



May 22, 2023

To: Honorable Members of the City Council

From: Andy Hanau, City Auditor

Subject: Status Update – Office of the City Auditor FY2024 Budget Request

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## SUMMARY

As you know, the Office of the City Auditor (OCA) submitted a budget request for FY2024. The budget request was based on extensive benchmarking with peer audit shops, which showed that OCA staff salaries are significantly lower than peers and competitors, and that OCA has fewer staff than peers relative to the size of the City organization we audit.

The Mayor's initial FY2024 Proposed Budget and May Revise include adjustments to make OCA staff salaries highly competitive with our peers and competitors. We greatly appreciate the Mayor and his team including these adjustments, which will help ensure that OCA continues to attract and retain highly skilled and dedicated staff to serve our residents and taxpayers.

However, although OCA has not added staff in seven years, the initial Proposed Budget and May Revise *do not include* additional positions to help right-size OCA. Therefore, we respectfully request the Council to make the following adjustment to OCA's FY2024 budget:

- ***Add one Performance Auditor position and one Administrative position to the Office of the City Auditor, in order to provide sufficient audit coverage of high-risk areas and identify additional improvements to the efficiency, effectiveness, and equity of City operations.***

Notably, after further review of the FY2024 Proposed Budget and May Revise, we believe the budget already includes sufficient salary resources (\$126,000) to fund these positions midway through FY2024. ***Therefore, this request is budget neutral.***<sup>1</sup>

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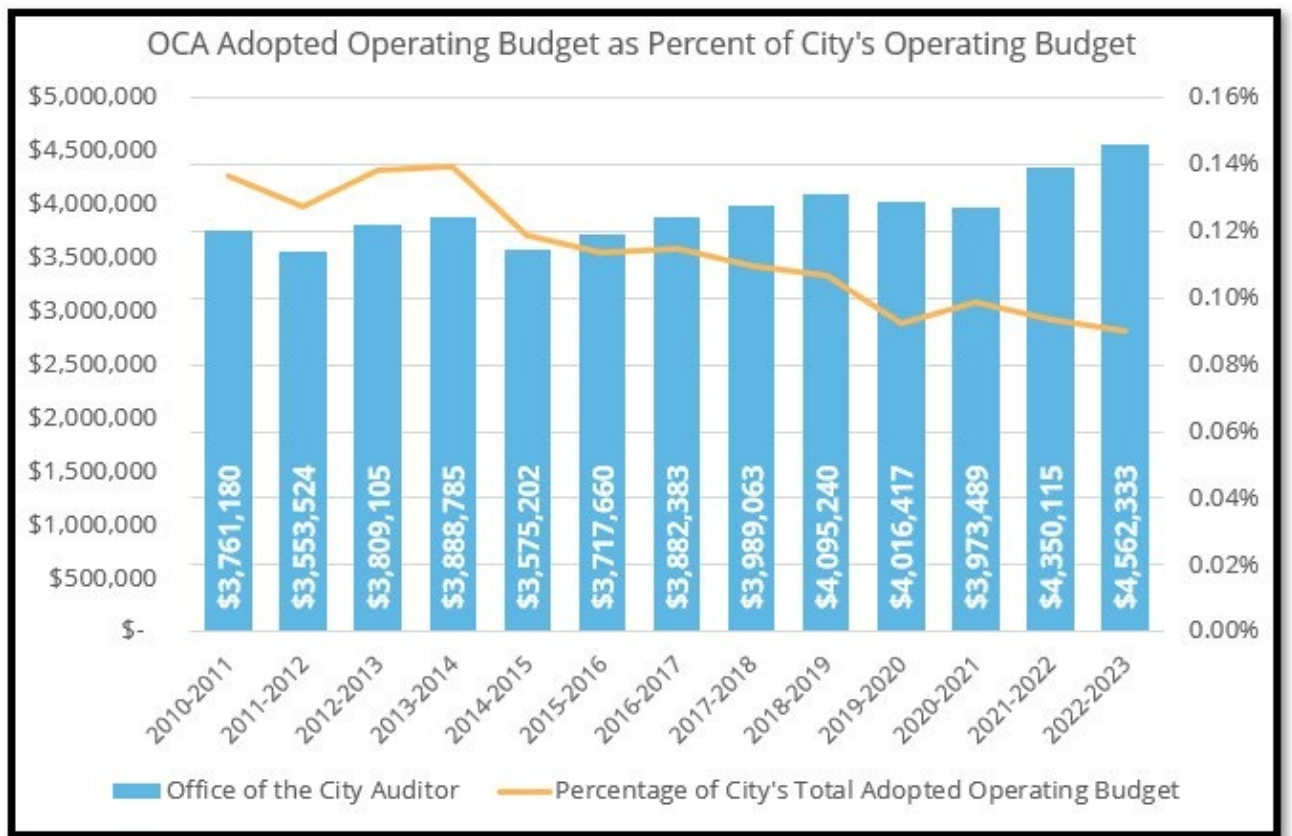
<sup>1</sup> The original FY2024 Proposed Budget includes funds to support a 5 percent across the board salary increase for OCA staff, effective July 1, 2023, as well as funds to support the 14 percent pay increase we requested based on our benchmarking. The May Revise includes additional funds for a second 5 percent pay increase, effective January 1, 2024. Because these combined salary increases exceed what we requested, we believe we will have sufficient funds to make OCA salaries competitive and fill additional positions midway through FY2024. The Department of Finance currently estimates the full annual cost of one Performance Auditor position and one Administrative position at \$252,099 beginning in FY2025.

