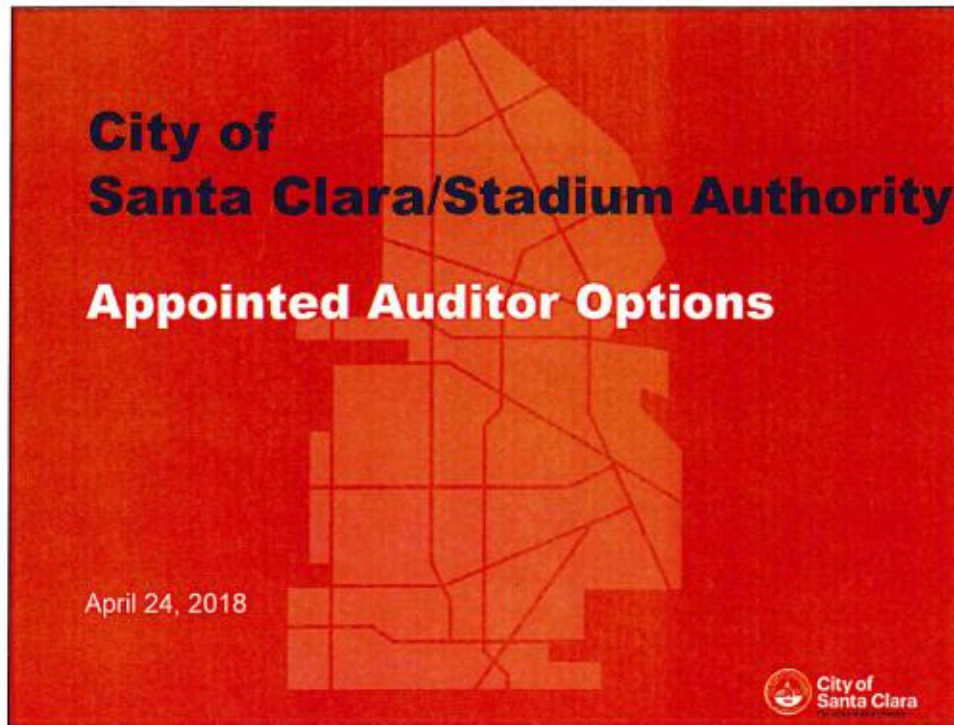


4/24/18

item 9A/9B



City of Santa Clara / Stadium Authority: Appointed Auditor Options

- **Action on the Santa Clara Stadium Authority (SCSA) Auditor Appointment**

SCSA Ad-Hoc Audit Committee Recommendation: Direct the Executive Director to bring forward for the Board's consideration the appointment of a City employee serving as a Stadium Authority appointee to the position of Stadium Authority Auditor.

- **Options Related to the Position and Compensation of the City Council Appointed City Auditor**

Staff makes no recommendation on this issue.



Action on the Santa Clara Stadium Authority (SCSA) Auditor Appointment

April 24, 2018 Item 9A



Background

- June 2016 – Santa Clara County Civil Grand Jury report included a recommendation to “modify the duties of the Finance Director/Treasurer/Auditor position as described in the Joint Exercise of Powers Agreement Establishing the Santa Clara Stadium Authority (JPA) Agreement”
- June 2017 – City Council approved the Grand Jury recommendation by adopting a resolution to amend the JPA
- March 19, 2018 –SCSA Ad-Hoc Audit Committee directed the Executive Director to bring forward for SCSA Board’s consideration the appointment of a City employee to position of SCSA Auditor.



