



Agenda Report

20-501

Agenda Date: 6/9/2020

REPORT TO COUNCIL

SUBJECT

Action on the Introduction of an Ordinance Repealing Section 2.105.015 (“Performance of City Auditor Functions”), Adding a New Chapter 2.29 (“Office of the City Auditor”), and Amending Chapter 2.30 (“Independent Auditor”) of the City Code to Change the Title to Independent External Auditor and Create the Independent Office of the City Auditor, and Adopt a Resolution Approving and Adopting a Class Specification for the Position of City Auditor [Council Pillar: Enhance Community Engagement and Transparency]

BACKGROUND

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.

Charter Section 902 provides that the City Council may expand the scope of duties of the City Auditor by ordinance.

Charter Section 902, “Appointive officers; duties”:

Each appointive officer shall perform the duties imposed upon him/her by this Charter, by ordinance, or resolution and, if under jurisdiction of the City Manager, shall perform such other duties relating to his/her office as may be required of him/her by the City Manager.

On July 10, 2018, the City Council adopted Ordinance 1982 to appoint an Assistant Director of Finance (Job Code 022) to the position of City Auditor. The Ordinance also expanded the role of the City Auditor to include the internal audit duties of conducting in-depth financial and performance audits, and overseeing the City's performance management system, with the intention of creating an independent internal audit function for the City.

On February 11, 2020, the City Council reviewed the options related to the assigned responsibilities of the City Council appointed City Auditor position. The City Council selected to maintain a hybrid internal audit model, which consists of in-house and outsourced or co-sourced audit services. The hybrid model was necessary to preserve the independence required in the internal audit function because the City Auditor is also an Assistant Director of Finance under the purview of the Appointing Authority (City Manager). At that meeting the Council also approved the Assistant Director of Finance /City Auditor's request to be relieved from the City Auditor position and transfer back to operations and assist the Director of Finance with City operations under the Assistant Director of Finance role, and directed staff to start the recruitment process for a new City Auditor.

In order to provide the appointed City Auditor with a more independent role, staff is proposing an Ordinance repealing Section 2.105.015 ("Performance of City Auditor Functions") and adding a new Chapter 2.29 ("Office of the City Auditor") and amending Chapter 2.30 ("Independent Auditor") of the Code of the City of Santa Clara. As part of the proposed structure, staff also prepared a resolution requesting for Council approval to adopt a Class Specification for the Position of City Auditor.

In addition to the work allocated to the City Auditor under Charter and Ordinance provisions described above, Section 1319 of the City Charter requires that the City hire an independent external certified public accounting firm annually to "audit the books, records and accounts of all officers and employees of the City who receive, administer or disburse public funds, and such other officers, employees, departments and agencies as the Council may direct and provide a final audit report to Council." Additional information and requirements regarding the content of the final financial audit report described in Charter Section 1319 are contained in SCCC Chapter 2.30 ("Independent Auditor"). This is an entirely separate audit function from that assigned to the City Auditor, but management of the contract for this work shall be assigned to the City Auditor. For the purposes of clarity and to avoid confusion, the proposed ordinance changes the title of this Chapter to "Independent External Auditor."

DISCUSSION

Professional skills have evolved since the drafting of the City Charter duties and, as such, the City Auditor skills, technical, independence, and reporting requirements have also changed. The proposed Ordinance and Resolution will formally create an independent Office of the City Auditor and a new classification titled City Auditor. The proposed formation meets the structural and increasing needs of the City Auditor's Office. Currently, the Assistant Director of Finance is serving in the City Auditor role.

The proposed new Chapter 2.29 sets forth a more detailed and robust list of the various duties assigned to the position by Council under Charter Section 902, and makes clear that the Office is independent of the Finance Department.

The new City Auditor classification will more appropriately align the class with the functions of the position serving as the City Auditor's Office lead, rather than the Assistant Director of Finance

classification. This position will also perform the most complex work within the Office and provide direction to staff, including in-house and outsourced or co-sourced audit services, on work assignments. In addition, this new classification will also align to the position's role operating under the purview of the City Council rather than within the Finance Department as the Assistant Director of Finance under the purview of the City Manager. Furthermore, the Council appointed positions of City Manager and City Attorney have qualifications set forth in the City Charter; the City Auditor position does not have qualifications set forth in the City Charter. Having a clear and detailed job description will aid in recruitment efforts. Therefore, the proposed new Chapter 2.29 creates a set of qualifications (adopted by Resolution of the Council) for the position.

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 additional fiscal impact to add the City Auditor classification. The FY 2019/20 and FY 2020/21 Adopted Biennial Operating budget includes two Assistant Director of Finance positions, with one of these positions serving as the lead for the City Auditor's Office. Following approval of the City Auditor classification, one Assistant Director of Finance position will be deleted in order to add one City Auditor position.

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>>.

RECOMMENDATION

1. Approve the Introduction of an Ordinance Repealing Section 2.105.015 ("Performance of City Auditor Functions") and creating a new Chapter 2.29 ("Office of the City Auditor") and amending Section 2.30 ("Independent Auditor") of the Code of the City of Santa Clara;
2. Approve the creation of the City Auditor class specification; and
3. Adopt a Resolution to approve the class specification for the position of City Auditor.

Reviewed by: Linh Lam, Assistant Finance Director/City Auditor

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Ordinance
2. Resolution
3. Exhibit A: Specification for the Position of City Auditor