

*City of*  
**SACRAMENTO**  

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**Office of the City Auditor**

**POLICIES AND PROCEDURES MANUAL**

**As of March 31, 2020**

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# **SECTION 1: THE OFFICE OF THE CITY AUDITOR**

## **I. Introduction**

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

The City Auditor and staff will review the contents of this manual annually to ensure it is timely and complete. All staff will have access to this manual.

This manual reflects the July 2018 version of the *Generally Accepted Government Auditing Standards (GAGAS)* published by the Comptroller General of the United States.

## **II. Mission and Philosophy**

### **Mission**

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

### **Philosophy**

*The audit function is an essential element of the City of Sacramento's public accountability. The Office of the City Auditor's work depends on the following three standards:*

#### **Independence**

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

#### **Objectivity**

The Office of the City Auditor conducts all audits objectively, factually, and without preconceived ideas, notions, biases, or vested interests regarding the audit subject. Additionally, the Office bases all conclusions and recommendations on a full review of relevant information and on open-minded consideration of opposing points of view.

#### **Technical Accuracy**

The Office of the City Auditor utilizes strict quality assurance programs to ensure staff exercise due professional care, adequately plan audits, and prepare work papers that

contain sufficient and compelling evidence to support any statements of fact in its reports.

### **III. Authority and Responsibilities**

*City Code Section 2.18.010 Office of the city auditor created.* "A. The purposes of the city auditor's office are to independently assess and report on city operations and services, assist the council in the conduct of budgetary inquiries, assist the council in the making of budgetary decisions, and to discharge other duties as prescribed by law or council resolution. B. The city auditor shall have such staff and budget as the city council may prescribe. C. The city auditor shall appoint all other members of the city auditor's office. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)"

*City Code Section 2.18.030 Audit plan and standards.* "A. By April 15th each year, the city auditor shall submit an annual work plan to the city council for approval. The annual work 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 work. B. Audits shall be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the Comptroller General of the United States of America or as otherwise prescribed by council resolution. C. The city auditor's office shall be subject to a peer review in accordance with applicable government auditing standards at least once every three years. A copy of the written report of this review shall be furnished to the city council. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)"

*City Code Section 2.18.050 Duties of the city auditor.* "A. The city auditor shall conduct audits of city departments, offices, boards, commissions, and committees as directed by the council. Audits may be conducted for the following purposes: **1.** Determining if city activities and programs have been authorized by applicable law or regulation, and are being conducted in compliance with applicable laws and regulations; **2.** Evaluating if a department, office, board, commission, or committee is acquiring, managing, protecting, and using its resources economically, efficiently, equitably, and effectively; **3.** Determining whether city programs, activities, functions, or policies are effective, including identification of any causes of inefficiencies or uneconomical practices; **4.** Evaluating whether financial and other reports fairly, accurately, and fully disclose all information required by law, and determining whether there are appropriate bases for evaluating programs and activities, including the collection of, accounting for, and depositing of revenues and other resources; and **5.** Determining if city departments and offices have established adequate operating and administrative procedures and practices, and internal control systems.  
"B. The city auditor shall manage the city's whistleblower hotline and determine if allegations of fraud, waste, abuse, or illegal acts need further investigation.

“C. As directed by the city council, the city auditor shall assist the council’s budgetary inquiries and budgetary decisions by: **1.** Gathering, organizing, and analyzing data and information relative to budgetary issues; **2.** Providing comparative studies of other cities; **3.** Analyzing the city’s past, current, and proposed revenues and expenditures; **4.** Reviewing existing and potential tax revenues; **5.** Analyzing federal, state, and local programs to determine sources of funding and appropriate expenditure options; **6.** Reviewing the economic and fiscal effects of proposed legislation; **7.** Constructing economic models and indices; **8.** Preparing fiscal and economic analysis of city projects; **9.** Providing policy research and fiscal analysis on proposed legislation; and **10.** Preparing other reports relating to budgetary, economic, fiscal, and legislative policy concerns.

“D. The city auditor shall make recommendations to the city council in connection with the city auditor’s audits, investigations, analyses, studies, and reports.

“E. If an individual councilmember has requested an audit of that councilmember’s own office, the city auditor shall retain an independent outside auditor to conduct the audit. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)”

*City Code Section 2.18.060 Access to information.* " **A.** City departments, offices, and employees shall provide the city auditor access to all sources of information, property, and 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. **B.** If a city contract so provides, the city auditor shall have access to the contracting party’s employees, financial records, performance-related records, property, and equipment related to the services or goods provided under the contract. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)

*City Code Section 2.18.060 Non-interference with city auditor.* “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 by the city auditor. (Ord. 2019-0023 § 1; Ord. 2009-031 § 2)”

*Establishment of the Whistleblower Hotline.* In March 2012, City Council directed the Office of the City Auditor to implement a Whistleblower Hotline in order to receive and investigate allegations (also referred to as complaints) of possible City-related fraud, waste, and abuse.

*Appointment as the Independent Budget Analyst.* In March 2018, City Council appointed City Auditor Jorge Oseguera as the Interim Independent Budget Analyst while also continuing to serve as the City Auditor. (Resolution 2018-0108)

*Sacramento City Government Accountability and Efficiency Act (Measure K),* passed by Sacramento City voters in November 2018, establishes the Office of the City Auditor as a charter office and incorporates the Independent Budget Analyst responsibilities under

the Office of the City Auditor. In 2019, the Independent Budget Analyst Division was renamed the Research and Analysis Division (RAD).

#### **IV. Audit Services**

##### **Performance Audits**

The Office of the City Auditor conducts Performance Audits in accordance with Generally Accepted Government Audit Standards. Auditors examine, review, analyze, or perform other procedures on a broad range of subjects such as internal controls, the reliability of performance measures, and compliance with requirements of specified laws, regulations, rules, policies, procedures, contracts or grants.

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.

##### **Whistleblower Investigations**

City staff or members of the public may submit allegations by calling the Whistleblower Hotline toll-free number [1-888-245-8859](tel:1-888-245-8859) or online at [www.cityofsacramento.ethicspoint.com](http://www.cityofsacramento.ethicspoint.com). In addition, allegations may be submitted directly to the City Auditor or any Office staff in person, over the phone, in writing, or by email; complaints are handled pursuant to *Section 4* of this policy *Whistleblower Program Procedures*.

#### **V. Non-Audit Services**

The Office of the City Auditor may perform the following non-audit services, provided they do not impair the office's independence:

##### **Research and Analysis**

The Research and Analysis Division (RAD) analyzes data and information relative to budgetary issues, engages in fiscal forecasting and planning, analyzes the City's past, current, and proposed revenues and expenditures, and prepares such other reports

relating to budgetary and legislative policy concerns as directed by the City Council. Within the time constraints and demands of their assignments, Research and Analysis Division staff will make every effort to comply with the same quality standards as the Office's *Achieving Audit Quality* policies, as defined in *Section 3* of this manual. To ensure quality and limit the potential for impairments to the Office's independence, deviations to these procedures will be approved by the City Auditor.

