

22 4/22/91  
ORDINANCE No. 115601

COUNCIL BILL No. 108503

*Law Department*

The City of

AN ORDINANCE authorizing the City Comptroller to conduct fiscal audits of Library, Municipal Court, and City pension system records and public works contracts; providing for follow-up of audit reports; requiring that City computerized fiscal records and equipment be satisfactory to the City Comptroller

for auditing purposes; and adding new sections 3.95.060, 3.95.070, 20.48.080, and 20.52.060 to the Seattle Municipal Code.

Your Committee on \_\_\_\_\_

to which was referred the within Council report that we have considered the same

COMPTROLLER FILE No. \_\_\_\_\_

Introduced: APR 1 1991	By: SIBONGA
Referred: APR 1 1991	To: Finance, Budget & Management
Referred:	To:
Referred:	To:
Reported: APR 8 1991	Second Reading: APR 8 1991
Third Reading: APR 8 1991	Signed: APR 8 1991
Presented to Mayor: APR 9 1991	Approved: APR 15 1991
Returned to City Clerk: APR 15 1991	Published:
Vetoed by Mayor:	Veto Published:
Passed over Veto:	Veto Sustained:

PAS

*Council Clerk*

OK

Department

# The City of Seattle--Legislative Department

es; and adding new sec-  
5.070, 20.48.080, and  
Seattle Municipal Code.

Date Reported  
and Adopted

## REPORT OF COMMITTEE

Committee on Finance

was referred the within Council Bill No. 108503

it we have considered the same and respectfully recommend that the same:

PASS 3-0 4/3/91

amend code 20

\_\_\_\_\_  
Committee Chair

ORDINANCE

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AN ORDINANCE authorizing the City Comptroller to conduct fiscal audits of Library, Municipal Court, and City pension system records, and public works contracts; providing for follow-up of audit reports; requiring that City computerized fiscal records and equipment be satisfactory to the City Comptroller for auditing purposes; and adding new sections 3.95.060, 3.95.070, 20.48.080, and 20.52.060 to the Seattle Municipal Code.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. There are added to Seattle Municipal Code Chapter 3.95 two new sections 3.95.060 and 3.95.070 as follows:

3.95.060 Auditing authority

The City Comptroller is authorized to audit the records of the Seattle Public Library, the Seattle City Employees Retirement System, the Firemen's Pension Fund, and the Police Pension Fund and, to the extent authorized by law, the Seattle Municipal Court.

3.95.070 Audit Reports--Follow-up Required

It is City policy to follow up upon audit reports by the City Comptroller.

Whenever an audit report identifies a tortious or criminal misappropriation of City funds or property, the department head and the City Attorney shall seek recovery of the moneys and/or other relief as allowed by law.

When an audit report discovers a misexpenditure and/or makes a recommendation for a change in practice or procedures of a City department, the affected department shall respond within thirty (30) days. If the City Comptroller finds the response unsatisfactory, the City Comptroller shall refer the matter to the Office of Management and Budget for its review and guidance; and if the matter is not then resolved, the Mayor and/or the City Council shall consider the

1  
2 recommendation and responses during the course of the review  
3 of the department's annual budget and performance.

4 When an audit of a City contract or project determines  
5 that ineligible costs were paid, the department responsible  
6 for the contract shall promptly seek recovery of sums due to  
7 the City. The City Comptroller may participate in discussions  
8 with the contractor toward recovery of moneys due and shall be  
9 consulted before a settlement is made. In event of a  
10 disagreement between the City Comptroller and a department  
11 head, the Mayor or at his direction, the Budget Director shall  
12 serve as a mediator.

13 Section 2. There is added to Seattle Municipal Code  
14 Chapter 20.48 a new section 20.48.080 as follows:

15 20.48.080 Auditing authority

16 The City Comptroller is authorized to audit public works  
17 contracts to determine whether required procedures were  
18 followed; the compensation or other consideration was properly  
19 paid; and the improvement or services, which were contracted  
20 for, were received in a timely manner.

21 Section 3. There is added to Seattle Municipal Code  
22 Chapter 20.52 a new section 20.52.060 as follows:

23 20.52.060 Ability to audit

24 The City's automated data processing and electronic data  
25 processing equipment used in processing expenditures,  
26 warrants, and other financial data shall contain controls for  
27 accurately evaluating the integrity and reliability of  
28 financial information being produced. Use of such systems and  
acceptance of such equipment shall be subject to approval of  
the City Comptroller as satisfactory for fiscal audit  
purposes.

