CITY OF CUPERTINO

ADMINISTRATIVE SERVICES DEPARTMENT

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255
TELEPHONE: (408) 777-3220 • FAX: (408) 777-3109
CUPERTINO.ORG

CITY COUNCIL STAFF REPORT
Meeting: July 2, 2024

Subject
Status update for prior Internal Audit Work Plans in Fiscal Year (FY) 2021-22 and FY 2022-23

Recommended Action
Receive status update report for prior Internal Audit Work Plans in FY 2021-22 and FY 2022-23

Discussion
Background
In Fiscal Year FY 2019-20, the City began an internal audit program and issued a Request for Proposal (RFP) for internal audit services. After reviewing the proposals, the evaluation committee, which was a subcommittee of consisting of staff and audit committee members selected Moss Adams as the City's Internal Auditor. Moss Adams serves as the City's designated Internal Auditor and conducts projects focusing on:

- Risks
- Internal controls
- Efficiency and effectiveness
- Best practices
- Compliance

Moss Adams serves as the City's Internal Auditors and presents annual audit plans and final audit reports to the Audit Committee. Once reviewed by Audit Committee the plans and audits are forwarded to the City Council who approves the annual internal audit work plan and receives the final completed audits. The City is in contract with Moss Adams until June 2026.

In 2020, Moss Adams conducted an Enterprise Risk Assessment (ERA) to analyze the City's risk areas. For each risk category assessed, the risk assessment included an overview of the risk condition in the City, including the current risk level, likelihood, impact, preparedness, and trajectory. This assessment was used as a guide to the internal audits recommended in FY 2022-24.

Prior Year Internal Audit Work Plans
Moss Adams recommended staff begin updating both Audit Committee and City Council on the status of audit recommendations about two to three years after the first audit was completed. This would provide staff enough time to work through recommendations and provide a meaningful update. After this initial update, Moss Adams recommends updating Audit Committee and City Council on an annual basis.

In 2021, 2022, and 2023, Moss Adams developed an Internal Audit Work Plan to guide activities for each respective fiscal year. All prior year internal audits can be found online at https://www.cupertino.org/our-city/departments/finance/internal-audit.

The chart below provides a summary of each Internal Audit Work Plan. The FY 2023-24 Audit Work Plan was approved by City Council on July 24, 2023. It is anticipated that final audits from the current fiscal year's work plan will be presented to City Council in July and September 2024.

Internal Audit Work Plan and Items	**Internal Audit Work Plan and Final Audits Received by Audit Committee**	**Internal Audit Work Plan Approved and Final Audits Received by City Council**
FY 2021-22 Internal Audit Work Plan and Items		
Internal Audit Work Plan:	May 24, 2021	July 2020, 2021
• Procurement Operational Review	February 24, 2022	April 19, 2022
• Policy Inventory and Plan (Fiscal)	May 23, 2022	July 19, 2022
• Capital Program Effectiveness Study	May 23, 2022	July 19, 2022
• Fraud, Waste, and Abuse Program	June 27, 2022	July 19, 2022
FY 2022-23 Internal Audit Work Plan and Items		
Internal Audit Work Plan:	June 27, 2022	September 6, 2022
• Budget Process Review	February 27, 2023	March 21, 2023
• Enterprise Leadership Effectiveness Study	July 24, 2023	September 6, 2023
• Library Construction Audit	April 24, 2023	May 16, 2023

Attachments A through G of this staff report provide further information including the internal auditor's specific observations, recommendations, and status of all prior year audit recommendations as of June 30, 2024.

Each of the internal audits and recommendations are at different stages of completion. The following internal audits and recommendations are fully completed:

- Fiscal Policy Inventory and Plan (100% completion of high-risk policy areas)
- Fraud, Waste, and Abuse
- Budget Process Review
- Library Construction Audit

The other internal audits and recommendations are currently in progress and/or ongoing.

The status update report for prior Internal Audit Work Plans in FY 2021-22 and FY 2022-23 were presented to the Audit Committee on June 24, 2024. The Audit Committee voted unanimously to receive the report and forward them to the City Council.

Next Steps
Administrative Services staff will begin annual reporting of statuses of internal audits and recommendations to Audit Committee and City Council beginning in FY 2024-25, which will include FY 2023-24 Internal Audit Work Plan recommendations.

Sustainability Impact
No sustainability impact.

Fiscal Impact
Internal Audit is budgeted in 100-41-405 700-702. To date the City has spent approximately $392,000 in internal audit costs since FY 2020-21. In FY 2024-25, $60,000 is budgeted down from the previously budgeted amount of $100,000 due to a service level reduction approved as part of the final budget.

California Environmental Quality Act
Not applicable.

Prepared by: Toni Oasay-Anderson, Senior Management Analyst
Reviewed by: Kristina Alfaro, Director of Administrative Services
Approved for Submission by: Pamela Wu, City Manager
Attachments:
A – Procurement Operational Review - Audit Recommendation Update
B – Fiscal Policy Inventory & Gap Analysis - Audit Recommendation Update
C – Capital Program Effectiveness - Audit Recommendation Update
D – Fraud, Waste, and Abuse Program - Audit Recommendation Update
E – Budget Process Review - Audit Recommendation Update

F – Enterprise Leadership Assessment - Audit Recommendation Update
G – Library Expansion Construction - Audit Recommendation Update