

Ordinance amending Chapter 12 ½ of the City Code of Ordinances regarding City Council Audit Committee, Audit follow-up reports, Peer review, and City Auditor vacancy and selection process.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CORPUS CHRISTI, TEXAS:

Section 1. Chapter 12 ½ of the City Code of Ordinances regarding City Auditor is amended to read as follows:

“Sec. 12½-1. - Establishment of the office of City Auditor.

(a) There is hereby established the Office of the City Auditor, which shall be directed by the City Auditor who shall be appointed by affirmative vote of a majority of the entire membership of the City Council.

(b) The City Auditor must:

(1) Be a person knowledgeable in performance and financial auditing, public administration, and public financial and fiscal practices;

(2) Be licensed as a certified public accountant or certified internal auditor; and

(3) Exercise due professional care in carrying out his or her responsibilities, and provide reasonable assurance that due professional care will be employed in conducting audits. The City Auditor will establish audit policies and procedures consistent with Government Auditing Standards, established by the Comptroller General of the United States, as well as applicable laws and regulations.

(c) The City Auditor’s compensation shall be fixed by the City Council.

(Ord. No. 029171, § 1, 8-23-2011; Ord. No. 029287, § 1, 11-15-2011)

Sec. 12½-2. - Independence, objectivity, and audit standards.

(a) The organization and administration of the auditor's office shall be sufficiently independent to assure that no interference or influence shall adversely affect an independent and objective judgment of the auditor.

(b) The Office shall be provided a discrete budget sufficient to carry out the responsibilities and functions established in this ordinance and to ensure appropriate professional development, continuing professional education, and compliance with applicable certification requirements.

(c) The City Auditor shall establish an organizational structure appropriate to carrying out the responsibilities and functions of this chapter.

(d) No person shall be appointed to the position of City Auditor who has been mayor, council member, or City Manager of the city during a period of five (5) years prior to the date of the City Auditor's appointment. In no case shall the City Auditor be related, by

affinity or consanguinity within the second degree, to the mayor, any council member or the City Manager.

(e) The City Auditor shall not be actively involved in partisan political activities of the City of Corpus Christi.

(f) Neither the City Auditor nor any member of the Office staff shall conduct or supervise an audit of an activity for which they were responsible or within which they were employed during the preceding two (2) years.

(g) The City Auditor shall adhere to Government Auditing Standards, insofar as possible, when conducting the City Auditor's work and will be independent as defined by those standards.

(h) The responsibility for selection of audit areas shall initiate with the City Auditor, with due consideration of the interests and concerns of the City Council and City Manager. To accomplish this:

(1) No less than thirty (30) days prior to the beginning of each fiscal year the City Auditor shall submit an annual audit plan to the City Council through the Council Audit Committee for review and comment. The plan shall identify each audit to be conducted in terms of the department, organization, service, program, function, or policy to be audited and audit objectives to be addressed. The Council Audit Committee shall forward the plan to the City Council for City Council review and final approval.

(2) The annual audit plan may be amended during the year, following notification of the Council Audit Committee and due provision for comment. Such amendments may be initiated by the City Auditor, or requested by the Council Audit Committee, or the City Manager, or City Manager's designee; any amendments to the annual plan must be reviewed by and approved by the Audit Committee, with written notice of such changes to the full City Council in a timely manner;

(3) Results of special audits shall be distributed in the same manner as all other audit reports, as provided in section 12-½-5, preparation and release of reports, of this chapter.

(4) If the City Auditor determines that there is serious concern regarding fraud, abuse, or illegality, or that the scope of an audit in progress should be expanded as the result of any findings, the City Auditor is authorized to initiate spontaneously and conduct, or expand the scope of, an audit beyond that approved in the work program. The City Auditor shall notify the Council Audit Committee of the change.

(5) Notwithstanding the calendar identified above in subsection (h)(1), the initial audit plan for remainder of the fiscal year ending July 31, 2012 shall be prepared by the City Auditor and submitted to Audit committee, for review and comments by Audit committee, on or before November 30, 2011. The initial audit plan shall then be submitted to City Council for its review and final approval.

(i) Within the budget approval process and personnel policies established by the City Council for all departments, the City Auditor shall have the power to appoint, employ, and remove such assistants, employees, and personnel as he/she may deem necessary for the efficient and effective administration of the affairs of the Office of the City Auditor. All employees of the City Auditor's Office shall be exempt from classified service.

(j) Neither the City Manager, nor Assistant City Managers, nor the Council nor any of its members shall in any manner dictate the appointment or removal of any such officer or employee whom the City Auditor is empowered to appoint, subject to any duly authorized grievance procedure.

(k) As provided in the City Charter, Article II, Section 29(a); the City Auditor may be removed only by a majority of the City Council.

(Ord. No. 029171, § 1, 8-23-2011; Ord. No. 029287, § 1, 11-15-2011)

Sec. 12½-3. - Audit Committee.

