



# Charter Review Committee

*City of Arts & Innovation*

---

**TO: CHARTER REVIEW COMMITTEE MEMBERS      DATE: January 13, 2020**

**FROM: CITY ATTORNEY'S OFFICE      WARDS: ALL**

**SUBJECT: INSPECTOR GENERAL**

**ISSUE:**

Receive and file research prepared by staff as to: (1) City's current process for investigating whistleblower complaints related to fraud, abuse and waste, (2) the current workplan and budget of the City's internal auditor, (3) the City's 2012 ballot measure for appointment of a City Auditor, which was disapproved by voters, (4) other Cities with Inspector Generals, including budgets; determine if the Committee wishes to proceed with a charter amendment to appoint an Inspector General; and, if approved, direct staff to present for Committee review such proposed Charter amendment.

**RECOMMENDATION:**

That the Charter Review Committee:

1. Receive and file research prepared by staff as various requested items related to Inspector General and/or City Auditor;
2. Determine whether to propose a ballot amendment for an Inspector General; and
3. Direct staff to present for Committee review a ballot amendment for an Inspector General, if the Committee wishes to make such proposal.

**BACKGROUND:**

City's Current Process for Investigating Internal (Whistleblower) Complaints related to Fraud, Waste and Abuse.

A. City of Riverside Administrative Manual Number 01.011.00

City of Riverside Administrative Manual Number 01.011.00, "Fraud, Waste, and Abuse Reporting and Investigation Policy", sets forth the City's policy for investigating complaints of fraud, waste and abuse. The purpose of the policy is "to provide communication and guidance to employees when misuse or misappropriation of City assets is suspected." A copy of the policy is attached to this report.

Administrative Manual Number 01.011.00 requires City employees to immediately report any fraud that is detected or suspected to the City of Riverside Internal Audit Division, which coordinates all investigations with the City Attorney, and department/division management, as appropriate. Internal Audit will then decide, in conjunction with the City Attorney, whether to refer the report to the Police Department or other local law enforcement, or other regulatory agency for independent investigation. The City maintains a City Whistleblower “hotline” to allow employees to report complaints anonymously. The City’s Whistleblower Hotline webpage is attached to this report.

#### B. City of Riverside Internal Audit Division

There is currently within the City Manager’s Office an Internal Audit Division which gathers and assesses information about potential financial, operational, technological, reputation, and compliance risks to the City from multiple sources and prioritizes these risks. The Internal Audit Division, under Administrative Manual Number 01.011.00, has the primary responsibility for the investigation of fraudulent acts as defined in that policy.

The Internal Audit Division includes 3 full time equivalent (FTE) positions with a budget of \$641,948 for Fiscal Year 2019/2020.

In addition to receiving certain Whistleblower complaints, Internal Audit is currently tasked with auditing and preparing reports for: Asset Management of Mobile Devices, Temp Employees, Independent Contracts and Retired Annuitants Compliance with CalPERS, Sewer Laterals & City-Owned Tree Liability Assessment, Software Asset Management, Cybersecurity Internal Controls, Contract Compliance – Riverside Convention Center, CalPERS Compliance Assessment, Firefighter Work Schedule Optimization, Audit Recommendations Follow-up Tracking, Internal Audit Division Procedural Enhancements, Internal Audit Monitoring (various processes), External City Performance Audits, and Other Internal Audit-supported tasks. The April 2, 2019 Internal Audit Work Plan Report is attached to this report.

In July 2019, the Internal Audit Division was left unstaffed. In response, the City issued Request for Qualifications 1977 for a contracted, external auditor to perform a risk assessment of all City operations, develop a work plan from that assessment, and execute the necessary audits. This firm will report findings directly to City management and the City Council. In addition to the external auditor, the City issued Request for Proposals 1976 to select multiple auditing firms to perform ad hoc, external to the work plan, audits as requested by the City Council. Both requests are currently under review and contracts are expected to be presented to the City Council in late January or early February 2020.

#### 2011 Proposed Charter Amendment (Measure “E”) to Add a Council-Appointed City Auditor

The 2011 Charter Review Committee proposed a Charter amendment to create a City Auditor appointed by the City Council. Attached to this report is staff research, public comment and proposed ballot language presented to the 2011 Charter Review Committee on December 19, 2011 regarding such a position.

The City Council placed that proposal on the June 2012 ballot as “Measure E”, which read: “*Shall the Charter of the City of Riverside be amended to include a new Charter officer, the City Auditor,*

*appointed by the City Council, with the powers and duties of the City Auditor set by ordinance of the City Council?*". The Measure was not approved by voters. A complete copy of Measure "E" is attached to this report.

### Other Cities with Inspector Generals

Staff has researched 7 public entities that have a full time Inspector General position and has summarized the budgets of each one below, if available:

| Public Entity        | Population    | Land Area      | Entity Budget   | Position   | Audit Budget   |
|----------------------|---------------|----------------|-----------------|--|--|
| City of Los Angeles  | 4.03 million  | 502.69 sq. mi. | \$10.6 billion  | Office of Inspector General LA Police Commission | Unknown  |
| Los Angeles County   | 1.052 million | 2600 sq. mi.   | \$36.1 billion  | Office of Inspector General                      | Unknown  |
| Sacramento County    | 588,000       | 994 sq. mi.    | \$4.4 billion   | Office of Inspector General                      | Unknown  |
| City of Philadelphia | 1.572 million | 142.7 sq. mi.  | \$4.7 billion   | Inspector General                                | Unknown; \$10million in savings and recovery in 2018 |
| City of Chicago      | 2.706 million | 227.63 sq. mi. | \$11.65 billion | Inspector General                                | \$9.7 million  |
| City of Detroit      | 672,795       | 142.87 sq. mi. | \$2 billion     | Inspector General                                | \$1.2 million  |
| City of Baltimore    | 619,493       | 92.28 sq. mi.  | \$3.55 billion  | Inspector General                                | \$1.6 million  |
| City of Riverside*   | 342,722       | 81.54 sq. mi.  | \$1.115 billion | Internal Auditor                                 | \$641,948  |

\*The City of Riverside does not have an Inspector General and is only included for comparison purposes.

A copy of the research report conducted by City staff is attached to this report.

### **FISCAL IMPACT:**

None.

Prepared by: Susan Wilson, Assistant City Attorney  
 Elliot Min, Deputy City Attorney  
 Approved as to form: Gary G. Geuss, City Attorney

### Attachments:

City of Riverside Administrative Manual Number 01.011.00, "Fraud, Waste, and Abuse Reporting and Investigation Policy"  
 City's Whistleblower Hotline webpage

April 2, 2019 City Council Report regarding Internal Audit Workplan  
December 19, 2011 Charter Review Committee Report No. 4 regarding City Auditor  
June 2012 Measure EE  
Research re Inspector Generals in other cities