

**Article 2.78**  
**CITY AUDITOR**

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**2.78.010 Office of City Auditor.**

(1) The city has an office of the city auditor consisting of the city auditor and such additional staff as determined by the council upon the recommendation of the city auditor. The city auditor is appointed based upon professional qualifications and experience and may be removed from office by a majority vote of the entire council. The staff of the auditor may be appointed and may be removed by the auditor in consultation with council.

(2) The council annually reviews the performance and salary of the city auditor. The city auditor annually reviews the salary of the auditor's staff. Compensation for the city auditor and auditor staff shall be set by council.

(3) The city auditor and auditor staff receive retirement benefits, vacation, holiday, sick leave benefits, and other fringe benefits.

(4) The Office of the City Auditor will adhere to Government Auditing Standards issued by the Comptroller General of the United States in conducting its work and will be considered independent as defined by those standards.

(5) The Auditor shall not be actively involved in partisan political activities or the political affairs of the city of Gresham.

(6) Subject to available resources, the Office of City Auditor shall be provided a separate budget sufficient to carry out the responsibilities and functions established in this article.

(Ord. No. 1613, Amended, 09/06/2005; Ord. No. 1603, Enacted, 05/19/2005)

## **2.78.020 Duties.**

The city auditor, with consent of council, has the following duties:

(1) Planning, conducting, evaluating, and monitoring results of management, performance, and financial audits of city operations and programs as identified by the city council. This work involves evaluating organizational efficiency and effectiveness; evaluating compliance with legal and administrative requirements; testing the adequacy of internal financial and management controls; and assessing waste, loss and abuse of resources.

(2) Develops annual audit program plans and timelines that incorporate identified council priorities.

(3) Selects and develops the appropriate audit methods to carry out assignments. Conducts surveys of potential audit areas, and audits city programs and operations to determine if established objectives, outcomes, and expected performances are achieved.

(4) Evaluates whether resources are used economically and efficiently; tests for legal sufficiency or compliance; conducts special financial evaluations of City accounts, systems and records; and identifies areas of improvement and proposes solutions.

(5) Gathers, interprets and analyzes information using statistical software and other tools. Prepares narrative audit reports.

(6) Prepares and makes presentations to the City Council, Executive Management Team, advisory committees, and other city staff and public.

(7) Present proposed office of auditor budget to council for review and comment as part of the annual city budget.

(8) Submit quarterly reports to the council concerning the status of all pending audits and projects and the status or progress of any implementation recommendations.

(Ord. No. 1613, Amended, 09/06/2005; Ord. No. 1603, Enacted, 05/19/2005)

## **2.78.030 Scope of Audits.**

The Auditor shall have authority to conduct performance or other audits of all departments, offices, activities, functions, programs, and subcontractors of the city in order to independently and objectively determine whether:

(1) Activities and programs being implemented have been authorized by city charter or code, state law or applicable federal law or regulations;

(2) Activities and programs are being conducted in a manner contemplated to accomplish the objective intended by city charter or code, state law or applicable federal law or regulations;

(3) Activities or programs efficiently and effectively serve the purpose intended by city charter, code, state law or applicable federal law or regulations;

(4) Activities and programs are being conducted and funds expended in compliance with applicable laws;

(5) Revenues are being properly collected, deposited, and accounted for;

(6) Resources, including funds, property, and personnel are adequately safeguarded, controlled, and used in an effective and efficient manner;

(7) Financial and other reports are being provided that disclose fairly and fully all information required by law, necessary to ascertain the nature and scope of programs and activities, and necessary to establish a proper basis for evaluating the programs and activities;

(8) There are adequate operating and administrative procedures and practices, systems or accounting internal control systems, and internal management controls established by management; or

(9) There are indications of fraud, abuse or illegal acts that need further investigation.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.035 Non-Audit Services.**

(1) To ensure the City Auditor's independence is not impaired by providing certain services, the City Auditor shall not provide non-audit (consulting) services. The City Auditor shall decline to provide non-audit services based on two overarching principles as defined in Government Auditing Standards:

(a) Audit organizations should not provide non-audit services that involve performing management functions or make management decisions; and

(b) Audit organizations should not audit their own work or provide non-audit services in situations where the non-audit services are significant/material to the subject matter of audits.