#### **Other Non-Audit Services**

- Participate 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.
- Provide tools or methodologies such as benchmarking studies and internal control assessment methodologies that can be used by management.
- Provide 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 Office's independence, he or she will so inform the requestor and decline to perform the work.

Before an auditor<sup>1</sup> agrees to provide non-audit services to an audited entity, the auditor should determine whether providing such a service, either by itself or in aggregate with other non-audit services, would create a threat to independence of any GAGAS audit performed. 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:

- Objectives of the non-audit service.
- Services to be performed.
- Audited entity's acceptance of its responsibilities.

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<sup>1</sup> References to "Audits", "Auditors", and "Audit Staff" also include IBA Staff and IBA Projects, unless otherwise specified.

- The auditor’s responsibilities.
- Any limitations of the non-audit service.

Auditors are prohibited from performing management responsibilities for organizations they audit. Examples of activities that are considered management responsibilities and would therefore impair independence if performed for an audited entity include:

- Setting policies and strategic direction for the audited entity.
- Directing and accepting responsibility for the actions of the audited entity’s employees in the performance of their routine, recurring activities.
- Having custody of an audited entity’s assets.
- Reporting to those charged with governance on behalf of management.
- Deciding which of the auditor’s or outside third party’s recommendations to implement.
- Accepting responsibility for the management of an audited entity’s project.
- Accepting responsibility for designing, implementing, or maintaining internal control.
- 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.
- Developing an audited entity’s performance measurement system when that system is material or significant to the subject matter of the audit.
- Serving as a voting member of an audited entity’s management committee or board of directors.

## **SECTION 2: THE AUDIT PROCESS**

### **I. The Audit Plan**

The City Auditor prepares an Audit Plan, that includes both performance audits and IBA analyses, for each fiscal year using a variety of techniques. Those techniques include conducting a Citywide Risk Assessment and soliciting input from Councilmembers, Charter Officers, Department Heads, Division Managers, and City Staff. The City Auditor submits the Audit Plan to the Budget and Audit Committee for review and subsequent submission to the City Council for approval. Once the City Council approves the Audit Plan, the City Auditor assigns staff to the approved assignments.

As audit work proceeds, the City Auditor provides the Budget and Audit Committee quarterly reports describing the status of audit assignments in the Audit 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 significant projects to determine if individual City Councilmembers have any areas of interest or concerns that staff can address during the audit. The City Auditor does this to ensure audits are responsive to the City Council's informational needs. The City Auditor also ensures the Budget and Audit Committee approves any subsequently proposed additions to the Audit Plan.

After the Audit Plan is approved, staff members prepare a Staff Assignment/Impairment Sheet pertaining to all audits on the plan. The Staff Assignment/Impairment Sheet includes a statement regarding personal impairments<sup>2</sup>. 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/Impairment Sheet.

The Office follows Generally Accepted Government Auditing Standards (GAGAS) when conducting audits included in the approved Audit Plan. IBA staff will make every effort to follow GAGAS standards; however, deviations from the Office's normal processes may occur when necessary based on time constraints or project goals. To ensure quality and prevent impairments to independence, deviations to GAGAS will be approved by the City Auditor. 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.

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<sup>2</sup> 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.

## II. Audit Performance

### Phase 1: Audit Initiation

1. Meet with the City Auditor. Assigned audit staff meet with the City Auditor to discuss 1) the general scope of work, 2) specific items or issues to be reviewed during the Preliminary Survey, 3) City Councilmember, Administration, and/or other stakeholder concerns, 4) possible sources of information including persons to interview, 5) orientation-type information audit staff should request to gain an understanding of the audit assignment, and 6) a general timeframe for completing the audit.
2. Send a Job Start Letter<sup>3</sup>. The City Auditor notifies the City Manager and affected Department Head(s) of audit commencement 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
3. Send a Letter to City Officials such as the Mayor, City Councilmembers, and other 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.
4. 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 requested in the Job Start Letter, 5) request 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 the auditee designate an individual to act as the key contact and/or liaison, 8) make arrangements for working space if necessary, and 9) discuss any management concerns.

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<sup>3</sup> The City Auditor may substitute an email for a formal *Job Start Letter*.

## **Phase 2: Preliminary Survey**

### **Conducting the Preliminary Survey**

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

- Obtain departmental brochures, website locations and access, 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 Office of the City Auditor 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.
- Review open and recent Whistleblower investigations related to the audit subject.
- Determine the impact any ongoing legal proceedings may have on audit objectives.
- 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.
- If not received during the Entrance Conference, obtain a copy of relevant written procedures and sample copies of 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 any applicable information systems' general and application controls are documented.
- Review City Charter and City 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 non-competitive bidding). 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.

### **Preparing the Preliminary Survey Memorandum**

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 Councilmember or Administration input or requests regarding the audit assignment.
- Applicable City Charter or City Code provisions, Federal or State laws or guidelines, City policies or procedures, contract or grant requirements, best practices or industry standards, or Joint Powers or other agreements with other jurisdictions.

### **Phase 3: Risk Assessment**

The Office of the City Auditor implements a risk-based audit approach to test internal controls and help identify threats inherent to the auditee’s activities. The essence of a Risk Assessment Audit Approach is the overarching risk assessment tenet that management is responsible for developing a system of internal controls that:

- Includes the plans, policies, methods, and procedures to meet an organization’s missions, goals, and objective;
- Is well documented, complete, current, efficiently executed, and effectively communicated;
- Is consistently adhered to and applied; and
- Is 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.

This overarching risk assessment tenet provides The Office of the City Auditor with the universal criteria for 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 entity’s operations?

Auditors are expected to perform the following eight Risk Assessment tasks during a Performance Audit:

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 techniques.
5. Assess the relative strength of the auditee's internal controls.
6. Assess the auditee's vulnerability to identified threats.
7. Prepare a 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 Audit Program should include the major steps to perform the audit and act as a guide through Field Work.

#### **Phase 4: Field Work**

Field Work 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 final Audit Report.

#### **Appropriate and Sufficient Evidence**

GAGAS requires auditors to "... obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions..."<sup>4</sup>. 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 has a logical relationship with, and importance to, the issue being addressed.

**Validity** refers to the extent to which evidence is a meaningful or reasonable basis for measuring what is being evaluated. In other words, 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.

