

ORDINANCE NO. 2013-22

AN ORDINANCE AMENDING CHAPTER 2, ARTICLE IV OF THE CODE OF ORDINANCES OF THE CITY OF LEAGUE CITY, TEXAS ENTITLED "DEPARTMENTS," DIVISION 3 ENTITLED "INTERNAL AUDIT" IN ORDER TO ESTABLISH AN INTERNAL AUDITOR POSITION AND DECLARING THE JOB DUTIES AND REPORTING OBLIGATIONS OF SUCH POSITION; PRESCRIBING THE TERMS AND CONDITIONS; AND PROVIDING FOR SEVERABILITY

WHEREAS, management and employees in the public sector are responsible for taxpayer use of public resources and should be held accountable for their use; and

WHEREAS, it is vital that government exercise its power and perform its duties in compliance with law, policy, and established procedures and apply good judgment and sound management practices; and

WHEREAS, the independence and public accountability of the auditor can be assured by provision of an independent, City Council appointed auditor, supervised by and reporting directly to City Council; and

WHEREAS, pursuant to Article II, Section 17 of the Charter of the City of League City, Texas, the City Council shall also have the power and authority by ordinance to create such boards, commissions, agencies and offices, in addition to those specially provided for by this Charter, or by the laws of the State of Texas, and to provide for the expense and operation of same and the compensation to be paid such members, officers, and/or employees, as it may deem advisable; and

WHEREAS, pursuant to the authority conferred upon it by Article II, Section 17 of the Charter, the City Council deems it advisable and in the public interest to create the position of an internal auditor and to prescribe the job duties and reporting obligations of such position;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LEAGUE CITY, TEXAS AS FOLLOWS:

Section 1. The findings contained in the preamble of this Ordinance are determined to be true and correct and are hereby adopted as a part of this Ordinance.

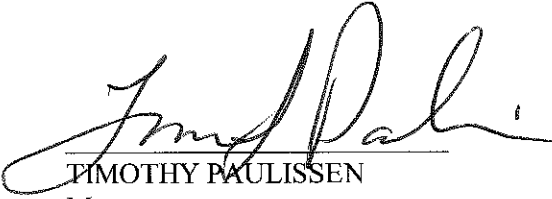
Section 2. Chapter 2, Article IV of the Code of Ordinances of the City of League City, Texas entitled "Departments," Division 3 entitled "Internal Audit" is hereby amended as set forth verbatim on the attached Exhibit "A."

Section 3. All other ordinances or parts of ordinances inconsistent with the terms of this ordinance are hereby repealed; provided, however, that such repeal shall be only to the extent of any such inconsistency and in all other respects this ordinance shall be cumulative of other ordinances regulating and governing the subject matter covered by this ordinance.

PASSED first reading the 28th day of May, 2013.


PASSED second reading the 11th day of June, 2013.

PASSED AND ADOPTED the 11th day of June, 2013.



TIMOTHY PAULISSEN
Mayor

ATTEST:



DIANA M. STAPP
City Secretary

EXHIBIT "A"
DIVISION 3. - INTERNAL AUDIT

Sec. 2-211. – Budget.

The internal audit function shall be provided a separate budget sufficient to carry out the responsibilities and functions established in this division in a budgetary line item entitled "Internal Auditor".

Sec. 2-212. – Scope of audits.

The internal auditor shall not conduct nor supervise an audit or an activity for which he/she was responsible or within which he/she was employed during the preceding two years.

Sec. 2-213. – Special audits.

The finance committee may recommend to the City Council that the internal auditor perform special audits, in addition to those audits that are approved in the annual audit work plan as established by the City Council.

Sec. 2-214. – Retention of records.

The internal auditor shall retain for at least five years a complete file of each audit report and each report of other examinations, investigations, surveys and reviews made under legislative authority. The file should include audit work papers and other supportive material directly pertaining to the audit report.

Sec. 2-215. – Access to records and property.

- (a) All officers and employees of the city shall furnish the internal auditor with requested information and records (including automated data) within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business required to conduct an audit or otherwise perform audit duties. In addition, they shall provide access for the internal auditor to inspect all property, equipment and facilities within their custody. If such officers or employees fail to produce the aforementioned information, then the internal auditor may cause a search to be made and exhibits to be taken from any book, paper or record of any such official or employee, or outside contractor or subcontractor, except for personal information. (As governed by applicable law.) Further, all contracts with outside contractors and subcontractors shall provide for internal auditor access to all financial and performance related records, property, and equipment purchased in whole or in part with governmental funds and facilities.

- (b) The internal auditor shall not publicly disclose any information received during an audit that is considered proprietary in nature (confidential) by any local, state or federal law or regulation.

Section 2-216. - Department Response to Audit Report

A draft of the internal audit report will be forwarded to the City Council, City Manager and Finance Committee for review and comment regarding factual content before it is released in final form. The department must respond in writing specifying agreement with audit findings and recommendations or reasons for disagreement with findings and/or recommendations, plans for implementing solutions to identified problems and a timetable to complete such activities. The response must be forwarded to the internal auditor within 30 days of issuance of the draft report. The internal auditor will include the full text of the department's response in the final report. If no response is received, the internal auditor will note that fact in the transmittal letter and will release the audit report. Any subsequent responses shall be distributed to those who received the audit report. The final report shall contain specific recommendations made by the auditor for action by the City Council.

Section 2-217. - Audit Reports to Council

Each audit will result in a written report. The final report will be available for public examination, and posted on the official website of the City. A copy shall be retained in the office of the Internal Auditor as a permanent record.

