

Memorandum



DATE: February 14, 2014

TO: Members of the Charter Review Commission

SUBJECT: 2014 Proposed Changes to City Charter for the Office of the City Auditor

Please find the attached documents regarding the 2014 Proposed Changes to the City Charter for the Office of the City Auditor (Office).

These proposed changes are designed to: (1) align the language for the Office with similar sections of the City Charter (city manager, city attorney, and city secretary); (2) enhance the independence of the Office; (3) clarify authorizations; and, (4) update the language of this City Charter section to align with current government auditing standards.

Please contact me at 214-670-3222 should you have any questions.

Sincerely,



Craig D. Kinton
City Auditor

Attachments

Chapter IX. City Auditor Charter Review Recommended Changes

Current Charter Language: Sec. 1. Selection of City Auditor.

There is hereby created the office of the city auditor, which official shall hold office for a period of two years and until a successor shall be chosen and shall qualify. The city auditor must be a person 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. If at the time of appointment, the city auditor resides outside the City of Dallas, then he or she shall move into the city within a time period required by the city council. The city auditor shall be appointed by the city council after being nominated in accordance with a nomination procedure established by ordinance. (Amend. of 4-3-76, Prop. No. 7; Amend. of 8-12-89, Prop. No. 6; Amend. of 11-8-05, Prop. No. 2)

Recommendation:

- (1) Expand title and section to improve consistency with other similar sections;
- (2) State purpose of office to serve as independent, objective appraisal activity, and state reporting relationship to Council;
- (3) Enhance independence, remove two-year term, clearly state at-will employment and require two-thirds city council vote to remove auditor;
- (4) Add provision stating city council sets compensation; and,
- (5) Clarify city council's responsibility to establish discrete appropriation sufficient to perform duties

Proposed New Language: Sec. 1. Selection of City Auditor. Creation of the Office of the City Auditor; Appointment, Removal, and Compensation of the City Auditor.

There is hereby created the office of the city auditor, to serve as an independent, objective, appraisal activity, reporting and accountable to the city council, which official shall hold office for a period of two years and until a successor shall be chosen and shall qualify. The city auditor shall be appointed by the city council after being nominated in accordance with a nomination procedure established by ordinance. The chief audit executive shall be known as the city auditor and must be a person knowledgeable in public administration, public financial and fiscal theory, municipal governmental accounting, and auditing, and must be licensed as a Certified Public Accountant. The city auditor shall be a resident of the City of Dallas. If at the time of appointment, the city auditor resides outside the City of Dallas, then he or she shall move into the city within a time period required by the city council. The city auditor shall be appointed by the city council after being nominated in accordance with a nomination procedure established by ordinance. The city auditor serves at the will and pleasure of the city council and is subject to removal upon a two-thirds vote of all of the members of the city council. The city auditor shall receive such compensation as fixed by the city council. The city council shall provide the city auditor with a discrete appropriation, sufficient to perform the city auditor's duties and authorities under this chapter. (Amend. of 4-3-76, Prop. No. 7; Amend. of 8-12-89, Prop. No. 6; Amend. of 11-8-05, Prop. No. 2)

Justification:

- Title and section is modified and expanded to align with similar sections (city manager, city attorney, and city secretary).
- Changes acknowledge and reinforce independence of the city auditor in order to meet professional standards.

**Chapter IX. City Auditor
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<p>Current Charter Language: Sec. 2. Assistants and Employees. The council shall provide the city auditor with such assistants as it may deem necessary, and those assistants shall receive such compensation as may be fixed by the council. Any such assistant may be discharged at any time by the city auditor. All powers and duties imposed on the city auditor may be exercised and performed by any assistant under the city auditor's direction. (Amend. of 11-8-05, Prop No. 2)</p>
<p>Recommendation: None</p>
<p>Proposed New Language: None</p>
<p>Justification: N/A</p>

Chapter IX. City Auditor Charter Review Recommended Changes

Current Charter Language: Sec. 3. Duties of the City Auditor.