## OVERVIEW OF OCA REQUEST FOR ADDITIONAL POSITIONS

Since OCA last added positions seven years ago, the number of City FTE has grown by 13 percent and the City budget has grown by 50 percent. Because OCA has not grown along with the City, we are unable to provide the same level of audit coverage we could several years ago. This means we must leave high-risk topics off of our workplan because we do not have the resources to audit them.

### Exhibit 1

#### OCA Makes Up a Much Smaller Percentage of the City Budget Compared to Several Years Ago



In addition, as noted, our benchmarking shows that OCA is smaller and thus can provide less audit coverage than our peers. Specifically, as shown in the table below, the mean peer audit organization comprises approximately 0.15 percent of their agency's budget and 0.24 percent of their agency's FTEs. By comparison, OCA is smaller, comprising 0.09 percent of the City's budget and 0.17 percent of the City's budgeted FTEs.<sup>2</sup> This means OCA is auditing larger programs with fewer staff than similar audit organizations.

<sup>2</sup> In other words, OCA received 9 cents out of every \$100 the City budgeted in FY2023, compared to 15 cents for our peers. Similarly, OCA staff make up about 1.7 out of every 1,000 City employees, while peer audit staff make up about 2.4 out of every 1,000 employees in their organizations.

Additionally, many other leading audit organizations have staff that specialize in quality control, graphics, and copyediting. In order to modernize OCA's reports and quality control, we converted an existing administrative position to a Quality Control and Communications Specialist position in FY2021. While this position has been essential to maintaining and enhancing the quality of our reports, it resulted in the loss of an administrative position, and our experience has shown that additional administrative support is greatly needed.

### **Exhibit 2**

#### **OCA Has Fewer FTEs and a Smaller Budget Relative to Overall Agency Size Compared to Peer Audit Organizations**

Entity	FTEs as a Percent of Total City FTEs	Budget as a Percent of Total City Budget
OCA FY2022	0.17%	0.09%
Average of Peer Audit Organizations	0.24%	0.15%

Source: OCA generated based on benchmarking with 15 peer audit organizations during FY2022.

### **CONCLUSION**

We understand that the Mayor and Council have to make extremely difficult decisions on how to allocate the City's limited resources. OCA is currently fully staffed,<sup>3</sup> and I am confident we will be able to fill any new positions so that they can begin adding value for our residents and taxpayers in FY2024.

I hope you find this information helpful as you finalize the FY2024 Budget. Thank you as always for your support of the Office of the City Auditor.

Sincerely,



Andy Hanau  
City Auditor

CC: Charles Modica, Independent Budget Analyst  
Lisa Byrne, Fiscal and Policy Analyst, Office of the IBA  
Amy Li, Fiscal and Policy Analyst, Office of the IBA  
City Council Chiefs of Staff

<sup>3</sup> All 22 OCA positions are filled as of May 22, 2023. We recently became aware of a vacancy that will occur in early June and have already begun taking steps to fill this position.

Matt Vespi, Chief Financial Officer

Rolando Charvel, Director of Finance and City Comptroller