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<sup>4</sup> GAGAS section 8.90

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 appropriateness and sufficiency 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 work 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 activities of people, property, or 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 should be evaluated from the standpoint of whether the individual may be biased or may have only partial knowledge about the subject.

### **Early Communication of Deficiencies**

GAGAS 7.11 states: “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. Further, early communication is important to allow management to take prompt corrective action to prevent further occurrences when a control deficiency results in identified or suspected noncompliance with provisions of laws, regulation, contracts, and grant agreements or identified or suspected fraud.”<sup>5</sup> Therefore, the need to communicate deficiencies early to departments will be discussed with the City Auditor.

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<sup>5</sup> GAGAS sec 7.11

Auditors should prepare a Finding Development Worksheet when they identify potential Audit Findings during the course of Field Work. An Audit Finding typically<sup>6</sup> includes the following five elements:

- Condition: What is
- Criteria: What should be
- Cause: What produced the condition (Who? Why?)
- Effect: The “so what” or the product of the condition
- Recommendation: Proposed mitigating action

Individual auditors will meet with the City Auditor at least bi-weekly to discuss the progress of their audit assignments. During these supervisor review meetings, auditors will report on what they accomplished since the last meeting and discuss any audit issues needing City Auditor direction, resolution, or engagement termination.<sup>1</sup> If changes to audit objectives are identified in during supervisory meetings, auditor should document the revised engagement objective and reason for change.

At the conclusion of Field Work, staff auditors will meet with the City Auditor for a Pre-Draft Conference. The purpose of the Pre-Draft Conference is to review the completed Field Work and 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**

Audit Reporting consists of the procedures outlined below and will generally follow the process as presented. However, the nature of audit work requires flexibility and the following steps should be considered part of a fluid process:

#### **Drafting the Audit Report**

The auditor prepares a draft Audit Report that incorporates the decisions reached during the Pre-Draft Conference. Staff submits the completed draft Audit Report to the City Auditor for review and editing, which should include:

- An introduction statement.
- A statement of compliance with GAGAS.
- A statement of Audit Objectives.
- A description of the audit scope and methodology.
- A full discussion of Audit Findings and Conclusions.
  - Audit Findings begin with a Punch Paragraph, which is a succinct

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<sup>6</sup> See GAGAS sections 8.116, 8.124, 8.125, 8.126, and 8.127 regarding developing elements of a finding. Additionally, GAGAS sec. 5.25 provides that, when an engagement is terminated, auditors should document the results of work to date of termination and why the audit was terminated.

summary of the information contained in the Audit Finding in the order the information is presented.

- Recommendations for necessary or desirable action.
- The nature of any confidential or sensitive information submitted.

### **Indexing the Audit Report**

The auditor will prepare a copy of the draft Audit Report that is fully indexed to supporting work papers prepared during the audit. All report content, including background, findings, conclusions, supporting evidence, etc. should be linked to supporting work papers..

### **Referencing the Audit Report**

The Referencing process involves a Referencer (an auditor who did not work directly on the audit assignment) comparing the indexed draft Audit Report to the supporting work papers to ensure compliance with GAGAS evidence standards. Referencing is one of the most important audit quality assurance steps in the City Auditor's audit process.

According to *GAGAS 9.17(a)* , referencing confirms the accuracy of facts, figures, and dates, and ensures, "findings are adequately supported by the evidence in the audit documentation, and that the conclusions and recommendations flow logically from the evidence."

During the Referencing Process, the Referencer records Reference Notes which identify any questions or comments related to the adequacy and sufficiency of the evidence supporting the report. The auditor who prepared and indexed the draft Audit 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 from the draft report. When the Referencer is satisfied with the auditor's responses to the Reference Notes, he or she initials the Reference Note and signifies the issue is resolved. In the event the auditor and the Referencer disagree on whether the Auditor's response resolves the concern, the City Auditor will make the final determination.

Any changes made to the draft Audit Report after Referencing is complete should be reviewed and, if necessary, re-Referenced.

### **Finalizing the Audit Report**

Forward a copy of the draft Audit Report to representatives of the audited entity and any other appropriate City officials (e.g. City Attorney) for review prior to the Exit Conference

Conduct an Exit Conference with representatives of the audited entity and any other appropriate City officials to discuss their input and comments regarding the audit and the draft report. To ensure technical accuracy and fairness to the audited entity, the City

Auditor incorporates any agreed upon changes to the draft Audit Report.

Additionally, the auditee(s) are normally allowed two weeks to provide a written response to be included in the final Audit Report. If the auditee does not provide a written response within the aforementioned two weeks, the City Auditor will reserve the right to issue the audit report to the City Council without a response. If the auditee provides a response that the City Auditor believes is inaccurate or misleading, the City Auditor reserves the right to include a rebuttal to the response in the final Audit Report.

The City Auditor may meet with City Councilmembers, if necessary, to inform them a report is forthcoming and alert them as to the report findings and recommendations.

Release the final Audit Report simultaneously to the City Council, the audited entity, the media, and the public.

Present the final Audit Report to the Budget and Audit Committee, which may also hear testimony from the audited entity as well as other interested parties. The Budget and Audit Committee reports the results of its review to the rest of the City Council and recommends action regarding the Audit Report's findings and recommendations. Subsequent to the Committee presentation, the City Auditor will normally present the final Audit Report during a public City Council meeting.

Some information may be prohibited from public disclosure or may otherwise be excluded from a report due to confidentiality or sensitivity. Considering the broad public interest in the program or activity under audit assists auditors when deciding whether to exclude information from publicly available reports. For example, circumstances associated with public safety, privacy, or security concerns could justify the exclusion of certain information from a publicly available or widely distributed report. When this occurs, the auditor should disclose in the report that certain information has been omitted and circumstances that make the omission necessary. When considering whether to omit certain information, auditors should evaluate whether it could distort the audit results or conceal improper or illegal practices and revise the report language as necessary to avoid report users drawing inappropriate conclusions from information presented. In circumstances when information is classified or otherwise prohibited from general disclosure by federal, state, or local laws or regulations the auditor may issue a separate classified or limited use report containing such information and distribute that report only to persons authorized by law or regulation.

If, after an Audit Report is issued, it is determined that the report lacked sufficient, appropriate evidence to support findings or conclusions, the City Auditor should notify appropriate officials (City Management and City Council), remove the report from the City Auditor's website, and post a public notice that the report was removed. The City Auditor should then decide whether to do more audit work to reissue the report with revised findings and conclusions (*GAGAS 9.68*).

### **III. 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 may be retained in the form of both electronic files and hard copy work papers.

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

Whenever possible, source documents should be included in the work 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 or list detailed information from every document they examined when those documents are not used to support the Audit Report, Findings, or Recommendations.

The form and content of audit documentation may vary depending on the circumstances of the particular audit. Work 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.

