

DRAFT CITY AUDITOR RESPONSIBILITIES AND ADMINISTRATIVE PROCEDURES

December 23, 2020

SECTION 1. Selection of City Auditor.

(a) The City Auditor shall hold office for two years and until a successor shall be chosen. The City Auditor must be knowledgeable in public administration, public financial and fiscal theory, municipal accounting, and auditing, and must be licensed as a Certified Public Accountant. The City Auditor shall be a resident of the City of Dallas.

(b) At the end of a City Auditor's term and in accordance with Dallas City Code, Section 2-17.2(f), the City Council Government Performance and Financial Management Committee may, on its initiative or at the direction of the City Council, act as a nominating commission and, by a majority vote, nominate the incumbent City Auditor for reappointment by the full City Council. If a majority of the Government Performance and Financial Management Committee does not vote to nominate the incumbent City Auditor for another term, or if, upon receiving the nomination from the Government Performance and Financial Management Committee, a majority of the City Council does not vote to reappoint the incumbent City Auditor for another term, then the nominating process prescribed in Dallas City Code, Section 2-17.2, Selection of City Auditor; Nominating Commission, subsections (a) through (e), should be followed.

SECTION 2. Assistants and Employees.

The City Auditor shall have the power to appoint, employ, and remove such assistants, employees, and personnel that are provided for by the City Council. The City Auditor may prescribe their duties, scope of authority, and qualifications.

SECTION 3. Nature, Objective, and Scope of Audit Work.

(a) The Office of the City Auditor serves the public interest as an independent, objective assurance and advisory activity designed to add value and improve the City's operations. The Office will reside within the City's organizational structure as an independent entity reporting to the City Council and administratively reporting to the City Council Government Performance and Financial Management Committee.

(b) The objective of audit work carried out by the Office is to assist all members of the City Council and City management in the 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 Office may be concerned with any phase of activities for which funding is appropriated by the City or which the City provides a guarantee of long-term indebtedness, or the City is responsible as trustee. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review and includes such activities as:

- (1) ascertaining City organizations, programs, functions, and activities are achieving their objectives and desired outcomes;
- (2) ascertaining operations, safety, environmental, fiscal, information technology, and fraud risks are identified and managed by effective controls at a reasonable cost;
- (3) ascertaining the extent of compliance with applicable laws and regulations and with established policies, plans, and procedures;
- (4) ascertaining the extent to which City assets are accounted for and safeguarded from losses of all kinds;
- (5) ascertaining the sufficiency, validity, and reliability of information developed for, by or within the organization;
- (6) appraising whether government services are provided effectively, efficiently, economically, and ethically;
- (7) determining if indications of fraud, waste, abuse, or illegal acts are valid and need further investigation; and
- (8) recommending measures to the City Council and City management for improving operations.

SECTION 4. Nature, Objective, and Scope of Investigation Work.

(a) The City Auditor, through the authorization of the City Council as provided in Council Resolution 98-0751 and in accordance with Chapter III, Section 18 of the City Charter, is authorized to make independent investigations into City affairs, and for that purpose may subpoena witnesses, administer oaths and compel the production of books, papers, and other evidence material to said inquiry.

(b) The objective of investigation work carried out by the Office is to assist all members of the City Council and City management in the effective discharge of their responsibilities by furnishing them with facts, analyses, recommendations, and pertinent comments concerning the activities reviewed.

(c) The scope of investigation work carried out by the Office may be concerned with any phase of activities for which funding is appropriated by the City or which the City provides a guarantee of long-term indebtedness, or the City is responsible as trustee.

(d) The City Auditor, through the authorization of the City Council as provided in Council Resolution 92-0779, and as further enumerated in Administrative Directive 2-14: Fraud, Waste and Abuse Procedures, is authorized to implement and operate a fraud hotline, and open and close investigations arising from complaints made to the hotline.