SCSA Auditor Definition

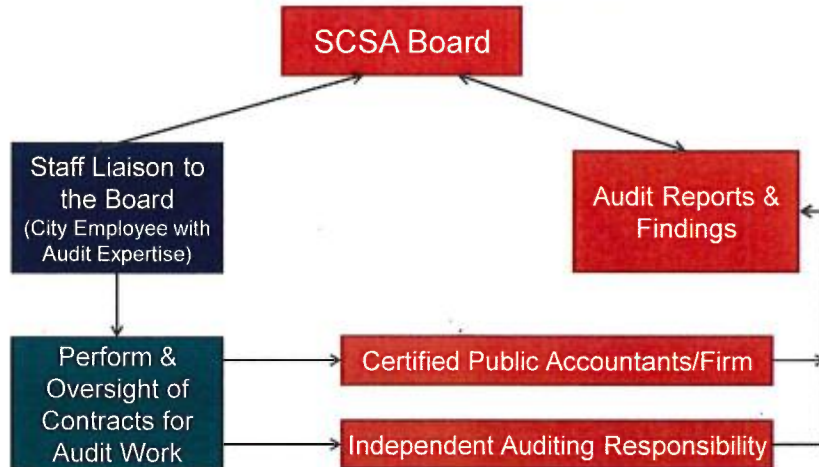
Joint Exercise of Powers Agreement (Third Amendment):

*The Auditor of the Stadium Authority shall be designated by appointment and/or by contract by the Stadium Authority Board who **shall designate such independent auditing responsibility as it deems necessary** including but not limited to making arrangements with a certified public accountant or firm of certified public accountants **for the annual independent audit of accounts and records** of the Stadium Authority.*

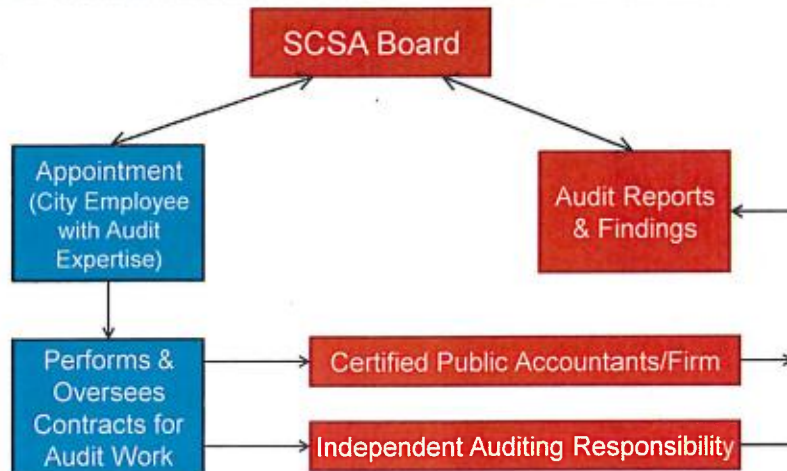
– Section 3. 11 Treasurer and Auditor (c)



SCSA Ad-Hoc Audit Committee Recommendation for SCSA Auditor



SCSA Ad-Hoc Audit Committee Recommendation for SCSA Auditor



Policy Alternatives

1. Direct the Executive Director to bring forward for the Board's consideration the appointment of a City employee serving as a Stadium Authority appointee to the position of Stadium Authority Auditor.
2. Direct the Executive Director to bring forward for the Board's consideration criteria and selection process for the appointment of a firm or person to assume the role of Auditor of the Stadium Authority.
3. Any other action by the Board.

Options Related to the Position and Compensation of the City Council Appointed City Auditor

April 24, 2018 Item 9B



Background

- On February 6, 2018, former City Clerk Rod Diridon, Jr. resigned leaving a vacancy in the *elected* City Clerk and *appointed* City Auditor positions.
- Per Municipal Code **Section 2.20.050** assigned the duties of City Auditor to the City Clerk in more detail.
 - *The City Clerk shall perform the functions of the auditor or controller. These duties and responsibilities include auditing and approving all bills, invoices, payrolls, demands or charges against the City government before payment and, with the advice of the City Attorney, make reports to the City Council as to the regularity, legality and correctness of such claims, demands or charges.*
- Council did NOT appoint a City Auditor at the time of departure of the former Elected City Clerk



