



DATE: May 14, 2019

CATEGORY: Consent

DEPT.: City Manager's Office

TITLE: **Appointment of City Auditor**

RECOMMENDATION

That the City Council appoint Jesse Takahashi to the position of City Auditor pursuant to Sections 701 and 710 of the City Charter. (Five votes required)

BACKGROUND

With the retirement of the former City Auditor (and Finance and Administrative Services Director), Patty J. Kong, the City Council needs to fill the vacancy, per the City Charter.

City Charter Section 701, Appointment and Removal, provides:

"The City Manager, City Clerk, City Auditor and City Attorney shall be appointed by and may be removed by the affirmative votes of at least five members of the Council. All other officers and department heads of the City shall be appointed by the City Manager and shall serve at the pleasure of the City Manager."

Section 710 of the City Charter specifies:

"The City Auditor shall be an experienced accountant, preferably with municipal accounting experience, and shall have the power and be required to perform such duties consistent with this Charter as may be required by the City Council. This position may be combined with any other officer of the City as designated by the City Council. Council, in its discretion, may retain the professional accounting services of an independent audit firm to serve as City Auditor from time to time. The City Council shall also annually employ an independent auditor as required by Section 1106 of this Charter."

A copy of Council Policy A-12 regarding the appointment of the Auditor is attached for reference (Attachment 2).

In the past, the City Auditor conducted, or caused to be conducted, a variety of audits, reviews, and agreed-upon procedures, primarily through the use of consultants or other specialists under the oversight and direction of the City Auditor. In some cases, the City's external audit firm was engaged to perform some of the work in conjunction with their normal audit of the City. Some examples of areas that were addressed in past years are as follows:

- Sales tax review
- Property tax review
- Lessee compliance reviews
- Cash handling reviews
- Transient Occupancy Tax compliance audits
- Utility Users Tax compliance audits
- Purchasing card transactions review
- Fair Labor Standards Act (FLSA) compliance review
- Gatekeeper time reporting review

Each year, the City Auditor presents a report to the City Council on the status of the previous year's work conducted and proposes a set of work plans for the upcoming fiscal year. A copy of the 2017 report is included as an attachment for reference (Attachment 3). A similar annual report was presented to the Council in December 2018, but it did not include a work plan for Fiscal Year 2018-19, given former Director Kong's retirement.

ANALYSIS

It is important to note that the work of the City Auditor differs from that of our outside auditors and also differs from "performance auditing." While the past two City Auditors have also been the same individual as the Finance and Administrative Services Director, the Council may choose to appoint someone other than the

incumbent in this position, be it another individual or an independent accounting firm as provided for in Section 710 of the City Code.

Recently appointed Finance and Administrative Services Director, Jesse Takahashi, replaced former Director Kong in January 2019. He spent nearly seven years as an auditor with the accounting firm of Peat Marwick (now KPMG), where he attained the level of Audit Manager; obtained his CPA license (no longer active); and audited governmental entities, including the City of Oakland, County of Contra Costa, University of California Office of the President, as well as various school districts and for-profit companies. He spent the past 21 years at the City of Campbell, where he was the Finance Director for 12 years prior to his appointment in Mountain View. He is a member of the Government Finance Officers Association of the U.S. and Canada and the California Society of Municipal Finance Officers, where he served over the years on various standing committees; the Board of Directors; Executive Committee; and as its President in 2015. A copy of his resumé is attached (Attachment 4).

On April 23, 2019, the Council Finance Committee met to discuss the filling of this vacancy and potential alternatives for the appointment. The Committee asked questions of Director Takahashi, who then left the meeting to allow the Committee time to deliberate. After further discussion, the Committee voted unanimously (3-0) to recommend to the City Council that it appoint Director Takahashi as City Auditor.

FISCAL IMPACT

There is no fiscal impact associated with the appointment of the City Auditor as recommended.

ALTERNATIVES

Consider scheduling a Closed Session to discuss the appointment, recommending another individual or accounting firm, or initiating a recruitment process.

PUBLIC NOTICING – Agenda posting.

Prepared and approved by:

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City Manager

DHR/JT/3/CAM
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- Attachments:
1. City Charter Sections 701 and 710
 2. Council Policy A-12
 3. City Auditor's Annual Report for Fiscal Year 2016-17
 4. Resumé of Jesse Takahashi