The city auditor shall have the following duties and responsibilities:

- (1) Conducting financial audits, compliance audits, economy and efficiency audits, special audits, and investigations.
- (2) Conducting, at the direction of the city council or the city council finance committee, and audit or investigation of any entity receiving funds from the city.
- (3) Ensuring the quality and accuracy of information received for business decision-making and for improvement of the processes and controls used to effectively manage city resources.
- (4) 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.
- (5) Examining the books, accounts, reports, vouchers, and records of city officers, of funds of the city, and of funds for which the city is responsible as trustee.
- (6) Appraising and verifying the accounting accuracy of financial records, statements, and reports, and determining that generally accepted accounting procedures and principles are followed.
- (7) Evaluating the adequacy of the city's accounting system and controls.
- (8) Reporting to the city council, the city council finance committee, and the city manager any irregularities or failures to maintain adequate and accurate records.
- (9) Making such studies and reports as the city council shall request or approve as to the efficiency, economy, and effectiveness of the programs, projects, or departments, and reporting such data to the city council, the city council finance committee, and the city manager.
- (10) Acting, on behalf of the city, as liaison to external auditing agencies that are reviewing or auditing city operations or city programs that may be federally or state funded. (Amend. of 4-3-76, Prop. No. 7) Amend. of 8-12-89, Prop. No. 2; Amend. of 11-8-05, Prop. No. 2)

Recommendation:

- (1) Establish requirement for city auditor to organize and administer office to operate without interference or influence that could adversely affect independence or objectivity;
- (2) Establish requirement for annual, risk-based, audit plan;
- (3) Revise list of duties and replace with language consistent with current government auditing standards;
- (4) Move responsibility for special audits to this section, limit requirement to "at request" of city council or city manager, and limit the definition of officer of city for purpose of this section.

Chapter IX. City Auditor Charter Review Recommended Changes

Proposed New Language: Sec. 3. Duties of the City Auditor.

The city auditor shall have the following duties and responsibilities:

(1) Organizing and administering the office of the city auditor to operate without interference or influence that might adversely affect an independent and objective judgment of the city auditor.

(2) Developing a risk-based annual audit plan for consideration and approval by the city council.

~~(4)~~ (3) Conducting financial audits, performance audits, compliance audits, economy and efficiency audits, attestation engagements, special audits, and investigations and other nonaudit services, as defined below, in accordance with applicable professional standards:

Financial audits provide an independent assessment of whether the City's reported financial information is presented fairly in accordance with recognized criteria.

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist the city council and management in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Attestation engagements can cover a broad range of financial or nonfinancial objectives about the subject matter or assertion depending on the users' needs, and include examinations, reviews, and agreed-upon procedures engagements as defined by the American Institute of Certified Public Accountants.

Nonaudit services are professional services other than audits and attestation engagements, and include investigations of fraud, waste, or abuse.

~~(2)~~ (4) Conducting, at the direction of the city council or the city council finance committee, an audit or investigation, attestation engagement, or other nonaudit service of any entity receiving funds from the city.

~~(3) Ensuring the quality and accuracy of information received for business decision-making and for improvement of the processes and controls used to effectively manage city resources.~~

~~(4) 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.~~

~~(5) Examining the books, accounts, reports, vouchers, and records of city officers, of funds of the city, and of funds for which the city is responsible as trustee.~~

~~(6) Appraising and verifying the accounting accuracy of financial records, statements, and reports, and determining that generally accepted accounting procedures and principles are followed.~~

~~(7) Evaluating the adequacy of the city's accounting system and controls.~~

~~(8)~~ (5) Reporting to the city council, the city council finance committee, and the city manager

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~~any irregularities~~ significant instances of fraud, waste or abuse or failures to maintain adequate and accurate records or controls.

~~—(9) Making such studies and reports as the city council shall request or approve as to the efficiency, economy, and effectiveness of the programs, projects, or departments, and reporting such data to the city council, the city council finance committee, and the city manager.~~

~~(10) (6) Acting, on behalf of the city, as liaison to external auditing agencies that are reviewing or auditing city operations or city programs that may be federally or state funded.~~

(7) Conducting special audits at the request of the city council or the city manager upon the death, resignation, removal, or expiration of the term of any officer of the city, other than the city auditor. In case of the death, resignation, or removal of the city auditor, the city manager may cause an audit to be made of the city auditor's accounts. For purposes of this section, an officer is defined as the mayor, city council members, city manager, city attorney, city auditor, city secretary, and chief financial officer.