Appointed Officers

- **Charter Section 900 Officers Appointed by the City Council and the City Manager:**
 - *In addition to the City Manager, the City Council shall appoint and affix the compensation of the City Attorney and City Auditor who shall serve at the pleasure of the City Council and may be removed by motion of the City Council adopted by at least four affirmative votes.*
- **Charter Section 909 City Auditor.**
 - *The City Council may, in its discretion, appoint any other officer or employee of the City as City Auditor and grant such person additional compensation for the performance of such duties.*

Auditor Charter Duties

- **Charter Section 909 City Auditor.**
 - *The City Auditor shall audit and approve all bills, invoices, payrolls, demands or charges against the City government before payment and, with the advice of the City Attorney, advise the City Council as to the regularity, legality and correctness of such claims, demands or charges.*

Expanded City Auditor Function

- At January Council Retreat, City Manager discussed need for expanded Audit functions
- Good opportunity to align need with appropriate department and skill set.

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Expanded Duties

- Professional skills have evolved since the drafting of the City Charter duties
- City Auditor skills and technical requirements have also changed
- Driven by the Government Accounting Standards Board (GASB), Government Finance Officers Association (GFOA) and Association of Government Accountants (AGA), *fiscal audit* work has expanded

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Performance Audit

- A *performance auditor* reviews
 - Whether the audited department is managing or utilizing its resources, including public funds, personnel, property, equipment and space in an economical, ethical, compliant, and/or efficient manner; reviews departments' performance management system; and,
 - Identifies causes of inefficiencies or uneconomical practices, including inadequacies in management information systems, internal and administrative procedures, organizational structure, use of resources, allocation of personnel, purchasing policies and equipment.

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Option: Assignment of Auditor duties

- Council could consider appointing the City Auditor functions to the Assistant Finance Director
- During the March 19 SCSA Ad-Hoc Audit Committee meeting, SCSA Committee members and staff discussed the appointment of the Stadium Authority Auditor
- Combining the City Auditor and Stadium Authority Auditor would allow the Stadium Authority and City to stretch its fiscal resources and centralize audit function, while still maintaining the independence and integrity of the audits.

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Option: Maintain City Clerk as City Auditor

- There is a need to consider the governance issues with a voter **elected** City Clerk and Council **appointed** City Auditor. Commingling an elected position, with no required reporting relationship to the City Council, with a City Council appointed position that has direct accountability to the City Council
- Unless formally trained and certified, this approach would limit the type of auditing to more of a transactional auditing function whereby the function is focused on pure quality control of duties that are already being done in the Finance Department.
- Council may want to revisit the current stipend amount allotted to the position of the City Clerk and ensure that the duties are not delegated to clerical staff that lack the required training.

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Monthly Stipend Issue

- Duties of the appointed City Auditor were assigned/delegated to clerical staff in the City Clerk's Office
- The previous City Clerk received a monthly stipend for the City Auditor function starting in 2006
- The stipend was adjusted annually consistent with Unit 9 wage increases. At the time the City Clerk resigned, that monthly stipend amount was \$1,873 or annually approximately \$22,500.
- Should this be adjusted?

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Policy Alternatives

1. Take no action—maintain status quo.
2. Direct staff to return with an ordinance repealing Section 2.20.050, **Performance of City Auditor's functions, and move the City Auditor's functions**, along with expanded duties to conduct in-depth financial and performance audits and oversee the City's performance management system, to the **Assistant Finance Director** in Chapter 2.105 of the City Code.
3. Direct staff to return to the City Council for the appointment of **the City Clerk as City Auditor** once the City Clerk position is filled.
4. Adjust or affirm the City Auditor stipend of \$1,873/month.

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Policy Alternatives – cont'd

5. Appoint any **other officer or employee to serve as City Auditor** per Charter Section 909.
6. Direct staff to **assemble a City Auditor panel for a City Council Study Session** on this local government role and profession and postpone action on this item.
7. Any other action as determined by the Council.

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