(2) As described in Government Auditing Standards, the City Auditor may provide routine activities that are considered insignificant to the subject matter of future audits and that are exempt from the independence safeguards of the standards that apply to non-audit service. The following are some of the activities that can be provided by the City Auditor without impairing independence and requiring the auditor to apply non-audit safeguards:

(a) Serving on committees or taskforces in a purely advisory capacity to advise the City on issues related to the knowledge and skills of the auditor;

(b) Providing advice to assist programs, establish internal controls, or implement audit recommendations;

(c) Answering technical questions or providing training on auditing, management, organizational, or other topics; and

(d) Providing tools or methodologies such as best practice guides, benchmarking studies, or internal control assessments.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.040 Audit Committee.**

(1) The City Auditor shall establish an Audit Committee for the purpose of protecting the independence of the city audit program. The Auditor shall consult with the Committee regarding establishment of an audit plan, audit progress, audit follow-up and special needs, and shall work to assure maximum coordination between the work of the Auditor and needs of the organization, the city council, and external peer review auditors.

(2) The Audit Committee shall be comprised of the mayor, two council members, and a member of the Finance Committee. All appointees shall be independent of the City's management and administrative service. Committee members shall serve for two years, serving from July 1 to June 30, and may be re-appointed at the end of the two-year term. The length of a member's term may be modified as necessary to provide continuity of Audit Committee Membership.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.050 Annual Audit Plan.**

(1) At the beginning of each fiscal year, the Auditor shall submit an annual audit plan to the Audit Committee for review and comment. The proposed plan for auditing shall include the departments, offices, activities, functions, programs, and projects and contractors identified for audit during the year. This plan may be amended during the year after consultation with the Audit Committee. Additionally, the Auditor may spontaneously initiate and conduct any other audit deemed necessary.

(2) In consultation with the Audit Committee, the Auditor will select topics based on potential for cost savings and service improvements, level of public and city council interest, evidence of problems or wrongdoing, risk of loss or abuse, and availability of audit staff.

(3) The annual audit plan shall be presented to the city council at a regularly scheduled business meeting.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.060 Special Audits.**

(1) The city council may request the Auditor perform special audits that are not included on the annual audit plan. Such requests shall be directed to the Audit Committee Chair. After consultation with the Audit Committee, the Auditor may amend the annual audit plan to include the special audit.

(2) Special audit reports will be handled in the same manner as regular audit reports, except that if the audit involves matters that are confidential, privileged, or are otherwise exempt from disclosure under applicable state or federal law, reporting and/or disclosure of results may be limited to the city council or as required by law.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.070 Access to Employees, Records, and Property.**

(1) All city officers, employees, and authorized agents and contractors of the city shall furnish the Auditor with unrestricted access to employees, information, and records (including automated data) within their custody necessary or required to conduct an audit or otherwise perform audit duties. In addition, they shall provide access for the Auditor to inspect all property, equipment, and facilities within their custody.

(2) If such officers, employees, contractors, or agents fail to permit access and/or provide the requested information, the auditor may, without fee, cause a search to be made and exhibits to be taken from any book, paper, or record of any such official or employee, or outside contractor or subcontractor, except as governed by statute, and every office having the custody of such records shall make a search and forward such requested exhibits to the Auditor.

(3) Auditor shall also be provided unrestricted access to the records of outside contractors providing goods or services to the city that is in any way related to the performance of the contract with the city, including all relevant financial records. All city contracts shall contain provisions acknowledging the Auditor's right to such access.

(4) The Auditor shall not disclose any information received during an audit involving matters that are confidential, privileged, or are otherwise exempt from disclosure under applicable state or federal law. Disclosure and/or reporting in such cases may be limited to the city council or as required by law.  
(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.080 Audit Reports.**

(1) Each audit will result in a written report containing relevant background information, findings, and recommendations. The report shall be provided to the City Council, Audit Committee, and the City Manager. Except as may be required by law, the report shall also be available for public examination.