- Work 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.
- Documentation of supervisory review.
- Cross-indexed and referenced copy of the Audit Report.
- Quality control questionnaire documenting compliance with GAGAS.

### **Documentation Storage**

GAGAS 5.22, 5.42, and 5.58 require that audit organizations establish information systems controls concerning accessing and updating electronically maintained audit documentation. Audit work papers are stored on the "Audit" shared drive. Access to this drive is limited to Office of the City Auditor staff.

### **Confidential Work 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.

#### **IV. Findings of Illegal Acts, Noncompliance, Abuse, or Fraud**

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. 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 an illegal act is likely to have occurred, they should take care not to imply that they have made a determination of illegality.

*GAGAS 9.35*, “Auditors should report a matter as a finding when they conclude, based on sufficient, appropriate evidence, that noncompliance with provisions of law, regulations, contracts, and grant agreements wither has occurred or is likely to have occurred that is significant within the context of the audit objectives.”

*GAGAS 9.36*, “Auditors should communicate findings in writing to audited entity officials when the auditors detect instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements that are not significantly within the context of the audit objectives but warrant the attention of those charged with governance.”

*GAGAS 9.40*, “Auditors should report a matter as a finding when they conclude, based on sufficient, appropriate evidence, that fraud either has occurred or is likely to have occurred that is significant to the audit objectives.”

*GAGS 9.41*, “Auditors should communicate findings in writing to audited entity officials when the auditors detect instances of fraud that are not significant within the context of the audit objective but warrant the attention of those charged with governance.”

However, instances may arise where the auditor is concerned that publicly reporting information concerning fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse may compromise investigative or legal proceedings. In accordance with *GAS sec. 9.39 and 9.44*, auditors in these instances may consult with authorities or legal counsel about any potential on investigative or legal proceedings. Auditors may limit their public reporting to matters that would not

compromise those proceedings and, for example, report only on information that is already a part of the public record.

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 9.45* states in part, “Auditors should report known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the audited entity in the following two circumstances.

a. When entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation...

b. When entity management fails to take timely and appropriate steps to respond to known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that (1) is significant to the findings and conclusions and (2) involves funding received directly or indirectly from a government agency...”

In such instances, the Office of the City Auditor will 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 Office will retain those documents as work papers.

## **V. Communication Logs**

Auditors are encouraged to keep records of communications with other City agencies and employees regarding audit work. Communication logs help record the responsiveness of other agencies, organize workpapers, and track the flow of audit information.

## **VI. Quarterly Status Reports**

The City Auditor issues quarterly reports to the Budget and Audit Committee describing the status and progress towards completing audits. 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.

## **VII. Audit Recommendation Follow-up**

On a semiannual basis, the City Auditor generates a report that details the implementation status of City Council-adopted recommendations. In creating this report, a request to provide evidence of status is sent to all affected departments. The Office of the City Auditor reviews the status reports and documentation that have been submitted to determine and verify the current status of the recommendations.

The Office compiles a draft of the report. Recommendations are classified based on the responsible party's progress:

**Not started** – The responsible party temporarily postponed implementing the audit recommendation or did not demonstrate sufficient progress toward implementing the recommendation.

**Started** – The responsible party began implementing the recommendation, but considerable work remains.

**Partly Implemented** – The responsible party satisfied some elements of the audit recommendation, but additional work and testing remains.

**Implemented** – The responsible party 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<sup>7</sup> indicates notable new progress since the last semi-annual report towards implementing the recommendation.

Additionally, recommendations are grouped based on the fundamental intent of the recommendation:

**Efficiency and Effectiveness** – The fundamental intent of the recommendation is to increase efficiency and effectiveness.

**Internal Controls** – The fundamental intent of the recommendation is to strengthen internal controls.

**Regulatory Compliance** – The fundamental intent of the recommendation is to enhance regulatory compliance.

**Transparency and Accountability** – The fundamental intent of the recommendation is to ensure transparency and accountability.

Prior to issuance, the City Auditor distributes draft Recommendation Follow Up Reports

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<sup>7</sup> Audits that are undergoing this process for the first time do not include a box.

to respective departments. The final report is then issued to the Budget and Audit Committee to discuss the status of open audit recommendations; department heads are generally requested to be present to answer Committee questions.

Interactive dashboards with information related to all recommendations issued by the Office can be found on the Office of the City Auditor's website.

## **SECTION 3: ACHIEVING AUDIT QUALITY**

The Office of the City Auditor is committed to achieving a high level of audit quality. The Office has established a quality assurance program to ensure compliance with Generally Accepted Government Auditing Standards (GAGAS).

*GAGAS 5.04* requires an audit organization “should document its quality control policies and procedures and communicate those policies and procedures to its personnel. The audit organization should document compliance with its quality control policies and procedures and maintain such documentation for a period of time sufficient to enable those performing monitoring procedures and peer reviews to evaluate the extent to which the audit organization complies with its quality control policies and procedures.”

*GAGAS 5.44* goes on to say that an “audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action.” The Office uses a review sheet to document the annual analysis and summary of monitoring procedures to comply with *GAGAS 5.44*.

### **I. 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 critical 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*”, provide 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 Yellow Book Peer Review Guide* to help local government auditors meet the requirement of GAGAS. The Office of the City Auditor has incorporated portions of this 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 9.03*:

“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.”

Additionally, *GAGAS 9.05* recommends that “When auditors do not comply with all applicable GAGAS requirements, they should include a modified GAGAS compliance statement in the audit report...that includes either (1) the language in 7.30, modified to indicate the standards that were not followed or (2) language that the auditor did not follow GAGAS.”

## **II. 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.

## **III. Internal Quality Controls**

The Office has established procedures to ensure audit quality including:

### **Policies and Procedures Manual**

*The Policies and Procedures Manual* details the specific procedures and controls used to ensure compliance with professional standards. Each staff member is responsible for reviewing and complying with the manual. An electronic version is stored in the “Audit” drive and on the City Auditor website.

### **Standard Audit Programs**

Audit Programs are standardized for each phase of performance audits. Templates list forms and procedures to be completed for each phase of the audit including Preliminary Survey, Risk Assessment, Field Work, and report writing. The standard programs require auditors to establish appropriate objectives depending on the audit topic.

### **Supervisory Review**

City Auditor reviews includes regular, periodic briefings and meetings to discuss (1) audit steps and results, (2) review work papers, audit programs, and independent reviewer notes, and (3) editing of report drafts. Supervisory review is documented by the City Auditor.

### **Independent Report Review (Referencing)**

Referencing is conducted by an auditor not assigned to the project. Auditors are responsible for cross-indexing each statement of fact in an audit report to the work papers. The Referencer 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 should use the following abbreviations: AC (auditor's conclusion), ACBOA (auditor's conclusion based on above), ACBOB (auditor's conclusion based on below), and AO (auditor's opinion).

