

# 2021-22 AUDIT PLAN

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Office of the City Auditor

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# OUR MISSION

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The Office of the City Auditor is an essential element of the City of Sacramento's public accountability. Our mission is *"To provide a catalyst for improvements of municipal operations, promote credible, efficient, effective, fair, focused, transparent, and a fully accountable City Government."*

The Office of the City Auditor provides independent, objective, and reliable information regarding the City's ability to meet its goals and objectives, and establish an adequate system of internal controls. In many cases, this involves verifying compliance with laws and regulations, assessing the efficiency and effectiveness of the City's operations, and identifying internal control weaknesses and failures.

City Code Section 2.18.030 requires that the City Auditor submit an Annual Audit Plan to the City Council for approval. This report sets forth the City Auditor's Annual Audit Plan for FY2021/22.

Our risk-based audit plan is designed using a combination of qualitative and quantitative measures. By considering a wide variety of information sources, the intent is to submit to the City Council for its approval an audit plan that promotes fairness and ensures the City Auditor's Office will continue to be value-added for the City of Sacramento by focusing its resources on areas with the highest audit potential. The results of this process form the basis for the City Auditor's Annual Audit Plan.

In anticipation of Council requests for analysis and information, we have reserved some of our Office's resource capacity so we can respond to those requests in a timely manner.

I am pleased to present you the Proposed Annual Audit Plan for FY2021/22. My team and I look forward to providing the City Council and the public with recommendations on improving the efficiency and effectiveness of City operations.

Sincerely,

City Auditor  
Jorge Oseguera



# PERFORMANCE AUDITS

## *Audits in Progress*

Fire Department	<b>Emergency Medical Services</b>	This audit will evaluate service delivery and general EMS operations to determine if adequate controls are in place to ensure efficient and effective performance.
Police Department	<b>Evidence and Property Division</b>	This audit will determine whether appropriate controls exist over property and evidence room inventory including intake, disposition, storage, preservation, and security.
Citywide	<b>Assessments of Revenues and Expenses Associated with the City's COVID-19 Response</b>	These assessments will help the City prepare for Federal or State audits of the City's use of emergency funding. We will provide proactive and real-time assistance in complying with regulatory requirements, securing reimbursements, tracking disaster recovery costs, and evaluating whether funds are being used efficiently and effectively.
Utilities Department	<b>DOU Risk Assessment</b>	We will update the DOU Risk Assessment to create a menu of performance audits, reviews, trainings, regulatory compliance audits, and special projects. We will present the results of the risk assessment to DOU executive management and work with DOU to prioritize projects based on the results of the risk assessment and their needs.

## *Priority I Audits (with anticipated start date)*

Community Development Department	<b>Planning Division (Sept 2021)</b>	The Planning Division provides permit services to customers seeking a building permit. This audit will review compliance with applicable laws and regulations, evaluate efficiency of application submittal and permit review cycle operations, and assess permit review programs such as the Expedited Plan Review program.
Human Resources	<b>Complaint Investigation and Resolution Practices (Oct 2021)</b>	The City's complaint investigation and resolution process involves allegations of workplace discrimination, harassment, and employee wrongdoing. We will partner with the Office of Public Safety Accountability to evaluate the City's complaint intake, investigation, resolution, and employee discipline practices. These practices will also be assessed using a racial disparity lens.

# PERFORMANCE AUDITS

## Priority I Audits, Continued from Previous Page

Public Works Department	<b>Recycling &amp; Solid Waste (Oct 2021)</b>	The Recycling and Solid Waste Division is responsible for recycling and refuse collection, yard waste collection, household hazardous waste collection, household junk pickup, street sweeping, illegal dumping cleanup, and landfill post-closure maintenance and monitoring. This audit would be paid for by Solid Waste Funds and contracted out to a third-party vendor.
Citywide	<b>Employee Travel (Oct 2021)</b>	This audit will assess compliance with the City's travel policies and identify opportunities for improvement.
Utilities Department	<b>To Be Determined (Oct 2021)</b>	Audit scope will be determined in coordination with DOU based on the updated DOU Risk Assessment.
City Manager's Office	<b>Homeless Services (June 2022)</b>	Programs and services offered by the City's Homeless Services Division includes overseeing the City's response to homelessness and working with the City's internal and external stakeholders to implement innovative and effective solutions. This audit will evaluate efficiency of outreach delivery operations and assess the effectiveness of sheltering and re-housing programs.
Information Technology Department	<b>Information Technology (June 2022)</b>	The Information Technology (IT) Department manages a full range of information technology and related services for all City Departments and the public. These systems, infrastructure, and information range from relatively simple to extremely complex. This audit will evaluate whether IT controls protect City assets, ensure data integrity, and align with the City's overall goals.
Citywide	<b>Language Accessibility for Community Engagement (June 2022)</b>	This project will assess the City's effectiveness at providing and promoting language accessibility and outreach to community members with limited-English proficiency.
Council Requests	<b>Council Requests</b>	In anticipation of Council requests for analysis and information, we have reserved some of our resource capacity so we can respond to those requests in a timely manner.

