



## **AGENDA MEMORANDUM**

First Reading for the City Council Meeting June 10, 2025  
Second Reading for the City Council Meeting June 17, 2025

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**DATE:** June 10, 2025

**TO:** Peter Zanoni, City Manager

**FROM:** George Holland, City Auditor  
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**Ordinance amending Chapter 12½ of the City Code of Ordinances pertaining to the office of the City Auditor, enhancing audit standards, and necessary edits**

### **CAPTION:**

Ordinance amendment Chapter 12 1/2 of the City Code of Ordinances to modify audit standards and make other edits.

### **PURPOSE:**

Enhancements include clarification regarding auditor access and follow-up reporting timelines per the International Professional Practices Framework (IPPF) standards of the Institute of Internal Auditors.

The enhancement will also satisfy House Bill No. 3666. The bill mandates that state agencies conduct a comprehensive internal auditing program, which includes developing an annual audit plan based on risk assessment and conducting periodic audits of various systems and controls. It specifies that internal auditors must report directly to the governing board or agency administrator and maintain independence from operational responsibilities. Furthermore, the internal audit program is required to conform to the newly established Global Internal Audit Standards, replacing the previous standards set by the Institute of Internal Auditors. The act, if approved by the Texas State Legislature, is set to take effect on September 1, 2025.

### **BACKGROUND:**

Today, a strong control environment has become increasingly important to address various government-related issues and risks. Regulators and key stakeholders don't just want swift corrective action; they want strong **preventive** action.

To objectively evaluate these issues and risks, the City Auditor's access to records and follow-up reporting timelines are important to obtain complete, accurate, relevant, and timely feedback on the City's programs.

During our annual review of City Code Chapter 12½, we noted that further updates were needed to address these issues and risks. A motion to recommend approval of an amendment was unanimously approved in the April 30, 2025, Audit Committee Meeting.

**FISCAL IMPACT:**

There will be cost savings for peer reviews. Red Book peer reviews are required every five years, whereas Yellow Book peer reviews are required every three years.

**FUNDING DETAIL:**

Fund:	General (1020)
Organization:	10300
Department:	City Auditor (10300)
Account:	530000 – Professional Services
Amount:	TBD

**ALTERNATIVES:**

The City Council may reject all or part of the proposed amendments to City Code Chapter 12½, City Auditor, as presented and recommended.

**RECOMMENDATION:**

The City Auditor recommends that the City Council approve the proposed Code amendments.

**LIST OF SUPPORTING DOCUMENTS:**

- City Code Chapter 12½ Redlined Ordinance
- Yellow Book vs. Red Book PowerPoint Presentation
- H.B. No. 3666