Section 2-218. - 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 governmental entity, the internal auditor shall report the irregularities to the City Council, City Manager and City Attorney. If it appears that the irregularity is criminal in nature, the internal auditor shall immediately notify the City Council, the City Manager, and City Attorney for further instruction in addition to those officials previously cited.

Section 2-219. - Finance Committee

There is herein established a Finance Committee of the City Council which shall serve at the pleasure of the Mayor and City Council and be subject to its control. The Committee shall have the following membership and powers:

- (a) The Committee shall consist of nine members in total, including two members of City Council that are appointed by the Mayor. Each City Councilmember shall appoint one (1) member to the committee. Four (4) of the members' terms shall begin in on July 1 and three (3) members' terms shall begin on January 1. All members shall serve for one, one year term. Members of City

management will not be allowed to serve on the Committee, except in a support capacity.

- (b) The Committee shall meet with the independent and internal auditors at appropriate times to review, among other things, the results of the audit, the City's financial statements and any certification, report, or opinion that the auditors propose to render in connection with such statements.
- (c) The Committee shall meet with the City's internal auditors at least quarterly to review their comments concerning the adequacy of the City's system of internal accounting controls and such other matters as the Committee may deem appropriate.
- (d) The Committee shall have such other duties as may be lawfully delegated to it from time to time by the City Council.

Sec. 2-220-230. – Reserved

Sec. 2-231. – Internal Auditor.

There is hereby created the position of Internal Auditor. The Internal Auditor shall be responsible to the City Council for the performance of internal audit activities in order to evaluate the effectiveness and efficiency of operational procedures, internal control systems and contracts, the accuracy of financial records, and the level of compliance with applicable laws, governmental regulations and management policies or procedures. The Internal Auditor reports to City Council and on a day to day basis to the City Manager. Internal auditors will be subject to an annual performance evaluation performed by the City Council.

Sec. 2-232. – Appointment and qualifications.

The Internal Auditor shall be appointed by the City Council, after receiving the recommendation of five candidates from the Human Resources Director. The Internal Auditor must possess broad technical knowledge and proficiency in municipal finance administration, principles, and practices, with a Certified Internal Auditor or Certified Public Accountant and five (5) years of experience in the field of governmental auditing preferred. The Internal Auditor must have knowledge of auditing standards and requirements, be capable of working with a variety of computer software and systems, and have knowledge of regulations pertaining to municipalities. The Internal Auditor must be skilled in working under pressure and meeting deadlines, conducting research and documenting internal auditing activities, designing and presenting financial and operational reports and/or presentations, prioritizing, organizing and managing multiple simultaneous projects and gathering and analyzing information and making recommendations based on findings in support of organizational goals. The Internal Auditor must demonstrate an ability to use sound judgment in the evaluation of the effectiveness of City systems, to analyze financial and operational data, define problems, develop conclusions and make recommendations, to

establish and maintain effective working relationships with staff and City officials, to influence and provide advice on specific problems and policies, to gain cooperation and acceptance of ideas, to effectively present information and respond to questions clearly and concisely, verbally and in writing and to maintain sensitive and confidential information.

Sec. 2-233. – Powers and duties.

(a) The Internal Auditor shall have the follows powers as authorized by City Council:

- (1) Unrestricted access to all functions, records, property, and personnel of the City to the fullest extent necessary to perform his or her duties consistent with the approved audit work plan or specific projects approved by resolution of council;
- (2) Allocation of resources, setting of frequencies, selection of subjects, determination of the scope of work, and application of audit techniques required to accomplish the audit objectives;
- (3) Implementation and execution of all activity approved by the City Council resolution;
- (4) Access to necessary assistance and support from City personnel within City departments where auditing is being performed, as well as other specialized services from within or outside the City.

(b) The Internal Auditor shall have the following duties as authorized by City Council:

- (1) The duty to perform audits in accordance with recognized government auditing standards.
- (2) The duty to review departmental records of equipment, buildings, manpower, financial transactions and internal systems; to collaborate with departmental personnel to obtain information to determine compliance with applicable laws, governmental regulations and management policies and procedures.
- (3) The duty to survey and evaluate functions, activities, and information obtained for deficiencies in controls, work and process redundancy, over-spending and fraud and/or lack of compliance with laws, regulation and management policies and procedures.
- (4) The duty to investigate claims of fraudulent activities and wrongdoings in assigned areas.

(5) The duty to develop audit findings, prepare recommendations of corrective actions and draft summary reports for delivery of results to City Council and/or management.

(6) The duty to recommend changes for policy as needed and work with departments and management to correct identified deficiencies and achieve established objectives.

(7) The duty to conduct special studies as required to discover the mechanics of detected deficiencies and develop and deliver programs related to deficiency prevention and internal control systems.

(8) The duty to collaborate with the Purchasing Department to establish contract compliance plans and procedures; to conduct periodic audits of contracts and monitor compliance with contract terms.

(9) The duty to follow up on audit recommendations to determine if corrective action has been taken. The auditor may request periodic status reports from auditees regarding actions taken to address deficiencies and audit recommendations.

(10) The duty to submit an annual report to the Finance Committee and the City Council within 90 days after the fiscal year end. The report will indicate the audits that were completed, the major findings, the corrective action taken by administration and any significant issues not fully addressed by management.

(c) To provide for independence of internal audit activity, the City Council shall annually develop, and approve by resolution, an audit program or audit plan for the ensuing 12-month period. Recommendations will be received from the City Manager, Finance Committee and City Council in the preparation of the annual audit plan.

Sec. 2-234—2-260. – Reserved.