



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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STAFF REPORT
 June 27, 2006

Honorable Mayor and
 Members of the City Council

Subject: Internal Audit Staffing Augmentation to the FY 2006/2007 Budget

Location/Council District: Citywide

Recommendation:

Adopt a resolution that adds 3 FTEs, a Senior Auditor, an Auditor, and an Administrative Assistant, with an incremental operating budget of \$318,792 to the Internal Audit division's operating budget for the FY 2006/2007.

Contact: Martin Kolkin, City Auditor 808-5704

Presenter: Martin Kolkin

Department: City Manager's Office

Division: Internal Audit

Organization No: 0310

Summary:

This staff report requests the Mayor and City Council add a Senior Auditor, an Auditor, and an Administrative Assistant, with a budgeted cost of \$318,792, to the Internal Audit division's budget, for the FY 2006/2007 Operating Budget.

A report back to the Mayor and City Council regarding the structure and size of Internal Audit will be completed by December 2006.

Background:

On June 8, 2006, the City Auditor proposed increases in the Internal Audit division's FTEs over a three year phase-in period. The Mayor and City Council stated interest in increasing the Internal Audit division FTEs during FY 2006/2007, phase 1, by:

FY	FTEs - Phase 1	Cost
2007	1 Senior Auditor, 1 Auditor, and 1 Administrative Assistant.	\$318,792

A phased-in approach of additional auditors for future fiscal years will be presented in a report back to the Mayor and City Council.

Financial Considerations:

The source of funding for this recommendation is the \$7.5 million growth initiatives reserve that was established with the FY 2004/05 Comprehensive Annual Financial Report (CAFR). Over the next three fiscal years, \$968 thousand of the remaining \$2 million one-time funding would be needed for the additional FTEs.

Environmental Considerations:

This activity does not constitute a "project" and is therefore exempt from the California Environmental Quality Act (CEQA), CEQA Guidelines Sections 15061(b) and 15378(b)(3).

Policy Considerations:

An increase in FTEs for Internal Audit is consistent with the City of Sacramento's core values of accountability and fiscal responsibility.

ESBD Considerations: None

Respectfully Submitted by: _____



Martin Kolkin
City Auditor

Recommended Approval:

for  _____
RAY KERRIDGE
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

June 27, 2006

**Internal Audit Staffing Augmentation
to the FY 2006/2007 Operating Budget**

BACKGROUND

- A. The Internal Audit division was established on March 24, 2003. After operating for approximately three years, it is appropriate to reexamine both the reporting structure and resources dedicated to the internal audit function.
- B. The Office of the City Auditor is currently staffed with one FTE and a part-time audit intern. This staffing is not sufficient to provide senior management and policy-makers with a reasonable assurance that major activities, services, and programs are operating as materially intended.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY
COUNCIL RESOLVES AS FOLLOWS TO:**

Section 1: Add 3 FTEs, a Senior Auditor, an Auditor, and an Administrative Assistant, with an incremental operating budget of \$318,792, to the Internal Audit division's 2006/2007 operating budget.