

ORDINANCE NO. 2011-O-077

ESTABLISHING THE OVERSIGHT AND ROLE OF THE INTERNAL AUDITOR AND THE INTERNAL AUDIT OFFICE.

WHEREAS, in November 2010, the voters of the City of Laredo approved an amendment to the City Charter providing that the City Council shall appoint, evaluate, replace or terminate an officer of the City, who shall have the title of Internal Auditor, and whose functions and duties shall be determined by ordinance; and,

WHEREAS, the Mayor and City Council concluded it was necessary to further define the reporting structure and role of the Internal Auditor and the Internal Audit Office; and,

WHEREAS, City staff examined government auditing standards, model legislation guidelines for local government auditors, and best practices included in charters and ordinances from other municipalities and entities; and,

WHEREAS, City staff developed recommendations to further define the role and oversight of the Internal Auditor and the Internal Audit Office; and,

WHEREAS, the City Council has determined that it is necessary to implement these recommendations,

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LAREDO THAT:

SECTION 1. Internal Audit Office. There shall be an independent Internal Audit Office charged with conducting audits of all City departments, offices, programs, activities, boards, contractors, and agencies. The Internal Audit Office shall be under the direction and control of the Internal Auditor.

SECTION 2. Appointment, Qualifications, and Compensation of Internal Auditor. There shall be an Internal Auditor who shall be appointed by the City Council, and shall report functionally to the City Council and administratively to the City Manager.

The Internal Auditor shall have a bachelor's degree from an accredited college or university in accounting, business administration, finance or related field. The Internal Auditor shall be knowledgeable in public administration, public financial and fiscal practices, and governmental accounting and auditing. The Internal Auditor shall possess adequate professional proficiency for the job as demonstrated by a required amount of experience and any relevant certifications.

The Internal Auditor's compensation shall be fixed by the City Council as recommended by the City Manager.

SECTION 3. Term, Removal, Absence or Disability of the Internal Auditor. The Internal Auditor shall not be appointed for a definite fixed time but shall be removable at the will and pleasure of the City Council by no less than the affirmative vote of five Council Members. In case of the absence or disability of the Internal Auditor, the City Council may designate a qualified person to perform the duties of the office.

SECTION 4. Appointment and Removal of Employees. The Internal Auditor shall have the authority to appoint, employ, evaluate and remove such Internal Audit personnel as deemed necessary for the efficient and effective administration of the affairs of the office and to prescribe their duties, scope of authority and qualifications. All employees in the Internal Audit Office shall be in the classified civil

service of the City and shall be appointed and may be removed by the Internal Auditor. Any classified employee in the Internal Audit Office shall have the same rights as other classified city employees.

SECTION 5. Independence, Objectivity, and Audit Standards. Internal Audit shall be a staff function with no authority over the personnel and activities being audited. The Internal Auditor shall organize and administer the Internal Audit Office to operate without interference or influence that might adversely affect the independent and objective judgment of an auditor. The Internal Auditor:

1. Shall organize the Internal Audit Office as necessary to perform the auditor's responsibilities and duties under the City Charter;
2. Shall exercise due professional care in carrying out the auditor's duties, and ensure that due professional care is employed by audit staff in conducting audits; and
3. Shall plan and conduct audits in accordance with the International Standards for the Professional Practice of Internal Auditing and The Code of Ethics acknowledged by the Institute of Internal Auditors.