(a) The Audit Committee will provide guidance to and oversight of the City Auditor's Office in the performance of its responsibilities. ~~The appointment of four Council Audit Committee members by the Mayor will be decided annually in January. The Audit Committee will consist of four Council Members appointed by the Mayor at the beginning of each Council term.~~ The Mayor shall appoint one of the Council Members as the Chairperson. ~~The Mayor may change the membership of the Audit Committee at any time.~~ However, if a committee has not been appointed, then the duties of the Council Audit Committee as described in this chapter shall be undertaken by the entire City Council.

(b) The City Council shall communicate City Council's expectations and feedback to the City Auditor. The duties of the committee with respect to the City Auditor are described below:

1. To review and provide comments regarding the City Auditor's annual work program, to be formally reviewed and approved by City Council each year;
2. To monitor the city's internal controls through the results of external audits, and internal audits and other activities of the City Auditor;
3. To monitor audit results and follow-up activities of the City Auditor; and
4. To ensure that audit results include recommendations that serve to improve or enhance city operations.

(c) The Audit Committee shall meet as needed to perform its duties, ~~but shall meet at least once quarterly.~~

1. A majority of the members of the Audit Committee shall constitute a quorum.
2. The minutes of each meeting are to be prepared and sent to the Committee

members and approved at subsequent meetings.

3. In compliance with the Texas Open Meetings Act, the Audit Committee will hold executive sessions with the City Auditor and external auditors as deemed appropriate.

(d) The City Auditor shall have direct communication with the Council Audit Committee, and attend all Council Audit Committee meetings.

(Ord. No. 029171, § 1, 8-23-2011; Ord. No. 029287, § 1, 11-15-2011)

Sec. 12¹/₂-4. - Access to records and property.

All officers, employees, or agents of the City shall provide access to and furnish the City Auditor or employees in the Office of the City Auditor with any and all documents including but not limited to records, books, accounts, internal or external memoranda, writings and tapes, reports, vouchers, correspondence files, CDs, computer data, bank accounts, reports, funds, money, and other information or property in their custody. Also, such officers, employees, or agents shall fully cooperate with the Office of the City Auditor, and make full disclosure of all known information. In addition, they shall provide access for the City Auditor to inspect all property, equipment, and facilities within their custody and observe any operations for which they are responsible.

(Ord. No. 029171, § 1, 8-23-2011; Ord. No. 029287, § 1, 11-15-2011)

Sec. 12¹/₂-5. - Preparation and release of reports.

(a) Each audit shall result in a report which shall:

(1) Be transmitted in draft to the City Manager, who will provide a written response to the City Auditor regarding the audit findings and recommendations within an agreed time frame. The response will indicate agreement or disagreement and reasons for any disagreements, and what actions, if any will be taken. The City Auditor will include the responses in the final report, unless they are not received within the established time frame;

(2) Be submitted in final form to the City Council and the City Manager, and shall be retained in the City Auditor's office in accordance with the City's records management program;

(3) Adhere to reporting standards for financial and performance audits as described in Governmental Audit Standards.

(b) When appropriate, the City Auditor may issue other reports as needed which provide information when an audit is not required. These reports present work that is generally advisory in nature.

(Ord. No. 029171, § 1, 8-23-2011; Ord. No. 029287, § 1, 11-15-2011)

Sec. 12½-6. - Powers and duties.

(a) The City Auditor shall systematically and continuously examine the works of all city operations to identify opportunities to reduce costs, increase efficiency, quality, and effectiveness, or otherwise improve management of city programs and services.

(b) Scope of work. The City Auditor is empowered to conduct performance and other audit work to determine whether:

(1) Activities and programs being implemented have been authorized by the council, or some other legal authority, and are being conducted in a manner contemplated to accomplish the objectives intended by the council or other authorizing authority;

(2) The effectiveness of organizations, programs, activities, functions or policies, and the extent to which desired results or benefits are being achieved;

(3) The audited entity is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently, and the causes of inefficiencies or uneconomical practices;

(4) The audited entity is in compliance with council or other legally imposed mandates regarding efficiency, economy, effectiveness, or expenditure of public funds;

(5) Systems of administrative and accounting control have been established by management to effectively, economically, and efficiently carry on the city's operations;

(6) Financial and performance reports are being provided that disclose fairly, accurately, and fully all information that is required by law or other established or state criteria that is necessary to ascertain the nature and scope of programs and activities, and that is necessary to establish a proper basis for evaluating the results of programs and activities.