# PERFORMANCE AUDITS

## Priority 2 Audits (Additional resources needed to complete)

Police Department	<b>Body-worn Cameras (\$150,000)</b>	Body-worn cameras provide greater transparency and accountability in interactions with the public. This audit will evaluate the policies, training, and technology of the Police Department's body-worn camera program to verify compliance and evaluate opportunities for improvement.
Community Development Department	<b>Code Enforcement Division (\$150,000)</b>	Services offered by the Code Enforcement Division include neighborhood and business code compliance, graffiti abatement, weed abatement, substandard/dangerous and vacant buildings, and rental housing inspection. This audit will review compliance with applicable laws and regulations, evaluate efficiency of enforcement operations, and assess the complaint resolution process.
Youth, Parks, & Community Enrichment Department	<b>Park Operations (\$150,000)</b>	In 2017, the Office of the City Auditor performed a department-wide risk assessment of YPCE. Park operations were identified as an area that could benefit from further review and analysis.
Community Development Department	<b>Animal Care Services (\$150,000)</b>	The City's Animal Care Services Division provides animal care services including sheltering, adoption, community outreach, code enforcement, and abuse investigations. This audit will assess compliance with applicable laws and evaluate shelter practices aimed at protecting the health, safety and welfare of shelter animals, staff, volunteers, and the public.



Historic City Hall

# CANNABIS CONTINUOUS MONITORING

## *Cannabis Activities under Continuous Review*

Office of Cannabis Management	<b>Cannabis Policymaking, Education and Community Outreach</b>	The Office of Cannabis Management (OCM) develops cannabis policy and provides cannabis education and community outreach in the City of Sacramento. This review will continuously monitor the evolving regulatory environment and OCM's community education efforts.
Finance Department	<b>Monthly Business Operations Tax (BOT) Payments</b>	Cannabis businesses are required to pay a business tax of 4% of gross receipts to the City on a monthly basis. This review will continuously monitor gross receipts reported and tax payments remitted by cannabis businesses operating in the City.
Community Development Department	<b>Cannabis Code Enforcement Activities</b>	The Cannabis Code Enforcement Unit assists the Office of Cannabis Management with the enforcement of commercial cannabis regulations. This review will continuously monitor compliance with City cannabis regulations by permitted cannabis businesses.
Office of Cannabis Management	<b>Business Permitting</b>	The Office of Cannabis Management manages the business permitting process for local cannabis businesses. This review will continuously monitor the adequacy of controls over approved permits.

## *Cannabis Activities scheduled for Continuous Review*

Office of Cannabis Management	<b>Cannabis Opportunity Reinvestment and Equity (CORE) Program</b>	The CORE program was created to assist individuals who face barriers to entering the cannabis industry due to historical disparate enforcement of cannabis crimes. This review will continuously evaluate the effectiveness of the City's social equity program.
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# CANNABIS COMPLIANCE AUDITS

## *Audits in Progress*

Community Development Department	<b>Cannabis Code Enforcement Unit</b>	The Cannabis Code Enforcement Unit assists the Office of Cannabis Management with the enforcement of commercial cannabis regulations. This audit will assess the adequacy of cannabis code enforcement activities over local cannabis businesses.
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## *Priority 1 Audits (In Tentative Order)*

Office of the City Attorney	<b>Cannabis Administrative Penalty Appeal Process (March 2022)</b>	A unique process has been established to conduct appeals for cannabis administrative penalties. This audit will review the efficiency and effectiveness of the cannabis administrative penalty appeal process.
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## *Priority 2 Audits (We do not have the resources to initiate this year)*

Finance Department	<b>Business Operations Tax (BOT) Cash Collection Process</b>	Due to federal regulations that prohibit banks from working with cannabis businesses, the City must collect large cash tax payments on a monthly basis. This audit will assess the adequacy of controls over BOT cash collection processes for cannabis businesses.
Police Department	<b>Illegal Cannabis Cultivation</b>	Unlicensed and criminal cannabis activity continues to run rampant throughout the state. This audit will evaluate the City's ongoing efforts to crack down on illegal cannabis grow operations.
Community Development Department	<b>Cannabis-Related Conditional Use Permits (CUP)</b>	The City requires that cannabis businesses obtain a Conditional Use Permit (CUP). This audit will assess the efficiency and effectiveness of the cannabis CUP process.
Citywide	<b>Impact of Cannabis Business Operations on the Community</b>	This audit will seek to evaluate potential community impacts associated with cannabis business activities.