### **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, or designee, will review and sign off on the completed binder.

## **IV. External Quality Control**

### **Peer Review**

The Office of the City Auditor participates in ALGA's Peer Review program. It is the policy of the Office to receive an external review of its audit practices once every three years by reviewers independent of the City of Sacramento. Consistent with GAGAS 5.77, reports issued by peer reviewers are publicly available. The most recent peer review is posted on the City Auditor's website. In accordance with GAGAS 9.05, if the City Auditor does not receive an external peer review every three years, audit reports will include a modified GAGAS compliance statement.

## **V. Independence**

GAGAS requires auditors and audit organizations maintain independence so 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

### **Period of Independence**

Auditors should be independent from an audited entity during: (1) any period of time that falls within the period covered by the subject matter of the audit, and (2) 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.

Independence comprises:

### **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.

### **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.

### **Personal Impairments**

To ensure auditors are free from personal impairments to independence, each auditor completes a Staff Assignment/Impairment Sheet each year (after the Annual 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 Staff Assignment/Impairment Sheet.

### **Impairments Identified After Audit Report is Released**

In accordance with *GAGAS 3.34*, if impairment to independence is identified after an audit is issued, the City Auditor should assess the impact on the audit and on GAGAS compliance. If it's determined that the audit did not comply with GAGAS, the City Auditor should notify (in writing) relevant management and others known to be using the report.

## **VI. 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 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.

## **VII. Professional Judgment**

GAGAS requires use of professional judgment in planning audits, performing audits, and reporting audit results. Auditors are responsible for understanding and exercising professional judgment as described in *GAGAS 3.109—3.117*. 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 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.

## **VIII. 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 4.13*, the Office may 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.<sup>8</sup> The Office also uses the Staff Assignment/Impairment Sheet to document the specialist's qualifications and independence.

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

## **IX. Professional Development**

The City Auditor has implemented a program to ensure that its staff maintains

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<sup>8</sup> *GAGAS section 5.34*

professional proficiency through continuing education and training. *GAGAS* requires that auditors responsible for planning, directing, conducting, or reporting on government audits should complete at least 80 hours of continuing education and training every two years, which contributes to the auditor's professional proficiency. At least 20 hours should be completed in any one year of the two-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 of 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 Office of the City Auditor, 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.

## **SECTION 4: WHISTLEBLOWER PROGRAM PROCEDURES**

### **I. Policy Background**

In February 2012, the City Auditor released *Report 2012-01, Assessment for Establishing a Whistleblower Hotline*. That report analyzed Whistleblower programs in three other large California cities and assessed the potential impact of such a program in Sacramento.

In March 2012, Sacramento City Council directed the Office of the City Auditor (Office) to implement a Whistleblower Program to receive and investigate allegations of possible City-related fraud, waste, and abuse (FWA).

The following procedures aim to ensure accountability by creating a consistent and logical method for receiving and tracking allegations. These procedures describe how the Office of the City Auditor will handle these allegations. Additionally, the procedures lay out a risk-based approach for using the City Auditor's limited resources to prioritize and investigate the allegations that could place the City of Sacramento at the greatest risk.

### **II. Philosophy**

It is the intention of the City Auditor to maintain a Whistleblower Program consistent with the best practices of responsible government. As fraud, waste, and abuse represent threats to good governance, a well-managed Whistleblower Program serves both the public trust and the best interests of the City.

### **III. Authority and Responsibilities**

*California Government Code 53087.6* authorizes cities to establish "a whistleblower hotline to receive calls from persons who have information regarding fraud, waste, or abuse by local government employees," and establishes the City Auditor's authority investigate fraud, waste, and abuse allegations.

*Sacramento City Code Chapter 2.18* establishes the Office of the City Auditor (2.18.010), provides for auditor access to all "information, property, and personnel relevant to the performance of an audit" (2.18.060), and prohibits coercion relative to auditor examinations or audits (2.18.070). The City Auditor's authority was codified in Section 77 of the City Charter as of July 1, 2019.

*City of Sacramento Whistleblower Protection Policy* requires the City to "take all appropriate steps to thoroughly evaluate any allegations of improper government

action...”, serves to “1) encourage employees to report information concerning any allegedly improper governmental action or subsequent retaliation by the City’s officers or employees by providing them protection against retaliation, and 2) reinforce the expected values and behaviors of City officials and employees because of their role as guardians of the public trust and resources.”

#### **IV. Confidentiality**

*California Government Code 53087.6* and the *City Whistleblower Protection Policy* require confidentiality of Whistleblower investigations. It is the policy of the City Auditor to respect and maintain confidentiality of all persons involved in a Whistleblower investigation to greatest extent possible, as allowed by law. Due to the highly sensitive nature of whistleblower allegations, the City Auditor only releases reports related to substantiated allegations; in other words, City-related fraud, waste, and/or abuse complaints and investigations are kept confidential until and unless the investigation substantiates the allegations.

Upon completion of an investigation which substantiates an allegation, an investigative summary will be prepared for inclusion in the Whistleblower Activity Report. State law mandates that, even in the event of a substantiated allegation, personnel information is to remain confidential.

Office staff should take care to protect whistleblower case information, such as judicial use of email, informing interviewees of the confidential nature of investigations, and protecting the identity of the whistleblower and the subject to the maximum extent possible.

#### **V. Public Records Requests**

The Office will manage Whistleblower-related Public Records Requests in a manner consistent with the *City of Sacramento’s Public Records Request Policy* and *California Government Code 53087.6*.

The City Auditor will act as the Public Records Act (PRA) Coordinator.

Consistent with the City’s *Public Records Request Policy*, the City Auditor will not normally release Whistleblower-related information pursuant to a *Public Records Act* request directly to the requesting party; public records releases should be transmitted through the Office of the City Clerk.

Requestors should make PRA requests through the Office of the City Clerk. Consistent with

the *Public Records Request Policy*, staff members who receive a request directly should ask the requestor to utilize the City's Online Public Record Request Portal. If a requestor declines to complete an online form, staff should complete a form on behalf of the requestor. Written requests, emailed requests, or voicemail requests should be forwarded to the Office of the City Clerk. This process ensures requests are appropriately processed through the City Clerk.

If the Office of the City Clerk does not have access to the records being requested, they will request the record from the City Auditor using the Public Records Workflow System.

When releasing Whistleblower investigation records pursuant to a *Public Records Act* request, the City Auditor should also forward the redacted records being released to the Mayor, City Councilmembers, the City's Public Information Officer, and affected City department(s).

