtual Private Network (VPN).

Time worked away from the office shall be counted as regular time in both the eCAPS timesheet and the office's bi-weekly internal timesheet. However, employees should

note on the internal timesheet which days they worked away from the office. See additional details about timekeeping in the "Partial Leave" section.

Staff Meetings

The City Auditor shall set bi-weekly staff meetings. During this time, the City Auditor and auditors will provide updates on their recent work and discuss any audit-related issues. In addition to discussing audits, meetings are also an opportunity to share office-related ideas and concerns.

Vacation, Sick Leave, and Leave of Absence

The rules and regulations for non-productive time accruals are described in the City's PERSONNEL RESOLUTION COVERING UNREPRESENTED OFFICERS AND EMPLOYEES.

Planned leave, such as vacation and personal business, of 8 hours or more should be approved in advance by the City Auditor. Leave less than 8 hours may be requested informally, but should be obtained at least 24 hours in advance. Staff is requested to notify the City Auditor by 9:00 a.m. regarding sick leave.

Partial Leave

Full-time, salaried employees are expected to work a minimum of forty (40) hours per week. The job requirements of some salaried employees mean they regularly work considerably more than 40 hours, and that the time worked frequently occurs during hours outside of the normal schedule.

These circumstances are recognized by allowing flexibility in the work schedule so that, generally speaking, absences during the regular shift of less than four (4) hours do not have to be tracked or charged against leave balances on the City's eCAPS system. Absences of four hours or less immediately before or after a holiday, leave, or absence should be charges against available leave balances. Absences of four (4) hours or more must be charged against available leave balances.

For example, if an employee worked in the office for six hours and had a two-hour personal appointment, he or she would designate eight hours of regular time on the City's eCAPS system. However, if the employee worked 3 hours and then requested to take the remaining 5 hours for a personal appointment, that time would be reflected as 3 hours regular time and 5 hours of leave. This policy applies to working both in the office and away from the office. When seeking City Auditor approval to work outside of the office for specific dates, employees shall inform the City Auditor in writing of planned personal appointments or obligations for those days.

However, there are employees whose work is consistently confined to a regular schedule or who are on an approved Reduced Workweek schedule and are not subjected to the demands to work more than their regularly scheduled hours. In these

situations, consistent with the principals of public accountability, a department may require more precise tracking of leaves.

Some examples of circumstances under which you might be expected to track absences of less than four hours are:

- Employee does not regularly work beyond the forty (40) hour work week
- Employee is on an approved Reduced Workweek schedule
- The employee's work performance is below standard

Use of Computer Equipment, Electronic Mail, Internet, and Telephone

The City's policy on acceptable use of information technology resources is API 30 Information Technology Resource Policy.

Contact with the City Council and the News Media

The City Auditor is the point of contact with members of the City Council and with the news media. Any request for information should be routed to the City Auditor. The City Auditor may, at his or her discretion, delegate the responsibility to Auditors for specific issues.

Professional Appearance and Conduct

It is the policy of the City Auditor's Office to promote an attitude of professionalism and competence. Professional appearance and conduct help to convey these attributes. As such, the audit staff should dress appropriately when on the job and treat other employees with courtesy and respect. Due to typical hot summer weather in Sacramento, staff may dress business casual during the months of July and August. However, they may be required to dress more formally depending on circumstances, if for example they meet with members of City Council during those months. All staff members are representatives of the Auditor's Office and should present themselves accordingly.

The success of any audit is due in part to the cooperation and assistance of City staff. As such, it is important to remember that these employees are working for their respective departments and that their primary duty is to fulfill their daily assignments. Therefore, audit staff should be courteous and understanding of employee time constraints. If the audit staff needs an employee to perform a major task, this should be discussed with the City Auditor in advance.

Staff members are responsible for keeping their work areas neat and orderly. Care is to be exercised to avoid exposure of confidential or potentially sensitive documents.

Performance Appraisals

Performance planning and appraisal is conducted at least annually prior to setting individual employee compensation.

Department Budget

The City Auditor, or his or her designee, is responsible for processing the Office's financial transactions and monitoring the Office's budget, subject to approval by the City Auditor.

Calendars, Appointments, Meetings

Staff will maintain their electronic Outlook calendar up to date in order to facilitate scheduling of appointments and meetings by others.

Travel

All travel must be approved in advance by the City Auditor through the approval of the Travel Request form. Reimbursement requests will be handled in conformance with the City's travel policy API 7 Travel Request & Reimbursement Process.

Outside Employment

Employees who would like to seek supplemental employment should fill out the City of Sacramento's Supplemental Employment Request form for review by the City Auditor.

Gifts

It is contrary to the Auditor's Office ethical standards for any employee to accept gifts or gratuities from any individual, business, or organization doing business with, seeking to do business with, seeking permits, or seeking other entitlements from the City.

Motor Pool

The City allows employees the use of city vehicles from the Motor Pool for city business. For more information regarding the Motor Pool, refer to City Policies and visit the internal City network webpage: http://motorpool/. Those who receive a vehicle stipend however, are not eligible to use vehicles from the Motor Pool.

Results of Annual Monitoring of Quality

In accordance with GAGAS Section 3.54, the City Auditor's Office will annually analyze and summarize the results of its monitoring procedures. Such analysis should identify any systemic issues needing improvement. Following such analysis, the following section of this manual will note that a review occurred, the results of the review, and whether the manual was revised accordingly. The history of such revisions will be noted below. If no revisions are needed in a given year, a notation will be so indicated:

In 2011, no revisions were made.

In February and March 2012, the manual was revised. Substantive changes included adding the “working away from the office,” “staff meetings,” and “partial leave” sections. Also, we updated GAGAS references, as section numbers changed due to the revision of the Yellow Book that became effective for performance audits beginning on or after December, 15, 2011. Additional changes were made to the policy between April and May to add clarifying language to the Sacramento policy from the 2011 Yellow Book.

In July 2013, the manual was revised. Substantive changes included adding City Code Section detail regarding the City Auditor being appointed, adding 2011 Yellowbook language on independence and Non-Audit Services, adding Whistleblower Hotline details under Audit Services, updating Phase 5: Audit Reporting with other required statements and language regarding information prohibited from public disclosure, adding policies on the Motor Pool and Appropriate Authoritative Resources.

In July 2014, the manual was revised for minor grammatical corrections only.

In September 2015 this manual was revised. In order to stay current with GAGAS, the Yellow Book reviewed and appropriate changes implemented. Changes to grammar, style, and syntax were made. In addition, the Audit Committee was relabeled to the Budget and Audit Committee.