(Amend. of 4-3-76, Prop. No. 7) Amend. of 8-12-89, Prop. No. 2; Amend. of 11-8-05, Prop. No. 2)

Justification:

- Reinforces independence of the city auditor.
- Brings the terminology of the City Charter in line with current professional government auditing standards.
- Moves responsibilities for special audits from Sec. 4 to Sec. 3 and limits the scope to specific executive officials.

Chapter IX. City Auditor Charter Review Recommended Changes

Current Charter Language: Sec. 4. Special Audit.

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 report to the city manager and council. Either the council or the city manager may at any time provide for an investigation or audit of the accounts of any officer or department of city government. In case of the death, resignation, or removal of the city auditor, the city manager shall cause an audit to be made of the city auditor's accounts. If, as a result an any such audit, an officer is found to be indebted to the city, the city auditor, or other person making such audit, shall immediately give notice of such indebtedness to the council, the city manager, and the city attorney, and the city attorney shall, as directed by the city council, proceed to collect such indebtedness. (Amend. of 4-3-76, Prop. No. 7; Amend. of 11-8-05, Prop. No. 13)

Recommendation:

- (1) Move special audit requirements to Section 3;
- (2) Rename Sec. 4 "Access to Records and Property";
- (3) Clarify auditor's right to access to records, property, operations, etc.; and,
- (4) Add requirement for "right to audit" clause in all contracts and specify auditor access to contractor's employees, records and property for audit purposes.

Proposed New Language: ~~Sec. 4. Special Audit.~~ Sec. 4. Access to Records and Property.

All officers, employees or agents of the city shall furnish upon request from the city auditor unrestricted access to employees, information and records (including electronic data) within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business that the city auditor requires to perform authorized duties. In addition, all officers, employees or agents of the city shall provide upon request from the city auditor unrestricted access to all property, equipment, facilities, and operations for inspection or observation by the city auditor. It is also the duty of any such officer, employee or agent of the city to fully cooperate with, and to make full disclosure of all pertinent information.

Further, 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.

(Amend. of 4-3-76, Prop. No. 7; Amend. of 11-8-05, Prop. No. 13)

~~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 report to the city manager and council. Either the council or the city manager may at any time provide for an investigation or audit of the accounts of any officer or department of city government. In case of the death, resignation, or removal of the city auditor, the city manager shall cause an audit to be made of the city auditor's accounts. If, as a result an any such audit, an officer is found to be indebted to the city, the city auditor, or other person making such audit, shall immediately give notice of such indebtedness to the council, the city manager, and the city attorney, and the city attorney shall, as directed by the~~

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~~city council, proceed to collect such indebtedness.~~ (Amend. of 4-3-76, Prop. No. 7; Amend. of 11-8-05, Prop. No. 13)

Justification:

- Provisions of Section 4 regard Special Audits have been moved to the proposed Section 3.
- Proposed section will provide the city auditor with clear authority for unrestricted access to city records necessary to perform authorized duties.

DALLAS CITY CHARTER

CHAPTER IX. CITY AUDITOR

Sec. 1. Selection of City Auditor. Creation of the Office of the City Auditor; Appointment, Removal, and Compensation of the City Auditor.

~~There is hereby created the office of the city auditor, to serve as an independent, objective, appraisal activity, reporting and accountable to the city council, which official shall hold office for a period of two years and until a successor shall be chosen and shall qualify. The city auditor shall be appointed by the city council after being nominated in accordance with a nomination procedure established by ordinance. The chief audit executive shall be known as the city auditor and must be a person knowledgeable in public administration, public financial and fiscal theory, municipal governmental accounting, and auditing, and must be licensed as a Certified Public Accountant. The city auditor shall be a resident of the City of Dallas. If at the time of appointment, the city auditor resides outside the City of Dallas, then he or she shall move into the city within a time period required by the city council. The city auditor shall be appointed by the city council after being nominated in accordance with a nomination procedure established by ordinance. The city auditor serves at the will and pleasure of the city council and is subject to removal upon a two-thirds vote of all of the members of the city council. The city auditor shall receive such compensation as fixed by the city council. The city council shall provide the city auditor with a discrete appropriation, sufficient to perform the city auditor's duties and authorities under this chapter. (Amend. of 4-3-76, Prop. No. 7; Amend. of 8-12-89, Prop. No. 6; Amend. of 11-8-05, Prop. No. 2)~~

Sec. 2. Assistants and Employees.