Some records and information generated by the Office the City Auditor are confidential and must be protected from disclosure as outlined by *California Government Code 53087.6* and the City's *Whistleblower Protection Policy*. Due to the obligation of the Office to protect confidential information, the City Auditor will review and manage all record requests from the City Clerk.

## **VI. Allegations Covered by the Office of the City Auditor**

The Whistleblower Hotline promotes good government by providing City employees and members of the public with a way to report allegations of fraud, waste, and abuse.

*California Government Code 53087.6* defines fraud, waste, or abuse, in the context of a Whistleblower program, as, "any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct."

### **Fraud**

The Association of Certified Fraud Examiners defines occupational fraud as, "the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets." Some examples of fraud include theft of City funds or property, accepting or soliciting a bribe or kickback, falsifying payroll information, falsifying financial records to hide theft, submitting a false voucher, or using City property for non-City business.

## **Waste**

Waste can be intentional or unintentional and can involve unnecessary or extravagant City expenditures or misuse of City resources.

## **Abuse**

Abuse is the use of an employee's position in the City to obtain personal gain for that employee or for someone else, such as a family member or friend.

The above definitions are meant to provide guidance and are not meant to cover all types of allegations that will be investigated.

### **I. Receiving Allegations**

The Whistleblower Hotline consists of a telephone hotline and an online reporting interface, both of which are available 24 hours a day, 7 days a week. Allegations reported in the Hotline result in a case being created in EthicsPoint, the online Whistleblower management system. The Hotline and management system are managed by a contracted third-party, not City employees, which provides an additional level of independence and anonymity.

City staff or members of the public may submit allegations by calling the toll-free number, **1-888-245-8859**, or by completing the online form located at [www.cityofsacramento.ethicspoint.com](http://www.cityofsacramento.ethicspoint.com). In addition, individuals may submit allegations directly to the City Auditor or Office staff in person, in writing, over the phone, or via email. Any individual who files a complaint will have their identity kept confidential to the extent permitted by law unless the individual waives confidentiality in writing.

The general procedures below should be followed when receiving allegations.

### **Whistleblower Hotline Reports**

The Hotline generates a notification email to Office staff when a new allegation is submitted. These emails contain no information other than a reference number and the general category of the allegation (e.g. fraud, theft, waste, abuse, etc...).

- 1. The Whistleblower Program Manager assigns the case to a member of the office to investigate the allegation.**
- 2. The assigned investigator opens a new case file by:**
  - a. Reviewing the case in EthicsPoint.
  - b. Creating a digital casefile on a secure flash drive.

3. **If the allegation potentially involves City-related FWA, the assigned staff member investigates.**
4. **If the allegation does not appear to be City-related FWA, the investigator should:**
  - a. Investigate the allegation to determine the nature of the complaint.
  - b. Attempt to contact the complainant using any contact information provided to ascertain City-related FWA. If no contact information is provided, attempt to contact the complainant by leaving them a message within Ethicspoint, which the complainant can view by calling or logging into the hotline with their case number.
  - c. If no City-related FWA becomes apparent, refer the case to the appropriate agency (if applicable) and inform the complainant of the referral (if possible).
  - d. Document the referral.
  - e. Close the case.

### **Reports Made Directly to Office Staff via Telephone or In Person**

City staff or members of the public may contact an auditor in person to make a complaint. Due to several different factors (workload, availability, task restrictions, etc...) the staff member receiving the complaint may not ultimately be the assigned investigator. The following procedures only ensure the complaint is appropriately received and processed; case assignment remains the purview of the Whistleblower Program Manager and the City Auditor. The staff member receiving the allegation should:

1. **Gather enough information to begin an investigation (who/what/when/where/how).**
  - a. Determine the subject of the allegation to ensure the complainant is reporting to the correct entity, (is it City-Related FWA?).
  - b. Provide the complainant with contact information for the appropriate referral agency if the allegation is clearly not City-Related FWA.
2. **Explain the Whistleblower Protection Policy to the Complainant.**
  - a. Discuss the complainant's preference regarding anonymity.
  - b. If appropriate, ask the complainant to provide their contact information for follow-up purposes.
3. **Initiate a new report in EthicsPoint.**
  - a. If possible, this should be completed with the complainant to ensure completeness and to provide the complainant with a confirmation number and password to access their case.
4. **Brief the Whistleblower Program Manager, City Auditor, or Assistant City Auditor.**

## **Reports Made to Office Staff via Voicemail, e-Mail, or Regular Mail/Dropoff.**

City staff or members of the public may make an allegation in writing or via voicemail. Due to several different factors (workload, availability, task restrictions, etc...) the staff member receiving the information may not ultimately be the assigned investigator. The following procedures only ensure the complaint is appropriately processed; case assignment remains the purview of the Whistleblower Program Manager and the City Auditor. The staff member receiving the information should:

- 1. Listen to the voicemail/read the email or mail.**
  - a. Hard copy letters should be scanned and uploaded to EthicsPoint.
  - b. Emails should be converted to PDF and uploaded to EthicsPoint.
  
- 2. Gather enough information to begin an investigation (who/what/when/where/how).**
  - a. Determine the subject of the allegation to ensure the complainant is reporting to the correct entity, (is it City-Related FWA?).
  - b. Provide the complainant with contact information for the appropriate referral agency if the allegation is clearly not City-Related FWA.
  
- 3. Explain the Whistleblower Protection Policy to the Complainant.**
  - a. Discuss the complainant's preference regarding anonymity.
  - b. If appropriate, ask the complainant to provide their contact information for follow-up purposes.
  
- 4. Initiate a new report in EthicsPoint.**
  - a. If possible, this should be completed with the complainant to ensure completeness and to provide the complainant with a confirmation number and password to access their case.
  
- 5. Brief the Whistleblower Program Manager, City Auditor, or Assistant City Auditor.**
  - a. Provide all hard copies/digital information to the Program Manager.

### **Screening for Merit and Relevance**

As the Whistleblower Hotline is open to the public at large, it welcomes an expansive range of complaints. During the interview process, therefore, it is important to consider how the allegation may relate to fraud, waste, or abuse by the City or its employees. To do this, staff should think broadly about how the provided statements could tie into a related matter. From a cursory review, allegations may appear to lack merit or relevance due to a myriad of reasons. However, upon a thorough and professional evaluation, they may lead to an issue that puts the City at risk and should be investigated.

Reports that lack merit and relevance, as evidenced by insubstantial statements, should be documented and closed in EthicsPoint in order to preserve Office resources. These necessary steps protect the integrity of the Whistleblower Hotline and efficiently preserve resources for matters that have merit and relevance.