(e) As provided in Section 12A-26 (g) of the Dallas City Code, Code of Ethics, if the City Auditor determines that a complaint it receives through the hotline states a violation of Chapter 12A, the City Auditor may refer the complaint to the City Secretary for direct review by a preliminary panel of the

Ethics Advisory Commission. If the City Auditor receives the complaint anonymously, then the City Auditor shall act as the complainant for purposes of the preliminary panel review.

SECTION 5. Verifying Accounting Accuracy of Financial Records.

(a) The Office's responsibility for appraising and verifying the accounting accuracy of financial records, statements, and reports, and determining that generally accepted accounting principles and procedures are followed will be fulfilled following Chapter III, Section 19 of the City Charter; the City Council shall cause the annual financial statements and related records and accounts of the City to be audited annually by an external firm registered with the Texas State Board of Public Accountancy as a firm practicing public accountancy.

(b) The City Auditor may assess the validity of accounting systems, controls, financial records, statements, and reports, and determine that generally accepted accounting principles and procedures are followed during audits of specific financial statement cycles and related financial matters.

SECTION 6. Monitoring and Evaluating the City's Accounting and Property Records, Funds, General Accounting System, and Records.

The Office's responsibility for monitoring and evaluating the City's accounting and property records, funds, general accounting system, and records of City officers authorized to receive money or other property belonging to the City will be accomplished through reviews of the effectiveness of existing City monitoring programs. The Office of the City Auditor may perform monitoring efforts when high risk processes are not effectively monitored by an existing City monitoring program.

SECTION 7. Responsibility to Exercise Due Professional Care.

(a) The City Auditor is to exercise due professional care when carrying out responsibilities related to the position. This requires that the City Auditor perform all duties professionally, making all reasonable efforts to ensure that audit and investigation results are supported by factual information and impartial judgment.

(b) To provide reasonable assurance that due professional care will be employed in conducting audits and investigations, the City Auditor will establish audit and investigation standards, policies, and procedures and will ensure that assistants, employees, and personnel follow these. These standards, policies, and procedures will be consistent with generally accepted professional practices and applicable laws and regulations.

(c) To assure that the City Auditor has fulfilled these responsibilities, the City Council shall, from time to time, employ an independent, qualified consultant to examine and evaluate the operations of the Office. The results of such evaluations shall be reported directly to the City Council.

(d) Neither the City Auditor nor any member of the Office staff shall conduct, supervise, or otherwise participate in an audit of an activity for which they were responsible or within which they were employed during the preceding two years.

SECTION 8. Responsibilities for Planning.

(a) The City Auditor shall develop and submit for approval by the City Council Government Performance and Financial Management Committee a general strategic plan to execute the City Auditor's responsibilities. If needed, the strategic plan will be updated as part of the annual audit planning process described in subsection (b) below. The strategic plan shall include, but shall not necessarily be limited to:

- (1) a statement of general goals and objectives to be accomplished;
- (2) projected staff requirements;
- (3) personnel skills to be developed;
- (4) projected changes in internal organizational structure and the assignment of responsibilities to staff;
- (5) identification of areas to be audited; and
- (6) general plans for the use of outside consultants or temporary personnel in conducting audits.

(b) Before the beginning of each fiscal year, the City Auditor shall submit an annual audit plan using an appropriate risk-based methodology to the City Council Government Performance and Financial Management Committee that will ensure audit activities have been directed toward the highest exposure to risk and increasing efficiency, economy, equity, and effectiveness of programs. The City Council Government Performance and Financial Management Committee will review the plan and recommend approval of the annual audit plan to the City Council. The City Auditor will consider the scope of work of external auditors and regulatory agencies, as appropriate, to provide optimal audit coverage.

(c) The annual audit plan shall include identifying the scope of each audit to be conducted in terms of the organizations, programs, functions, or activities to be audited and, in terms of the audit, projected elements to be addressed.

(d) The annual audit plan may be amended during the year with the recommendation of the City Council Government Performance and Financial Management Committee and approval of the City Council.