SECTION 6. Powers and Duties. In carrying out the annual audit plan, the Internal Auditor shall evaluate the adequacy and effectiveness of controls encompassing the City's operations and information systems. This should include reliability and integrity of financial and operation information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts. Additionally, the Internal Auditor shall:

1. Establish risk-based plans to determine the priorities of the Internal Audit Office;
2. Communicate the annual audit schedule and resources available to the City Council for review, comment and approval;
3. Respond to the City Council's and City Manager's special requests for audits and consulting services;
4. Communicate results and recommendations of audits to the corresponding departments, City Manager and City Council;
5. Maintain a system to monitor the disposition of results and recommendations communicated in prior audits;
6. Coordinate audit efforts with those of the City's external auditors;
7. Prepare the Internal Audit Office's annual budget and monitor expenditures for compliance with budget limitations;
8. Supervise, plan, schedule and assign work to the Internal Audit staff;
9. Continue professional development of the Internal Audit staff; and
10. Carry out the administrative responsibilities of the Internal Audit Office.

SECTION 7. Access to Employees, Records and Property. The Internal Auditor shall have access to and authority to examine any and all documents including but not limited to books, accounts, internal or external memoranda, tapes, reports, vouchers, files and other records, CDs, computer data, bank accounts, money, funds, and other property of any City department, office or agency, excluding records protected by the attorney-client privilege.

It is the duty of any officer, employee or agent of the City having control of such records to permit reasonable access to, and examination thereof, upon the request of the Internal Auditor or his or her authorized representative. It is also the duty of any such officer, employee or agent to fully cooperate with, and to make full disclosure of all pertinent information. Each City officer and employee shall provide the Internal Auditor with free and open access to property, equipment, facilities, and operations for inspection or observation by the auditor.

Further, all contracts with outside contractors or subcontractors must contain a "right-to-audit" clause.

SECTION 8. Professional Development. Sufficient resources shall be made available to the Internal Auditor and staff to ensure appropriate professional development, continuing professional education and compliance with applicable certification requirements.

SECTION 9. Annual Audit Plan. Prior to the beginning of each fiscal year, the Internal Auditor shall submit a yearly audit schedule to the City Council for review, comment and approval. The Internal Auditor shall prepare an annual audit plan based on a risk assessment conducted by the Internal Audit Office as well as requests from the City Council and the City Manager. Audit selection shall be based on the Internal Auditor's professional judgment augmented by the direction of the City Council acting as a whole.

1. The annual audit plan shall identify each audit the Internal Auditor intends to conduct, including:
 - a. The department, organization, service, program, function, or policy to be audited; and
 - b. Key audit objective(s) to be addressed.
2. The Internal Auditor may initiate, conduct, or expand the scope of an audit or investigation, if the auditor determines that:
 - a. Fraud, abuse, or illegality may have been or is occurring; or
 - b. An audit finding requires expansion of the scope of an audit or investigation in progress.

SECTION 10. Report of Irregularities. If, during an audit, the Internal Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the City, the Internal Auditor shall:

1. Report the suspected violation to the City Manager;
2. Report the suspected violation to the City Council;
3. Consult with and obtain advice from the City Attorney; and
4. If the suspected violation is criminal in nature, notify the Police Department in order to begin a separate criminal investigation.

SECTION 11. Agency Response. A final draft of audit reports will be forwarded to the corresponding departments and the City Manager for review and comment. The department must respond in writing, specifying (i) agreement with audit findings, observations and/or recommendations or reasons for disagreement with findings, observations and/or recommendations; (ii) plans for implementing solutions to issues identified; and (iii) a time table to complete such activities. The response must be forwarded to the Internal Auditor within the specified time frame. The Internal Auditor will include the department's response in the final audit report. If no response is received, the Internal Auditor will note that fact in the transmittal letter and will release the final audit report.

SECTION 12. Final Audit Report Distribution. The Internal Auditor shall submit each final audit report to the City Council, City Manager and corresponding Department(s), and shall retain a copy as a permanent record. A copy shall be retained in accordance with public records law.

PASSED BY THE CITY COUNCIL AND APPROVED BY THE MAYOR ON THIS
6th DAY OF June, 2011.



RAUL G. SALINAS
MAYOR

ATTEST:



GUSTAVO GUEVARA, JR.
CITY SECRETARY



APPROVED AS TO FORM:



RAUL CASSO
CITY ATTORNEY