## **VII. Prioritizing Allegations**

The EthicsPoint case management system allows Auditor staff to prioritize complaints as “low,” “medium,” or “high (green, yellow, or red alerts in EthicsPoint). This method helps prioritize investigations by identifying overall risk to the City. Any allegations rated “medium” or “high” should be presented to the City Auditor, Assistant City Auditor, or relevant Office staff as soon as practicable. Those rated “low” can be discussed during periodic hotline discussions. The following guidance applies when rating allegations:

### *High Priority*

Reasons why allegations may be considered high priority include a safety concern, losses to the City of Sacramento more than or equal to \$75,000, criminal activity resulting in a loss of at least \$400, high-level involvement, collusion of multiple wrongdoers, a major department-wide issue, or need for immediate action to stop a potential major issue. High-priority items should be discussed immediately. In addition, addressing these items could take priority over other investigations and projects at the City Auditor’s discretion.

### *Medium Priority*

Allegations in this category could include a loss to the City of Sacramento between \$25,000 and \$75,000, abuse of authority, medium to low-level employee involvement, minor department-wide issues, or patterns of small problems that could become serious when summed.

### *Low Priority*

Allegations in this category could include a loss to the City less than \$25,000, isolated instances of time abuse, wasteful practices that would lead to limited gains in efficiencies if corrected, or allegations that lack credibility and evidence. The Office would aim to investigate these items, but may not do so because of limited resources or if the complaint is insubstantial due to a lack of sufficient information to warrant an investigation. However, if the same or similar issues were reported multiple times, low priority items may become a higher priority.

## **VIII. Allegations Covered by Other City Agencies**

The intent of establishing a Whistleblower program is not to replace or limit other reporting options, as some allegations are more appropriately investigated by other City agencies. For example, many Human Resources-related issues should be reported to the appropriate Human Resources staff; labor grievances, discrimination allegations, and workers' compensation claims should be reported using City procedures established for that purpose. Similarly, complainants may need to report legal issues to the City Attorney's Office or code enforcement issues to the Community Development Department.

As appropriate, the Auditor's Office will refer cases to other City agencies. However, it may still be appropriate for auditors to gather initial information to better understand the issues involved.

## IX. City Referrals

- **Risk Management for workers' compensation information:**  
916-808-5741  
<http://www.cityofsacramento.org/HR/Divisions/Risk-Management/Workers-Compensation>
- **Risk Management for environmental health and safety programs like OSHA and DOT compliance:**  
916-808-5278  
<http://www.cityofsacramento.org/HR/Divisions/Risk-Management>
- **Risk Management for liability claims:**  
Insurance: 916-808-5556  
Liability Claims: 916-960-1012  
<http://www.cityofsacramento.org/HR/Divisions/Risk-Management/Risk-Administration/Claim-Form>
- **Labor Relations for union grievance procedures:**  
<http://www.cityofsacramento.org/HR/Divisions/Labor-Relations/Grievance-Process>
- **Equal Employment Opportunity for the grievance procedures alleging discrimination:**  
916-808-5825  
<https://www.cityofsacramento.org/HR/Divisions/EEO>
- **Other Human Resources related issues:**  
<http://www.cityofsacramento.org/hr/>
- **City of Attorney:**  
916-808-5346  
<http://www.cityofsacramento.org/CityAttorney>
- **Code Enforcement for neighborhood code, housing and dangerous buildings, business compliance, landscape requirements, rental house standards, and anti-graffiti:**  
311 (*inside City limits*)  
916-264-5011 (*outside of City limits*)  
<http://www.cityofsacramento.org/Information-Technology/311>
- **Sacramento Ethics Commission**  
916-808-7200  
<https://www.cityofsacramento.org/Clerk/Good-Governance-and-Compliance/Ethics-Commision>
- **Police for non-emergencies:**  
916-264-5471  
<http://www.sacpd.org/>

## X. Allegations Covered by Non-City Agencies

By nature of being the State Capital as well as the County Seat, the City of Sacramento is home to a large number of Federal, State, and County agencies. As a result, some complaints made to the City Whistleblower Hotline may be partly or solely related to government agencies external to the City of Sacramento.

Allegations involving an external government entity or employee will be referred in whole or in part to the most appropriate government entity. Complaint investigation services are available at many government agencies and may include Fraud, Waste, and Abuse Whistleblower programs, internal affairs programs, judicial oversight authorities, offices of professional responsibility, etc. Some common referral agencies are noted below.

Office staff will document all referrals in the case file and will make good faith efforts to notify the complainant of the reason for referral and provide referred agency contact information.

### Common Non-City Referrals

Jurisdiction	Organization	Reporting	Methods
County of Sacramento	County Auditor-Controller	Audit Fraud Hotline	916-874-7822 TDD callers 800-735-2929 Auditor Fraud Hotline/County of Sacramento 700 H St, Room 3650 Sacramento, CA 95814
State of California	Bureau of State Audits	Whistleblower Hotline	800-952-5665 Investigations/Bureau of State Audits 555 Capitol Mall, Suite 300 Sacramento, CA 95814 <a href="http://www.bsa.ca.gov/hotline/filecomp">http://www.bsa.ca.gov/hotline/filecomp</a>
Health, Safety, and other complaints against employers	US Department of Labor (OSHA)	Whistleblower Hotline	800-321-OSHA (6742) <a href="https://www.whistleblowers.gov/">https://www.whistleblowers.gov/</a>
Consumer Complaints Against a Business	California Office of the Attorney General	Comment/ Complaint Form	<a href="https://oag.ca.gov/contact/consumer-complaint-against-business-or-company">https://oag.ca.gov/contact/consumer-complaint-against-business-or-company</a>
Consumer Complaints Against a Business	Better Business Bureau	Complaints	<a href="https://www.bbb.org/consumer-complaints/file-a-complaint/get-started">https://www.bbb.org/consumer-complaints/file-a-complaint/get-started</a>
California Attorneys	State Bar of California	Complaints	800-843-9053 <a href="http://www.calbar.ca.gov/Attorneys/LawyerRegulation/FilingaComplaint.aspx">http://www.calbar.ca.gov/Attorneys/LawyerRegulation/FilingaComplaint.aspx</a>
California Judges	Commission on Judicial Performance	Complaints	Commission on Judicial Performance 455 Golden Gate Avenue, Suite 14400 San Francisco, California 94102 <a href="http://cjp.ca.gov/file_a_complaint/">http://cjp.ca.gov/file_a_complaint/</a>

## **XI. Special Circumstance**

### **Complaints Made Against City Council**

The Office of the City Auditor may receive allegations about elected officials. As the Office does not generally have the authority to audit the Mayor and City Council without their request, allegations involving these officials shall be discussed with the City Auditor immediately. The City Auditor, other Office Staff, and other City officials, if necessary, will discuss how to evaluate these types of allegations. Allegations may be referred to the City's Ethics Commission.

