



Legislation Details (With Text)

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Title: Consideration of an Ordinance Assigning the City Auditor Function to the Assistant Finance Director
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Attachments: 1. Ordinance Repealing Section 2.20.050 Performance of City Auditor's functions and Amending Section 2.105 to include Performance of City Auditor functions, 2. Introduction Ordinance No. 1982

Date	Ver.	Action By	Action	Result
6/26/2018	1	Council and Authorities Concurrent Meeting	Approved	Pass

REPORT TO COUNCIL

SUBJECT

Consideration of an Ordinance Assigning the City Auditor Function to the Assistant Finance Director

BACKGROUND

On February 6, 2018, former City Clerk Rod Diridon, Jr. resigned leaving a vacancy in the *appointed* City Auditor position. Charter Section 900 provides that the City Council appoint the City Auditor.

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 sets forth the duties of the City Auditor position and grants to the Council the authority to appoint any other officer or employee as City Auditor.

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.

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.

In 2006, after the retirement of the Assistant City Clerk, the Council appointed the City Clerk as the City Auditor, with duties assigned to clerical staff in the City Clerk's department. This appointment was codified in Santa Clara City Code section 2.20.050, which is consistent with Charter Sections 900 and 909.

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.

On April 24, 2018, the City Council reviewed the options related to the position and compensation of the Council-appointed City Auditor. At that meeting the Council directed 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. Assigning this function to the Assistant Finance Director will align with the required skill set and expertise of such a position.

DISCUSSION

As part of the January 18 and 19, 2018 Council Priority Setting Session, staff presented the need for a more robust auditing function which includes performance audit reviews. As the City Charter delineates audit tasks that are generally performed as conventional process integrity practices, City staff identified the need for professional audit functions in various areas of public sector services that exceed the skill requirement for performing the Charter assigned duties.

With the adoption of the Fiscal Year 2018/19 Annual Operating Budget, the Council established an audit function in the Finance Department using existing staff resources and funding for external training/certification for staff to perform duties in pre-audit methodologies and examine various complex documents with proper training. In addition, a new Management Analyst position was added to the Finance Department to assist with the internal audit function.

Professional skills have evolved since the drafting of the City Charter duties and, as such, the City Auditor skills and technical requirements have also changed. For example, as local government fiscal practices driven by the Government Accounting Standards Board (GASB), Government Finance Officers Association (GFOA) and Association of Government Accountants (AGA), fiscal audit work has expanded to the work of the annual internal control testing of the external auditor, e.g., requirements or best practices promulgated by the above agencies, and may focus on cash audits at locations across the City, cybersecurity practices with fiscal transactions, departments' internal control procedures, performance of managed risk, and compliance with administrative fiscal policies. 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.

Based on the recommended expanded auditing functions, the Council directed staff to bring forth an

Ordinance moving the City Auditor functions to the Assistant Finance Director and for the Ordinance to reflect the additional duties. The skill set and expertise needed to achieve and fulfill the more robust type of auditing functions the City requires is better suited for a position in the Finance Department which will be guided by policy that clearly establishes professional protocols and procedures to mandate independence and non-conflicted work. The Assistant Finance Director is the best suited position in the Finance Department to incorporate these duties given its executive level and ability to drive enterprise wide audits. This position is currently in the final stages of the recruitment process and it is anticipated that the position will be filled in the August timeframe. Once the position is filled, and if the Council approves staff's recommendation, staff will bring forward an action for Council to appoint the newly hired Assistant Finance Director as City Auditor.

To ensure the independence of the City Auditor, the City Auditor will continue to provide an annual report to the City Council. As the City's audit program is strengthened, the City will work toward the City Council reviewing and approving an annual work plan of service areas or processes requiring audit and directly assign reviews to this position, in the City Auditor capacity (e.g., payroll process improvements, contract management, etc.). This position would be required to obtain proper certification and it is not uncommon for cities to structure these duties as such.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

FISCAL IMPACT

There is no fiscal impact related to this report. The duties of the City Auditor are being assigned to the Assistant Finance Director and the audit function will become part of the designated employee's routine job duties therefore, no additional stipend would be needed.

COORDINATION

This report was coordinated with the City Attorney's Office and the City Manager's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

ALTERNATIVES

1. Approve the Introduction of an Ordinance Repealing Section 2.20.050, "Performance of City Auditor's functions" and Amending Section 2.105 to include Performance of City Auditor Functions by Assistant Finance Director
2. Provide another direction to staff.

RECOMMENDATION

Approve the Introduction of an Ordinance Repealing Section 2.20.050, "Performance of City Auditor's Functions" and Amending Section 2.105 to include Performance of City Auditor Functions by

Assistant Finance Director

Reviewed by: Angela Kraetsch, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Ordinance Repealing Section 2.20.050, "Performance of City Auditor's functions" and Amending Section 2.105 to include Performance of City Auditor Functions by Assistant Finance Director