

## COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission  
Raul J. Aguila, City Attorney

FROM: Jimmy L. Morales, City Manager

DATE: November 14, 2018

SUBJECT: CITY MANAGER'S RECOMMENDATIONS REGARDING THE PROPOSED OFFICE OF INSPECTOR GENERAL

At the July 27, 2018 Finance & Citywide Projects Committee (Finance Committee), an item was discussed regarding the potential addition of an auditor position to the Office of Internal Audit (IA) as recommended by the Audit Committee. As part of the discussion on this item, the proposed staffing level for the new Office of the Inspector General (OIG) was discussed as well as potential synergies between the two functions. The Finance Committee invited the Audit Committee to review the overall staffing plan of the two functions and bring back recommendations to a future meeting. The Audit Committee's recommendations were presented to the Finance Committee on October 26, 2018. The direction of the Finance Committee was to ask for feedback from the City Manager and the City Attorney to inform a discussion on the OIG at the November 14, 2018 Commission meeting.

### **Background**

The current proposed staffing for the OIG is five full-time positions including the Inspector General, an attorney, an investigator, and two clerical employees, with an annual budget of \$1.1 million. The appointment, reappointment, term, functions, and powers of the OIG will be established by Ordinance if the OIG is approved by the voters on November 6, 2018.

The Audit Committee met on August 29, 2018 and September 26, 2018, to discuss the staffing levels of the IA and the OIG as well as the potential consolidation of the two functions into a single department under the leadership of the new Inspector General position.

The Audit Committee felt that consolidation of the two functions made sense for the following reasons:

- There is clear overlap between the two areas and efficiencies and synergies could be realized through consolidation
- The consolidated group would provide more resources which could be reorganized to fit the mission of the OIG
- The current activities of IA would be more independent and elevated under a separate office like the OIG
- There may be cost savings anticipated from the consolidation of the two functions

Through consolidation, the following staffing changes to the OIG were recommended by the Audit Committee:

Current	Proposed
Inspector General	Merge with the currently vacant Internal Audit Director position
Attorney	Workload could be accommodated by Outside Counsel or support from the City Attorney's Office
Investigator	Investigator
Clerical position	Leverage existing clerical position in Internal Audit and add a Contract Compliance Auditor
Clerical position	Construction Auditor
	Performance/Process Improvement position (could be an external resource)
5 new positions	4 new positions

### **Analysis**

At the October 26, 2018 Finance Committee meeting, the following motion was adopted:

- Accept the recommendation of the Audit Committee to consolidate the Office of Internal Audit into the proposed OIG
- Amend the qualifications for the Inspector General position to require significant operational/audit experience with at least five years in the public sector
- Recommend that legal counsel to the OIG be provided by the City Attorney's Office, except in instances of an express legal conflict, in which case the City Attorney would select outside counsel for the OIG
- Recommend requiring a five-sevenths (5/7) affirmative vote of the City Commission to reduce the OIG's annual budget.

In addition, the Finance Committee requested that the City Attorney, City Manager and Chief Financial Officer provide individual recommendations regarding the OIG to inform a discussion at the November 14, 2018 Commission meeting.

### **Recommendations**

The City Manager is in general agreement with the recommendations of the Audit Committee. Additional detail is provided below.

#### **1. Consolidation with Office of Internal Audit**

Following a consolidation of the OIG and Internal Audit, the Inspector General would determine which investigations, audits, reviews, and oversight of municipal matters to perform. Therefore, the Inspector General, and not the City Manager, would have oversight and control of Internal Audit staff. I recommend that the Ordinance clearly delineate a minimum level of service for the programs currently provided by Internal Audit so that those services are not degraded over time. For example, the annual audit program has goals to perform audits of high, medium, and low risk within certain periods of time. Another example is that the Office of Internal Audit currently

receives funding from the Resort Tax, Parking, and Sanitation funds to perform audits. This funding cannot be changed for other purposes and these audits serve an important purpose in protecting the revenue streams to the City.

## **2. Staffing for consolidated OIG and Internal Audit**

- I agree that the existing vacant Internal Audit Director position can be reclassified to serve as the Inspector General position instead of adding a new position.
- I agree that the existing clerical staff in Internal Audit can provide sufficient administrative support to the consolidated department instead of adding one or two additional positions.
- I would suggest that the individual hired as the Inspector General be given the opportunity to evaluate the existing staff in Internal Audit and then determine what additional positions might be appropriate.
- I recommend that the additional position for Performance/Process Improvement is not a core function for the OIG and would be a better fit in the Office of Budget & Performance Improvement.

We have already identified office space in the old City Hall building for the Inspector General and staff. We are holding that space in reserve.

I want to assure the Mayor and Commission (and the community) that the creation of the Inspector General office in no way diminishes my responsibility for and focus on promoting efficient, effective and ethical government. My office will still be actively involved in process and performance improvement, employee training and discipline, internal investigations of issues that are identified, and maintaining a motivated work force. Towards that end, I would envision that I might on occasion call upon the IG to assist me in those efforts with their resources and independence.

## **Conclusion**

Staff is seeking further direction from Commission regarding the recommendations of the Audit Committee that include consolidation of the Office of Inspector General and the Office of Internal Audit, changes to staffing, and amendments to the Ordinance creating and establishing the Office of Inspector General.

JLM/JW