(e) The City Auditor may initiate and conduct any other audits deemed necessary with the subsequent concurrence of the City Council Government Performance and Financial Management Committee and approval of the City Council.

SECTION 9. Special Audits and Other Projects.

(a) Upon the death, resignation, removal, or expiration of the term of any officer of the City, other than the City Auditor, the City Auditor shall cause an audit and investigation of the accounts of such officer to be made and shall issue a report to the City Manager and the City Council as prescribed in the City Charter, Chapter IX, Section 4, Special Audit.

(b) Upon the City Council's request, the City Auditor shall review and verify the reasonableness of the revenue estimates included in the proposed budget or other selected portions of the proposed budget submitted to the City Council by the City Manager. The review will be conducted according to priorities set by the City Council.

(c) The City Auditor is authorized to conduct audits, attestation engagements, or other professional services for City Councilmembers, provided the request will not impact the completion of the Audit Plan. If, in the judgment of the City Auditor, a request will impact the completion of the Audit Plan, the City Auditor is to request the concurrence of the engagement from the City Council Government Performance and Financial Management Committee and approval of the City Council as an amendment to the Audit Plan.

(d) The City Manager may request the City Auditor to perform special audits that are not included in the annual audit plan. Upon: (1) concurrence of the City Council Government Performance and Financial Management Committee's engagement; and, (2) approval of the City Council, a special audit requested by the City Manager becomes an amendment to the annual audit plan. The City Auditor shall submit the report of a special audit to the City Manager in a form agreed upon by the City Auditor and the City Manager and shall notify the City Council of its completion.

(e) The City Auditor shall provide an attestation engagement on all construction projects with an estimated contract award of \$50 million and greater before City Council consideration for approval, as prescribed in City Administrative Directive 4.05, Contracting Standards and Procedures, Section 9.5.5, Construction Contracts.

(f) The City Auditor's Office shall review the City Secretary's meeting attendance records, and report to the City's Chief Financial Officer if any Councilmember missed more than ten percent of Council meetings, thereby incurring a proportionate reduction in compensation as prescribed in the City Charter, Chapter III, Section 4(e), Compensation of Members of City Council, and Council Rules of Procedure, Section 4.13(b), Absences from City Council Meeting.

SECTION 10. Audit Coordination and Notification of Audit Activities.

(a) 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 external auditors so that desirable audit coverage is provided, and audit effort may be properly coordinated.

(b) The engagement plans and final reports for all financial, performance, operational, and other audit activities or external consulting assessments conducted on behalf of the City shall be communicated timely to the City Auditor.

SECTION 11. Report of Irregularities

(a) The City Auditor discovers apparent violations of law or apparent instances of misfeasance or nonfeasance by a City officer or employee or information that indicates occurrences of this nature may be reasonably anticipated, the City Auditor shall immediately report the irregularities in

writing to the Mayor, to the Chairman of the City Council Government Performance and Financial Management Committee, City Attorney, and to the City Manager.

(b) The City Council may meet in executive session when scheduled by the Mayor upon request by the City Auditor to discuss an on-going investigation or confidential investigation report, and when it follows the Texas Open Meetings Act as prescribed in City Council Rules of Procedure, Section 2.10. Executive Sessions.

SECTION 12. Audit Reports to the City Council.

(a) The City Auditor shall prepare a written report of each audit's results conducted by the Office.

(b) The City Auditor shall submit each report, except confidential audits, to the City Council.

(c) The City Auditor shall include in the audit reports:

- (1) a statement of the scope encompassed by the audit;
- (2) a statement of the material audit observations;
- (3) recommendations for desirable action; and
- (4) response submitted by the audited department, board, or agency relevant to the audit observations.

(d) The City Council may meet in executive session when scheduled by the Mayor upon request by the City Auditor to discuss an on-going audit or confidential audit report, and when it follows the Texas Open Meetings Act as prescribed in City Council Rules of Procedure, Section 2.10. Executive Sessions.

SECTION 14. City Council Meeting Participation.

