The Office of the City Controller is responsible for auditing the affairs of every officer, department, board, and commission of the city, annually. As part of these duties, the Controller's Office performs the Departmental Audit, which reviews the financial affairs of all City departments. The audit tests whether City departments have sufficient internal controls to ensure accurate financial information and compliance with any laws and regulations related to revenue and expenditure activities. The audit examines internal controls in several areas, including petty cash, personal property, revenue and receipts, and personal services.

Beginning last year, the Controller’s Office used a new risk-based approach for testing revenues and expenditures during the Departmental Audit. In fiscal year 2019 (FY19), the Controller's Office continued to use this new model. Each city department received a tier rating that takes in to account significant revenue and expenditures within each department, the internal controls in place over revenues and expenditures, and the significance of the previous year’s audit findings related to internal controls and their potential impact on the City’s financial statements. The tier ratings range from 1 to 3, with tier 1 indicating that the department has the largest potential impact on the City's financial statements and tier 3 the least.

#### **Tier 1**

Departments with revenue and expenditure amounts or processes that may significantly impact the city’s financial statements. For example, a department with significant revenue and expenditures, such as the Department of Public Health, would be designated as a Tier 1;

#### **Tier 2**

Departments that have certain revenue or expenditure amounts or internal controls that may significantly impact the city’s financial statements. For example, a department with significant findings from prior years, such as the Office of Finance, would be designated as a Tier 2; and

#### **Tier 3**

Departments that do not appear to have revenue or expenditure amounts that significantly impact the city’s financial statements. For example, the Board of Ethics would be designated as a Tier 3.

## User Guide

This dashboard summarizes key audit findings for departments that represent the largest potential risk to the City's financial statements, designated as Tier 1 and Tier 2. The findings for each tier of departments can be selected using the navigation links at the top of this page. Findings for an individual department can be viewed by clicking on the department's name.

This dashboard focuses on **key findings** from the FY19 Departmental Audit. Rather than present all findings for every department, the dashboard focuses on findings in several key areas:

* Enforcement of the City's sick leave policy;
* Use of a sick leave policy for exempt employees;
* Authorization of employee overtime;
* Supervisory review of daily attendance records; and
* Monitoring and checking payroll accuracy.

In addition, the dashboard highlights one additional significant finding for the Department of Licenses and Inspections (L&I). For the second year in a row, L&I failed to reconcile revenue from housing inspection license renewals, which totaled $16.4 million for FY19, to the City's accounting system daily.

## Note

A department's risk rating can change from year to year. This assigned rating impacts the amount of testing and level of scrutiny for each department during the audit process. For this reason, the findings presented here for FY19 are not directly comparable to audit findings from previous years.