# RESEARCH & ANALYSIS AUDITS

## *Audits in Progress*

Community Police Commission	<b>Review of the Police Commission</b>	This commission is tasked with monitoring the implementation, evaluation, and sustainability of City policing initiatives and programs. This review will evaluate whether the commission is meeting the Council's expectations.
Citywide	<b>Diversity Review of All Employment Applications and Separations</b>	In response to a City Council request, this project will analyze the gender and ethnic diversity of City employment applicants and former employees to identify trends and potential equity concerns.
Citywide	<b>2021 Community Survey</b>	This project may be used to prioritize community issues and services that respondents feel need the most improvement. Repeating this survey annually will allow the City to identify trends and gauge whether policy changes and priorities are improving residents' quality of life and their opinions regarding various issues and City services.
Vendor Audit	<b>Wide Open Walls and David Sobon Events, Inc.</b>	The City has provided grants, sponsorships, and small business loans to Wide Open Walls and David Sobon Events, Inc. to produce Wide Open Walls mural festivals over the years. This audit will evaluate vendor compliance with City contracts.
Vendor Audit	<b>Advance Peace*</b>	The City contracted with Advance Peace to address gang violence in Sacramento. This project will evaluate vendor performance and compliance with City contracts. *This audit was requested at the Budget & Audit Committee on June 8, 2021 (after the audit plan was approved.)

## *Annual Audits*

Citywide	<b>2022 Community Survey</b>	This project may be used to prioritize community issues and services that respondents feel need the most improvement. Repeating this survey annually will allow the City to identify trends and gauge whether policy changes and priorities are improving residents' quality of life and their opinions regarding various issues and City services.
Citywide	<b>City Employee Diversity, Equity, and Inclusion</b>	This annual review will assess the diversity of City of Sacramento employees as it compares to the diversity of City of Sacramento residents. The review will also compare the current year's analysis with employee demographics reported in previous years' diversity reviews.



# RESEARCH & ANALYSIS AUDITS

## *Annual Audits, Continued from Previous Page*

Ethics Commission	<b>Ethics Commission Assessment</b>	The City Auditor will perform an annual assessment of the Compliance Officer's ability to meet the deliverables established by the City Council. This may include an assessment of the processes and policies established by the Officer, validation of the Officer's Performance measures, and a review of the impact of the services provided by the Officer.
Community Police Commission	<b>Review of the Police Commission</b>	This commission is tasked with monitoring the implementation, evaluation, and sustainability of City policing initiatives and programs. This review will evaluate whether the commission is meeting the Council's expectations.
Citywide	<b>Diversity Assessment of Boards, Committees, and Commissions</b>	We published the first bi-annual Diversity Assessment of Boards, Commissions, and Committees in April 2017 under the direction of the City Council. The report assessed the diversity of City of Sacramento boards, committees, and commissions and compared them to the demographics of the City's residents. The report includes demographics related to age, ethnicity, gender, and sexual orientation. As we continue to conduct the audit, we will continue to review trends and compare data.

## *Ad Hoc Audits (with anticipated start date)*

Citywide	<b>Analysis of the City's Financial Condition (May 2021)</b>	The analysis will review the fiscal sustainability and financial condition of the City of Sacramento by analyzing trends in the City's financial data over a 10-year period. The analysis will include calculating financial ratios and benchmarking with other similar-sized cities.
Citywide	<b>Risk Assessment of the City's Revenue Sources (March 2022)</b>	This assessment will identify potential risks and controls in place that impact the City's various revenue sources. A risk assessment of the City's revenue sources will be used by the Office of the City Auditor to help identify, measure, and prioritize areas to conduct further analysis and research based on the level of risk to the City.
Citywide	<b>Audit of the Transient Occupancy Tax (April 2022)</b>	A Transient Occupancy Tax (TOT) of 12% is charged for all people who exercise occupancy at a hotel in the City of Sacramento (City Code 3.28). This audit will evaluate compliance, enforcement, and revenue collection associated with the tax.

# AUDIT SELECTION PROCESS

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The City Auditor's Audit Plan is developed on an annual basis; however, the City Council may add audits to the workplan during the year and the City Auditor may propose additional audits should new risks emerge.

Audit topics are selected using a combination of quantitative and qualitative factors that come from a variety of sources. Areas of risk that may be assessed when evaluating risks related to a department or division include, but are not limited to:

- ✓ Annual Budget
- ✓ Number of Employees
- ✓ Funding Sources
- ✓ Age of Programs
- ✓ Fiscal Sustainability
- ✓ Customer Satisfaction
- ✓ Regulatory Compliance
- ✓ Significant Changes
- ✓ Criticality
- ✓ Emerging Areas of Risk

Input from elected officials, city management, the whistleblower hotline, and the public is also taken into account when developing the annual audit plan.

# AUDITOR'S AUTHORITY

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The City Council appoints the City Auditor to promote efficient, effective, transparent, and accountable City government. The City Auditor reports directly to City Council and has full responsibility for the direction and management of the Office of the City Auditor. The City Auditor works closely with the City Council, Audit Committee, Charter Officers, Department Directors, and Division Managers when conducting audits and evaluating programs.

The City Auditor conducts audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) and provides City Council and the public with objective, timely, and accurate information about the City government. Findings and recommendations are designed to save tax dollars and improve City operations.

In November 2018, the Sacramento City Government Accountability and Efficiency Act (Measure K) was passed by voters. This established the City Auditor as a charter officer and combined the duties of the City Auditor and the Independent Budget Analyst. City Code 2.18 *Office of the City Auditor* outlines the office's duties and establishes the City Auditor's unrestricted access to information, unless prohibited by law.