In accordance with City Council Rules of Procedure, Section 2.9. City Auditor Participation, the City Auditor or designated assistant city auditor shall be available in City Hall during all City Council meetings to respond to City Council's inquiries. Upon the request of any City Councilmember, the City Auditor shall attend the briefing or deliberation of any specific agenda item.

SECTION 15. Report Processing Procedures.

(a) Upon completion of the final draft of an audit report, and before submitting the report to the City Council, the City Auditor shall transmit a copy of the report to the management of the audited entity and other appropriate officials for review.

(b) Within 15 business days after receiving the final draft report, the appropriate officials will prepare an official written response to the observations and recommendations within the report and transmit the response to the City Auditor. The official written response will be included in the audit report issued to the City Council by the City Auditor. If no response is received, the City Auditor will note that

fact in the transmittal letter and will release the audit report. Any subsequent response shall be distributed to those who received the audit report.

(c) To the extent permitted by law, all final reports will be prepared in a searchable electronic format and posted on the Office internet page within two business days of report issuance.

SECTION 16. Responsibilities for Follow-Up on Audits.

(a) The City Auditor shall follow-up on high-impact audit recommendations to determine whether corrective action has been implemented. The City Auditor will request status reports from audited entities annually regarding actions taken to address all reported audit recommendations.

(b) Further follow-up reviews will be conducted upon the request or approval of the City Council or a committee of the City Council.

SECTION 17. Access to Employees, Records, and Property.

(a) To the extent permitted by law, all officers and employees of the City shall furnish all information and records within their custody regarding powers, duties, activities, organization, properties, information systems, financial transactions, agreements, methods of business, and personnel required by the City Auditor or authorized designees to complete their duties. Such authority includes, but is not limited to, the ability to review, research, conduct interviews, along with the ability to have access to any and all necessary documentation as described in this subsection. In addition, all officers and employees of the City shall provide access for the City Auditor or authorized designees to inspect all City property, equipment, and facilities within their custody and to observe any operations for which they are responsible.

(b) All contracts with outside contractors and subcontractors shall contain a "right-to-audit" clause and provide upon request from the City Auditor unrestricted access to the contractor's employees and to all financial and performance-related records, property, and equipment purchased in whole or in part with governmental funds.

(c) City Auditor personnel are individually responsible and accountable for maintaining the confidentiality of the information they receive during their work and complying with any other regulatory requirements necessitated by their being granted such access. City Auditor personnel shall not publicly disclose any information received during an audit or investigation that is considered confidential in nature by any local, state, or federal law or regulation.

SECTION 18. Records.

The City Auditor shall retain a complete file of each audit report and each report of other examinations, investigations, surveys, and reviews following the City's record retention policy. The file should include working papers and other supportive material directly pertaining to the report.

SECTION 19. Annual Report.

The City Auditor shall submit an annual report to the City Council, during the first quarter of each fiscal year, indicating audits completed, investigations completed, major concerns, corrective actions completed, and high-impact observations that have not been fully addressed by management. Additionally, the report will indicate whether there are any unwarranted restrictions on the Office of the City Auditor's staffing, any threats to City Auditor independence, and any restrictions on access by City Auditor personnel to organization records, agreements, information systems, properties, or personnel.

SECTION 20. City Auditor Annual Budget.

The City Auditor, following Chapter XI, Section 2 of the City Charter, shall furnish a detailed budget estimate of the needs and requirements of the City Auditor's Office for the coming year directly to the City Council, to be approved by the City Council, and then consolidated with the City Manager's annual budget estimate.

SECTION 21. Contract Auditors, Consultants, and Experts.

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 performed by a contractor must be conducted by persons who have no financial interest in the affairs of the City or its officers.

SECTION 22. Board of Trustees Member – Employees' Retirement Fund.

The City Auditor shall act as one of the seven members of the board of trustees for the employees' retirement fund of the City of Dallas, as enumerated in Section 40A-2(c)(1)(C) of the Dallas City Code, Retirement.