Section 4..... This ordinance shall take effect and be in force thirty days from and after its passage and approval, if approved by the Mayor; otherwise it shall take effect at the time it shall become a law under the provisions of the city charter.

Passed by the City Council the 8th day of April, 1991,  
and signed by me in open session in authentication of its passage this 8th day of  
April, 1991.

President W. F. Tom of the City Council.

Approved by me this 15th day of April, 1991.

Filed by me this 16th day of April, 1991.

Norman B. Rice  
Mayor.  
Howard J. Brooks  
Attest:  
City Comptroller and City Clerk.

(SEAL)

Published.....

By Margaret Carter  
Deputy Clerk.

Office of the Comptroller  
City of Seattle



Norward J. Brooks, Comptroller and City Clerk

February 4, 1991

The Honorable Paul Kraabel  
President, Seattle City Council  
1100 Municipal Building  
Seattle, WA 98104-1892

Dear President Kraabel:

Submitted for City Council approval is a Council Bill authorizing the City Comptroller to conduct fiscal audits of the Library, Municipal Court, City Pension System records, and public works contracts; and requiring that City computerized fiscal records and equipment be acceptable to the City Comptroller for auditing purposes.

I recommend approval of this Council Bill.

Sincerely,

Norward J. Brooks, Ph.D.  
City Comptroller

NST/JY031.1

cc: Office of Management and Budget

# City of Seattle

Executive Department-Office of Management and Budget

Andrew J. Lofton, Director  
Norman B. Rice, Mayor

March 12, 1991



The Honorable Mark Sidran  
City Attorney  
City of Seattle

Dear Mr. Sidran:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING  
DEPARTMENT: Comptroller

SUBJECT: AN ORDINANCE authorizing the City Comptroller to conduct fiscal audits of Library, Municipal Court, and City pension system records, and public works contracts; providing for follow-up of audit reports; requiring that City computerized fiscal records and equipment be satisfactory to the City Comptroller for auditing purposes; and adding new sections 3.95.060, 3.95.070, 20.48.080, and 20.52.060 to the Seattle Municipal Code.

Pursuant to the City Council's S.O.P. 100-014, the Executive Department is forwarding this request for legislation to your office for review and drafting.

After reviewing this request and any necessary redrafting of the enclosed legislation, return the legislation to OMB. Any specific questions regarding the legislation can be directed to Joseph Yoshihara, at 684-8080.

Sincerely,

Norman B. Rice  
Mayor

by



ANDREW J. LOFTON  
Budget Director

AL/jy/lk

Enclosure

cc: Comptroller

Office of the Comptroller  
City of Seattle



Norward J. Brooks, Comptroller

MEMORANDUM

Date: September 28, 1990

To: The Honorable Dolores Sibonga  
Chair, Council Finance Committee

From: Norward J. Brooks, City Comptroller *NJB*

Subject: Comptroller's Audit Function and Responsibility

Thank you for the opportunity to discuss my concerns regarding the implementation and follow-up of Comptroller audit recommendations.

The Comptroller is the general supervisor over the City's financial affairs, and as such prescribes accounting and financial reporting guidelines to City departments in accordance with the City Charter and the Seattle Municipal Code (SMC).

To carry out these responsibilities effectively and with maximum efficiency in this City's decentralized management environment, it is necessary that my office perform financial and compliance audits of financial systems, City departments, agencies, programs and contracts.

State law and the City Charter provide general authority for the Comptroller to conduct audits of the City's overall financial functions. The Seattle Municipal Code grants specific authorization for the Comptroller to audit payroll, consultant contracts and Public Development Authorities. Current procedures, however, do not specify how the audit recommendations will be implemented. The recommendations are directed to the affected Department Director and left to his or her discretion as to the action to be taken.

An example of this management discretion involves the recent audit review of the Seattle Municipal Court's cash receipting system. Our findings and recommendations echoed previous findings and recommendations of a 1988 audit conducted on the Court's revenue system. The lack of management's implementation of initial audit recommendations and follow-up resulted in continued delays in cash receipting and depositing.

An effective audit program requires a strong oversight and follow-up component which will:

- a. encourage support for carefully-considered proposed changes in policies and procedures;
- b. provide insight into the operations of the City that would not ordinarily be available from other City directors, managers, representatives or even the external auditors; and
- c. enlighten and educate on the significant risks, control systems and procedures, and certain financial operational and administrative methods that are in place.