(c) Follow-up on audits. The City Auditor shall ensure accountability and implementation of a continuous improvement process by an annual status report of prior audit recommendations. Accordingly:

(1) At least Six (6) months but no longer than twelve (12) months after the transmittal of an audit report to the council, the City Auditor shall request a status report on actions taken by appropriate officials in response to the audit recommendations;

(2) The City Auditor may request additional periodic status reports, and conduct follow-up review as needed;

(d) Report of irregularities. If the City Auditor detects apparent violation of law, or apparent instances of misfeasance or nonfeasance by an officer or employee, or information that indicates derelictions may be reasonably anticipated, the auditor shall,

after consultation with and advice from the city attorney, immediately report the irregularities to the appropriate authority, including the City Manager. If the irregularity is criminal in nature, the auditor shall also notify the appropriate chief prosecuting attorney.

(e) Contract auditors, consultants, and experts. Through appropriate procurement requirements and within the limits of the adopted budget, the auditor may obtain the services of certified or registered public accountants, qualified management consultants, or other professional experts necessary to perform the auditor's duties.

(f) The City Auditor shall meet with the external auditors to discuss pertinent matters, review the financial statements, auditors' opinions, and management letters resulting from the annual financial audit.

(Ord. No. 029171, § 1, 8-23-2011; Ord. No. 029287, § 1, 11-15-2011)

Sec. 12¹/₂-7. - Peer review.

(a) *Authority statement.* The City Auditor's Office shall within three (3) years of date of ~~this the adoption of ordinance~~ [Ordinance No. ~~029171~~029287] be subject to peer review and thereafter not less than once every three (3) years by a professional, non-partisan, objective person or group, comprised of auditors and other professionals with appropriate government auditing expertise and experience.

(b) *Scope of peer review.* The peer review shall determine compliance with Government Auditing Standards and the quality of audit effort and reporting, including:

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

(c) *Reporting.* A copy of the written report of the peer review shall be furnished to each member of the City Council after review and approval by the Council Audit Committee.

(d) *Cost.* The cost of the peer review, including reasonable travel and living expenses, shall be paid from funds budgeted specifically in the City Auditor's budget.

(Ord. No. 029171, § 1, 8-23-2011; Ord. No. 029287, § 1, 11-15-2011)

Sec. 12¹/₂-8. - City Auditor vacancy—Selection process.

(a) At such times when a vacancy occurs in the Office of the City Auditor, the first principal assistant shall act in the capacity of City Auditor pending the appointment of a new City Auditor. Should the first principal assistant position be vacant, the Council Audit Committee shall appoint an interim City Auditor.

(b) The council shall appoint an ad hoc nominating committee to recommend to the City Council candidates for City Auditor. The committee shall consist of five (5)

members, including a chair and vice-chair selected by majority vote of members, meeting the following qualifications:

- (1) Three (3) members shall be members of the City Council nominated by the Council Audit Committee.
- (2) One (1) member shall be an at large City of Corpus Christi resident.
- (3) One (1) member shall be the City Manager or his or her designee.

(c) The full-adhoc committee shall, ~~within fifteen (15) days of its appointment,~~ hold ~~its first meetings~~ to consider applicants to serve as City Auditor. ~~Within ninety (90) days of its first meeting,~~ ~~t~~he committee shall recommend to the City Council three (3) candidates selected by a majority of the committee members. ~~The City Council shall, within fifteen (15) days after receipt of the recommendation of three (3) candidates, select a City Auditor. The City Council may request additional applicants for consideration. The City Council shall have final authority for appointment of the City Auditor.~~

(Ord. No. 029171, § 1, 8-23-2011; Ord. No. 029287, § 1, 11-15-2011)

SECTION 2. If for any reason any section, paragraph, subdivision, clause, phrase, word or provision of this ordinance shall be held invalid or unconstitutional by final judgment of a court of competent jurisdiction, it shall not affect any other section, paragraph, subdivision, clause, phrase, word, or provision of this ordinance, for it is the definite intent of this City Council that every section, paragraph, subdivision, clause, phrase, word or provision of this ordinance be given full force and effect for its purpose.

SECTION 3. Publication shall be made in the official publication of the City of Corpus Christi as required by the City Charter of the City of Corpus Christi.

That the foregoing ordinance was read for the first time and passed to its second reading on this the _____ day of _____, _____, by the following vote:

Nelda Martinez	_____	Chad Magill	_____
Kelley Allen	_____	Colleen McIntyre	_____
Rudy Garza	_____	Lillian Riojas	_____
Priscilla Leal	_____	Mark Scott	_____
David Loeb	_____		

That the foregoing ordinance was read for the second time and passed finally on this the _____ day of _____, _____, by the following vote:

Nelda Martinez	_____	Chad Magill	_____
Kelley Allen	_____	Colleen McIntyre	_____
Rudy Garza	_____	Lillian Riojas	_____
Priscilla Leal	_____	Mark Scott	_____
David Loeb	_____		

PASSED AND APPROVED, this the day of _____, _____.

ATTEST:

 Armando Chapa
 City Secretary

 Nelda Martinez
 Mayor