

CITY OF TALLAHASSEE

CITY COMMISSION AGENDA ITEM

ACTION REQUESTED ON:	November 22, 2011
SUBJECT/TITLE:	City Commission Policy 104
TARGET ISSUE:	N/A

STATEMENT OF ISSUE

City Commission Policy #104 (Audit Policy) directs the work of the City Auditor to include responsibilities for planning audits, exercising due professional care for each engagement, and for reporting instances if irregularities to the City Commission and others . The Policy was last revised in November 2006 and has served the City well. The members of the City Audit Committee have reviewed the policy and have one recommended change for Commission consideration. Currently, the City Auditor has the responsibility to report to the City Commission, the appropriate Appointed Official, the City Attorney, and law enforcement indications of irregularities discovered to include fraud or illegal acts or violations of law by a City officer or employee. The City Audit Committee suggests notification of such irregularities also include the Chair of the City Audit Committee.

RECOMMENDED ACTION

Approve suggested changes to City Commission Policy section 104.06. The Chair of the City Audit Committee may have additional insight into the audit of indications of irregularities and should be made aware of the diversion of audit staff to such audits and how that will impact completion of other audits on the approved audit plan.

FISCAL IMPACT

None

ATTACHMENTS/REFERENCES

Proposed City Commission Policy 104

Sam M. McCall
City Auditor

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City Commission Policy 104 - Audit Policy

DEPARTMENT: City Auditor

DATE ADOPTED: April 22, 1987

DATE OF LAST REVISION: November 21, 2006

104.01 AUTHORITY: City Commission.

104.02 SCOPE AND APPLICABILITY: This policy applies to all appointed officials under the City Commission's authority. It directs all work performed by the Office of the City Auditor (Auditing Department/Department) on behalf of the City Commission.

104.03 CITY AUDITOR RESPONSIBILITIES:

- I. Assistants and Employees: The City Auditor shall have such assistants and employees as are necessary to perform his/her duties and that are provided for by the City Commission.
- II. Nature, Objective and Scope of Audit Work:
 - A. The Department is an independent assurance and advisory activity within the City organization for the review of operations as a service to the City Commission and to management. Audit work carried out by the Department measures and evaluates the effectiveness of risk management, internal control, and governance processes.
 - B. The objective of audit work carried out by the Department is to assist all members of the City Commission and City management in the accomplishment of City goals and objectives and effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, and pertinent comments concerning the activities reviewed.
 - C. The scope of audit work carried out by the Department may be concerned with any phase of City activities where service may be rendered to the City Commission or to City management. This involves conducting performance audits and engagements that address financial, compliance, information technology, or programmatic aspects of City activities and functions. The scope of work may include but is not limited to:
 1. Assessing risks and appraising the soundness, adequacy, and application of accounting, administrative, and other operating controls and promoting effective control at reasonable cost.
 2. Ascertaining the extent of compliance with applicable laws and regulations and with established policies, plans, and procedures.
 3. Ascertaining the extent to which City assets are accounted for and safeguarded from losses of all kinds.
 4. Ascertaining the sufficiency, validity and reliability of accounting and statistical data and performance measures developed and reported within the organization.
 5. Appraising the economy, efficiency, and effectiveness of City organizations, programs, functions and activities.

6. Assessing whether programs are achieving intended results or whether alternative policies or program objectives may yield improved performance or service delivery.
7. Recommending actions to the City Commission and City management to improve operations.

II. Responsibility to Exercise Due Professional Care:

- A. In carrying out his/her responsibilities, the City Auditor is to use professional judgment, reasonable care, and diligence in planning and performing audits and in reporting results. This requires that the City Auditor perform his/her duties in a professional manner, making all reasonable efforts to ensure that audit results are supported by factual information and impartial judgment.
- B. This provision recognizes that the quality of audit results depends upon the degree to which auditors employ high professional standards in performing their work and places responsibility on the City Auditor for making reasonable efforts to ensure this is done. It does not imply that the Auditing Department nor individual auditors accept unlimited responsibility for disclosing impropriety, inefficiency, ineffectiveness or non-compliance. Nor does it imply infallibility on the part of the Auditing Department. Absolute assurance is not attainable because of the nature of evidence and limited resources.
- C. To provide reasonable assurance that due professional care will be employed in conducting audits, the City Auditor will establish audit standards, policies and procedures and will ensure that these are followed by audit staff. These standards, policies and procedures will be consistent with generally accepted professional practice and with applicable laws and regulations.
- D. To provide assurance that the City Auditor has fulfilled his/her responsibilities, the City Auditor with the approval of the Audit Committee shall, from time to time, employ an independent, qualified consultant to examine and evaluate the operations of the Auditing Department. The results of such evaluations shall be reported to the Audit Committee and City Commission.
- E. Neither the City Auditor nor any member of the Department staff shall conduct, supervise or otherwise participate in an audit of an activity for which they were operationally responsible or within which they were permanent employees during the preceding two years.