I recommend that this audit oversight and follow-up function become a responsibility of the City Council. The significant audit recommendations involving all but consultant contracts will be presented to the Council in the form of a resolution directing the affected departments to implement the audit findings within a specific timeframe. Audit findings involving consultant contracts which are now submitted to the appropriate Department Head for resolution, will be referred to the Hearing Examiner for disposition. This change is suggested because our interpretation of applicable laws and regulations, accounting principles, and procurement standards is continually being challenged and disputed by the consultants, their accountants and lawyers; and, the Department Heads and Project Managers are not normally prepared to deal with a barrage of cost accounting experts.

If adopted, these changes will facilitate and foster immediate City Council attention on the conditions and recommended improvements which will affect various City activities and functions.

To provide comprehensive audit coverage of all City functions, affirmation of the Comptroller's authority to audit the Seattle Public Library, Pension Systems, Seattle Municipal Court, and the Fire Department must be supported by the Council. These departments are users of the financial systems administered by the Comptroller, such as the Central Financial Management System (CFMS) and the Personnel Payroll System (PPS); however, they are not presently being audited by the Comptroller because the lines of authority to audit are not clear.

In addition, most of the City's financial systems are processed by computers administered by the Department of Administrative Services (DAS). As administrator of the financial system, I must have a reasonable assurance that adequate controls exist regarding the operation of the computer systems, as well as the integrity and reliability of financial information that is produced by them.

Adopting an ordinance granting the Comptroller the authority to audit these departments will rectify this situation. Further, SMC 3.114.130 grants the Comptroller the authority to audit Public Works consultant contracts, but not construction contracts. Most of the consultant contracts audited by the Comptroller were for the design of projects which eventually became public works construction projects. Since 1984 there have been approximately 325 million dollars worth of public works construction contracts awarded.

Cost overruns caused by improperly authorized change orders, double billings, and circumventing of Board of Public Works rules, as well as applicable laws and regulations, have been identified in the consultant contracts and are probably occurring in the construction contracts which are presently going unaudited. Amending SMC 3.114.130 (Procurement of Consultants) to include public works contracts will correct this situation.

I would like to recommend that the Council adopt the above procedural changes so that the City can move towards a more comprehensive audit program.

I look forward to discussing these issues further. Please contact me at 4-8383 or Rufino Moraleja, Audit Manager, at 4-8493, if you have any questions about this memorandum before our meeting.

NJB:vem

cc: Rufino Moraleja, Audit Manager, Comptroller's Office

TIME AND DATE STAMP

**SPONSORSHIP**

THE ATTACHED DOCUMENT IS SPONSORED FOR FILING WITH THE CITY COUNCIL BY  
THE MEMBER(S) OF THE CITY COUNCIL WHOSE SIGNATURE(S) ARE SHOWN BELOW:

*Salvador Sibonga*

_____	_____
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**FOR CITY COUNCIL PRESIDENT USE ONLY**

COMMITTEE(S) REFERRED TO:

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PRESIDENT'S SIGNATURE

STATE OF WASHINGTON - KING COUNTY

4023  
City of Seattle

—ss.

No.

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

ORD: 115601

was published on

04/25/91

The amount of the fee charged for the foregoing publication is the sum of \$ \_\_\_\_\_, which amount has been paid in full.

*M. Skyles*

Subscribed and sworn to before me on

04/25/91

*Jennifer K. Nicholson*

Notary Public for the State of Washington,  
residing in Seattle

# City of Seattle

## ORDINANCE 113661

AN ORDINANCE authorizing the City Comptroller to conduct fiscal audits of Library, Municipal Court, and City pension system records, and public works contracts; providing for follow-up of audit reports; requiring that City computerized fiscal records and equipment be satisfactory to the City Comptroller for auditing purposes; and adding new sections 3.95.060, 3.95.070, 20.48.080, and 20.52.060 to the Seattle Municipal Code.

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**3.95.070 Audit Reports--Follow-up Required**

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When an audit of a City contract or project determines that ineligible costs were paid, the department responsible for the contract shall promptly seek recovery of sums due to the City. The City Comptroller may participate in discussions with the contractor toward recovery of moneys due and shall be consulted before a settlement is made. In event of a disagreement between the City Comptroller and a department head, the Mayor or at his direction, the Budget Director shall serve as a mediator.

Section 2. There is added to Seattle Municipal Code Chapter 20.48 a new section 20.48.080 as follows:

**20.48.080 Auditing authority**

The City Comptroller is authorized to audit public works contracts to determine whether required procedures were followed; the compensation or other consideration was properly paid; and the improvement or services, which were contracted for, were received in a timely manner.

Section 3. There is added to Seattle Municipal Code Chapter 20.52 a new section 20.52.060 as follows:

**20.52.060 Ability to audit**