The council shall provide the city auditor with such assistants as it may deem necessary, and those assistants shall receive such compensation as may be fixed by the council. Any such assistant may be discharged at any time by the city auditor. All powers and duties imposed on the city auditor may be exercised and performed by any assistant under the city auditor's direction. (Amend. of 11-8-05, Prop No. 2)

Sec. 3. Duties of the City Auditor.

The city auditor shall have the following duties and responsibilities:

(1) Organizing and administering the office of the city auditor to operate without interference or influence that might adversely affect an independent and objective judgment of the city auditor.

(2) Developing a risk-based annual audit plan for consideration and approval by the city council.

~~(4)~~ (3) Conducting financial audits, performance audits, compliance audits, economy and efficiency audits, attestation engagements, special audits, and investigations and other nonaudit services, as defined below, in accordance with applicable professional standards:

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Attestation engagements can cover a broad range of financial or nonfinancial objectives about the subject matter or assertion depending on the users' needs, and include examinations, reviews, and agreed-upon procedures engagements as defined by the American Institute of Certified Public Accountants.

Nonaudit services are professional services other than audits and attestation engagements, and include investigations of fraud, waste, or abuse.

~~(2)~~ (4) Conducting, at the direction of the city council or the city council finance committee, an audit ~~or investigation, attestation engagement, or other nonaudit service~~ of any entity receiving funds from the city.

~~—(3) Ensuring the quality and accuracy of information received for business decision-making and for improvement of the processes and controls used to effectively manage city resources.~~

~~—(4) 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.~~

~~—(5) Examining the books, accounts, reports, vouchers, and records of city officers, of funds of the city, and of funds for which the city is responsible as trustee.~~

~~—(6) Appraising and verifying the accounting accuracy of financial records, statements, and reports, and determining that generally accepted accounting procedures and principles are followed.~~

~~—(7) Evaluating the adequacy of the city's accounting system and controls.~~

(8) (5) Reporting to the city council, the city council finance committee, and the city manager any irregularities significant instances of fraud, waste or abuse or failures to maintain adequate and accurate records or controls.

~~—(9) Making such studies and reports as the city council shall request or approve as to the efficiency, economy, and effectiveness of the programs, projects, or departments, and reporting such data to the city council, the city council finance committee, and the city manager.~~

(10) (6) Acting, on behalf of the city, as liaison to external auditing agencies ~~that are reviewing or auditing city operations or city programs that may be federally or state funded~~.

(7) Conducting special audits at the request of the city council or the city manager upon the death, resignation, removal, or expiration of the term of any officer of the city, other than the city

auditor. In case of the death, resignation, or removal of the city auditor, the city manager may cause an audit to be made of the city auditor's accounts. For purposes of this section, an officer is defined as the mayor, city council members, city manager, city attorney, city auditor, city secretary, and chief financial officer.

(Amend. of 4-3-76, Prop. No. 7) Amend. of 8-12-89, Prop. No. 2; Amend. of 11-8-05, Prop. No. 2)

~~Sec. 4. Special Audit.~~ Sec. 4. Access to Records and Property.

All officers, employees or agents of the city shall furnish upon request from the city auditor unrestricted access to employees, information and records (including electronic data) within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business that the city auditor requires to perform authorized duties. In addition, all officers, employees or agents of the city shall provide upon request from the city auditor unrestricted access to all property, equipment, facilities, and operations for inspection or observation by the city auditor. It is also the duty of any such officer, employee or agent of the city to fully cooperate with, and to make full disclosure of all pertinent information.

Further, 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.

(Amend. of 4-3-76, Prop. No. 7; Amend. of 11-8-05, Prop. No. 13)

~~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 report to the city manager and council. Either the council or the city manager may at any time provide for an investigation or audit of the accounts of any officer or department of city government. In case of the death, resignation, or removal of the city auditor, the city manager shall cause an audit to be made of the city auditor's accounts. If, as a result an any such audit, an officer is found to be indebted to the city, the city auditor, or other person making such audit, shall immediately give notice of such indebtedness to the council, the city manager, and the city attorney, and the city attorney shall, as directed by the city council, proceed to collect such indebtedness. (Amend. of 4-3-76, Prop. No. 7; Amend. of 11-8-05, Prop. No. 13)~~