III. Responsibilities for Planning:

During the first quarter of each audit year the City Auditor shall submit an annual audit plan as approved by the Audit Committee to the City Commission for approval. The plan shall include identification of the scope of each audit to be conducted in terms of the organizations, programs, functions and activities to be audited.

Quarterly status reports of the annual audit plan, including amendments, shall be presented to the Audit Committee and transmitted to the City Commission.

104.04 SPECIAL ENGAGEMENTS AND AUDITS:

- I. Commissioners, the Audit Committee and Appointed Officials may request the City Auditor to perform special engagements or audits that are not included in the annual audit plan. Upon approval of the City Auditor, a special engagement or audit becomes an amendment to the annual

audit plan. In addition, the City Auditor may initiate special engagements and audits or investigations that he/she deems necessary. The Mayor and the Chairperson of the Audit Committee would be consulted prior to initiating the work, whenever possible.

- II. The City Auditor shall submit the report of a special audit to the Appointed Official, when applicable, in a form agreed upon by the City Auditor and the Appointed Official and shall notify the City Commission of its completion. Further dissemination of special engagement results will be at the discretion of the Appointed Official or upon request of the City Commission.

104.05 AUDIT COORDINATION: In the selection of audit areas, the determination of audit scope, and the timing of audit work, the City Auditor may consult and cooperate with federal and state auditors and the City's independent auditors so that desirable audit coverage is provided and audit effort may be properly coordinated.

104.06 REPORT OF IRREGULARITIES: If the City Auditor discovers significant indications of fraud or illegal acts, violations of law or apparent misfeasance, malfeasance, or nonfeasance by a City officer or employee, or information that indicates occurrences of this nature may be reasonably anticipated, he/she shall immediately report the matters to the Mayor, the appropriate Appointed Official, the City Attorney, [the Chair of the City Audit Committee](#), and, in addition, law enforcement as appropriate.

104.07 AUDIT REPORTS TO THE CITY COMMISSION:

- I. The City Auditor shall report the results of each audit conducted by the Department.
- II. The City Auditor shall submit each report to the City Commission and shall retain a copy in his/her office as a permanent record.
- III. If appropriate, the audit report shall contain the professional opinion of the City Auditor or the contract auditor, or, if an opinion cannot be expressed, then a declaration that an opinion cannot be expressed with an explanation.
- IV. Audit reports and related working papers shall be available for public inspection in accordance with applicable law and policy.

104.08 REPORT PROCESSING PROCEDURES:

- I. Upon completion of the final draft of an audit report, and prior to submission of the report to the City Commission, the City Auditor shall transmit a copy of the report to management of the audited entity and to other appropriate officials for review for a period to be established by the City Auditor.
- II. The applicable Appointed Official's response and related management action plans will be included in the audit report issued to the City Commission by the City Auditor. The action plans should include planned actions to address each condition statement/recommendation, an implementation date and responsible employee or position.
- III. Alternative procedures may be used upon mutual agreement of all affected Appointed Officials. The City Auditor shall identify those transmittals that do not require a response from management.

104.09 RESPONSIBILITIES FOR FOLLOW-UP AUDITS:

- I. The City Auditor shall follow up on the implementation of management's action plans to determine what actions have been taken by the appropriate officials regarding the condition statements and recommendations included in the report.
- II. The City Auditor shall report the results of those follow-ups to the City Commission.
- III. Further follow-up reviews will be conducted upon the request or approval of the City Commission or the Audit Committee.

104.10 RECORDS: The City Auditor shall retain for at least three years a complete file of each audit and of other examinations, investigations, surveys, and reviews made under his/her authority. The file should include audit workpapers and other material supporting the report.

104.11 ACCESS TO RECORDS, PROPERTY, AND PERSONNEL:

- I. All officers and employees of the City shall furnish to the City Auditor information and records within their custody regarding powers, duties, activities, organization, property, financial transactions, and methods of business that the City Auditor requires to conduct an audit and to perform his/her duties. In addition, they shall provide access for the City Auditor to inspect all City property, equipment, and facilities within their custody, to observe any operations for which they are responsible, and to interview all personnel having responsibilities relating to the audit.
- II. The City Auditor may audit all contracts with outside grantees, contractors, and subcontractors and shall have access to all financial and performance related records, property, and equipment purchased in whole or in part with City funds.

104.12 CONTRACT AUDITORS, CONSULTANTS AND EXPERTS: Upon approval of the City Commission, the City Auditor may obtain the services of certified or registered public accountants, qualified management consultants, or other professional experts necessary to perform the City Auditor's duties. Audit work that is performed by contract must be conducted by persons who have no financial interests in the affairs of the City or its officers.

104.13 ADMINISTRATION: The Auditing Department shall be responsible for the administration of this policy. Any substantial changes, additions, or deletions to this policy shall be approved by the City Commission.

104.14 SUNSET REVIEW: This policy shall be effective upon approval for a period of five (5) years and shall automatically be extended for an additional five (5) years unless terminated by the City Commission.

104.15 EFFECTIVE DATE: Established: April 22, 1987

Revised: February 26, 1992

Revised: March 11, 1998

Revised: November 21, 2006