(2) In addition to the written report, the Auditor shall meet with the Audit Committee to orally review the audit report.

(3) The City Clerk shall retain the original audit report as a permanent record. The Auditor shall also retain a copy of the report together with the supporting materials necessary to complete the audit.  
(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.090 Views of Responsible Officials.**

(1) Prior to public disclosure of an audit, a final draft of each audit report will be forwarded to the official responsible for the audited project or program and the City Manager for review and comment regarding factual content of the report. The responsible official and/or City Manager must respond in writing specifying agreement or disagreement with audit findings and recommendations, reasons for disagreement with findings and/or recommendations, plans for implementing solutions to issues identified, and a timetable to complete such activities. The response must be received by the Auditor within five (5) working days.

(2) The final audit report will include the views of the responsible official of the audited programs concerning the Auditor's findings, conclusions, and recommendations, as well as planned corrective actions. If the responsible official does not respond within the specified timeframe, the Auditor will note that fact in the audit report. In the case of contracted audits, audits may be released without inclusion of a response.  
(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.100 Audit Follow-up.**

The Auditor shall follow-up on audit recommendations as practical to determine if administrative managers are implementing corrective action. The Auditor may request periodic status reports from audited programs regarding actions taken to address reported deficiencies and audit recommendations.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.110 Retention of Records.**

Complete files of each audit report and each report of other examinations, investigations, surveys and reviews made under the Auditor's authority shall be retained for a minimum of ten (10) years, or longer if so required by state law. The file should include audit documentation and other supportive material directly pertaining to the audit report.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.120 Annual Report.**

The Auditor shall submit an annual report to the city council in September of each year indicating audits completed in the preceding fiscal year, major findings, corrective actions taken by administrative managers, and significant findings that have not been fully addressed by management.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.130 Report of Irregularities.**

If during an audit, the Auditor becomes aware of apparent abuse or illegal acts or indications of such acts that could affect the City, the Auditor shall report the irregularities to the City Council, the Audit Committee or the City Manager. If it appears that the irregularity is criminal in nature, the Auditor shall also immediately notify the City Attorney and, if appropriate, the chief prosecuting authority.

(Ord. No. 1613, Enacted, 09/06/2005)

#### **2.78.140 Contract Auditors, Consultants, and Experts.**

(1) Within budget limitations and with the consent of council, the Auditor may obtain the services of certified public accountants, qualified management consultants, or other professional experts necessary to perform the Auditor's duties. An audit that is performed by contract must be conducted by persons who have no financial interests in the affairs of the governmental unit or its officers. The Auditor will coordinate and monitor audits performed by public accounting or other organizations employed under contract.

(2) The Auditor will play a key role in the selection of outside independent auditors to conduct the City's annual financial statement audit. In contracting for the external audit, the Auditor will ensure that the city's contracting processes are followed. Selection of a certified public accounting firm for the annual financial audit must be approved by Council.

(Ord. No. 1613, Enacted, 09/06/2005)

## **2.78.150 External Quality Assurance Reviews.**

(1) The audit activities of the Auditor's Office shall be subject to quality review in accordance with applicable Government Auditing Standards by a professional, non-partisan objective group utilizing guidelines endorsed by National Association of Local Government Auditors. A copy of the written report of this independent review shall be provided to the city council and made available to the public.

(2) The quality control review shall determine compliance with Government Auditing Standards and the quality of the audit effort and reporting, including:

- (a) General standards such as staff qualifications, due professional care, and quality assurance;
- (b) Fieldwork standards such as planning, supervision, and audit evidence; and
- (c) Reporting standards such as report content, presentation, and timeliness.

(3) The quality control review shall be conducted within three (3) years of the start of the audit function and at least once every three (3) years thereafter.

(4) The quality control review shall be specifically budgeted as part of the Auditor's budget in the relevant years, or more frequently as may be warranted.

(Ord. No. 1613, Enacted, 09/06/2005)