### **Complaints Made Against Office of the City Auditor Staff**

Allegations against members of the Office of the City Auditor should be made directly to the City Auditor and not through the Whistleblower Hotline. As all Office staff have access to the Whistleblower management system, the subject of the allegation would likely see the complaint and the complainant information; confidentiality and anonymity could not reasonably be maintained.

In the event a complaint is made directly to a staff member regarding other Office staff, the individual receiving the allegation should immediately notify the City Auditor; Office staff are expected to keep allegations against other staff members confidential and not inform the subject of the allegation. The City Auditor and other Office staff who become aware of the complaint will evaluate the allegation, possibly with the advice of other City staff and Officials, to determine if an investigation shall be conducted within the Office or by an entity outside the Office.

### **Complaints Made Against the City Auditor**

Allegations against the City Auditor should be made directly to City Councilmembers and not through the Whistleblower Hotline; as noted above, the City Auditor has access to all allegations in the Whistleblower management system. In the event a complaint against the City Auditor is made directly to a staff auditor, the individual receiving the allegation should discuss it with the Whistleblower Program Manager and the Assistant City Auditor and possibly seek guidance from staff or officials outside of the office to determine how to proceed.

## **SECTION 5: ADMINISTRATIVE OFFICE PROCEDURES**

This section of the *Policy and Procedures Manual* describes general office procedures for the Office of the City Auditor.

### **I. 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.

### **II. Time Reporting**

In order to be paid, employees are responsible for entering their hours worked into the City's eCAPS system on a bi-weekly basis. eCAPS timecards are approved by their immediate supervisor, 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 their supervisor for approval on a bi-weekly basis.

### **III. Working Away from The Office**

Office staff 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 their supervisor and 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 employee returns to the office, he or she will show their supervisor 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 employee has worked for the 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.

Employees may work from their personal computers or take home their Office laptop. To facilitate access to audit files, employees may work with the City's Information Technology Department to establish access to the department's shared 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.

#### **IV. Staff Meetings**

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

#### **V. 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* and the *Sacramento City Exempt Employees Association (SCXEA) labor agreement*.

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.

#### **VI. Flexible Work Schedules**

Full-time, salaried employees are expected to work a minimum of 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 some flexibility in the work schedule so that, with the approval of their supervisor, employees who work more than 40 hours in a workweek may occasionally be allowed to reduce their work schedule by the same number of hours, or less, within the same bi-weekly pay period. For good cause shown, and with the approval of the City Auditor, the reduced work schedule may occur in a subsequent pay period. The employee must:

- 1) Work in an assignment that allows such flexibility with consideration of internal and external customer needs, operational requirements, and status of current assignments;
- 2) Be in good standing and performing at a satisfactory or higher level.

This policy applies to working both in the office and away from the office. When seeking approval to work outside of the office for specific dates, employees shall inform their supervisor in writing of planned personal appointments or obligations for those days.

## **VII. Use of Computer Equipment, email, Internet, and Telephone**

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

## **VIII. 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 staff for specific issues.

## **IX. Public Records Requests**

The Office of the City Auditor should manage Public Records Requests in a manner consistent with the City's *Public Records Request Policy*.

The City Auditor will act as the Public Records Act (PRA) Coordinator.

Consistent with City policy, the City Auditor will not normally release information pursuant to a *Public Release Act* request directly to the requesting party; public records releases should be transmitted through the Office of the City Clerk.

PRA requests should be made by requestors through the Office of the City Clerk. However, staff may occasionally receive requests directly. Consistent with City policy, staff will ask the requestor to utilize the City's Online Public Record Request Portal. When a requestor declines to complete an online form, staff shall complete a form on behalf of the requestor. Written requests, emailed requests, or voicemail requests shall be forwarded to the Office of the City Clerk. This process ensures the request is appropriately processed through the Office of the City Clerk.

If the Office of the City Clerk does not have access to the record being requested, they will request the record from the City Auditor using the Public Records Workflow System.

When releasing Whistleblower investigation records pursuant to a Public Records request, the City Auditor should notify and provide copies of the redacted reports and records to be released to the Mayor, City Councilmembers, the City's Public Information Officer, and the affected department(s).

Some records and information generated by the Office the City Auditor are confidential and protected from disclosure as outlined by *California Government Code 53087.6* and the *City of Sacramento Whistleblower Protection Policy*. Due to the obligation of the Office to protect confidential information, the City Auditor will review and manage all record requests from the City Clerk.

## **X. Professional Appearance and Conduct**

It is the policy of the City Auditor 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, e.g. meeting with City Councilmembers during those months. All staff members are representatives of the Office of the City Auditor 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, staff auditors should be courteous and understanding of employee time constraints. If an auditor 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 must be exercised to avoid exposure of confidential or potentially sensitive documents.

## **XI. Performance Appraisals**

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. Performance planning and appraisal is normally conducted prior to setting individual employee compensation.

## **XII. Department Budget**

The City Auditor, or designee, is responsible for processing the Office's financial transactions and monitoring the Office's budget.

## **XIII. Calendars, Appointments, Meetings**

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

## **XIV. 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*.

## **XV. 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.

## **XVI. Gifts**

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

## **XVII. 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. Those who receive a vehicle stipend are not eligible to use vehicles from the Motor Pool.

## **XVIII. Updates and Results of Annual Monitoring of Quality**

In accordance with *GAGAS 5.44*, the Office of the City Auditor 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:

### **2011**

No revisions were made.

### **2012**

The manual was revised in February/March. 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*.

### **2013**

The manual was revised in July. Substantive changes included adding City Code Section detail regarding the City Auditor being appointed, adding *2011 Yellow Book* 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.

### **2014**

The manual was revised in July for minor grammatical corrections only.

### **2015**

This manual was revised in September. In order to stay current with GAGAS, *the Yellow Book* was 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.

### **2016**

The manual was substantially revised in December. The entire manual was reorganized under a hierarchical heading format, some verbiage was changed to more closely mirror Yellow Book and other regulation language, syntax and grammar corrections were made, style corrections were made for consistency, most hyperlinks were deleted, outdated references were updated or deleted, sections were reorganized for flow and clarity, and procedures were added for Public Records Release, Whistleblower Review during Preliminary Survey, and Communications Logs.

**2017**

Minor revisions were made to this manual, primarily for formatting and grammatical consistency.

**2018**

The Office of the City Auditor’s Whistleblower Hotline Procedures were incorporated into this manual. Additionally, the manual was also updated to include the newly created Independent Budget Analyst Division.

**2019**

In order to stay current with GAGAS, the 2018 revision to the *Yellow Book* was reviewed and appropriate changes implemented. The Independent Budget Analyst Division was renamed to the Research and Analysis Division.

Jorge Osequera  
Sacramento City Auditor

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