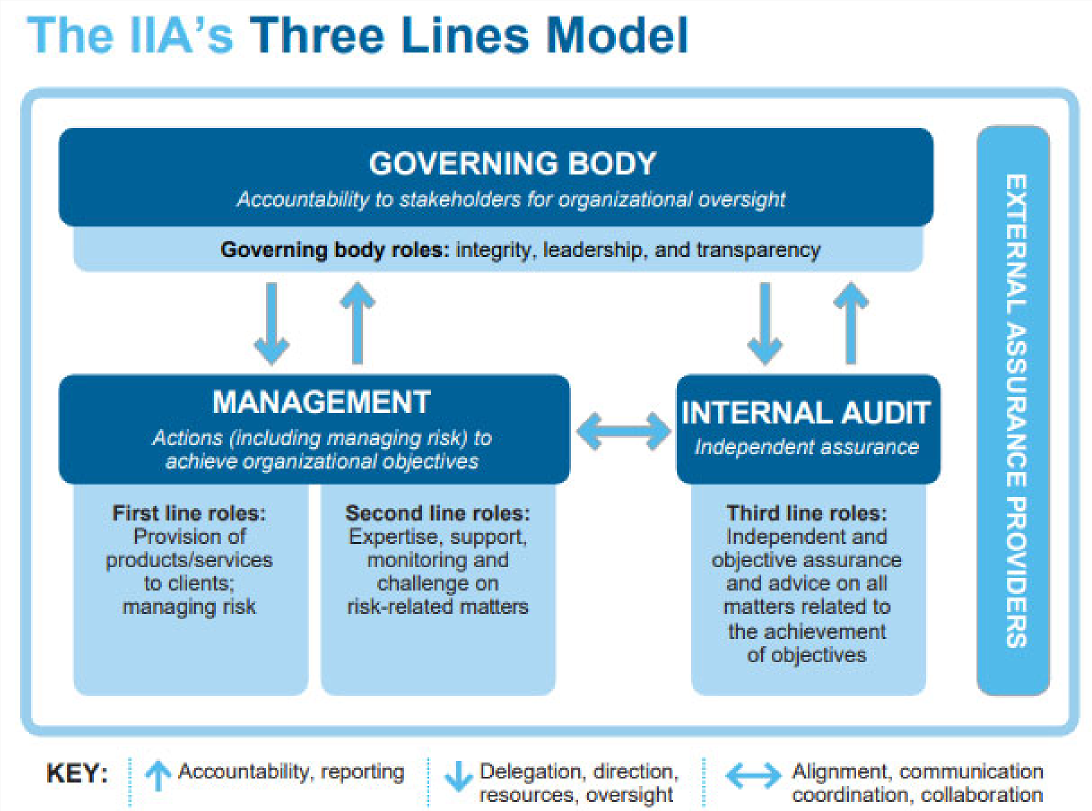
City of Cupertino
FY 26-27 Internal Audit Program

Audit Committee Meeting / July 2026

Internal Audit Overview

- The City retained Baker Tilly to serve as the designated Internal Auditor and conduct projects focusing on:
  - Risks
  - Internal Controls
  - Efficiency and effectiveness
  - Best practices
  - Compliance
- Work is being completed under appropriate industry standards (IIA, GAGAS, AICPA)

Role of Internal Audit



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Holistic Internal Audit Program Components

A. Program Inputs	B. Opportunities	C. Tracking & Reporting
• Enterprise Assessments • Employee and Residents • Performance Metrics	• Risks • Controls • Compliance • Performance	• Findings & Recommendations • Fraud, Waste, and Abuse Hotline • Corrective Actions • Implementation • Validation

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Internal Audit Program Components

Annual Plan

Internal Audit Components

City Functions

Internal Audit Plan

Risks | **Internal Controls** | **Compliance** | **Performance**

Accounting and financial reporting, asset management, capital programs, compliance, economics and funding, fraud, governance, human resources, internal controls, maintenance and operations, management, operations and service delivery, organization and staffing, processes and procedures, procurement, public safety, risk management, and technology

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Program Review

Focus	Accomplishments
Enterprise Risk Assessments	2021, 2024
Internal Controls Projects Completed • *Citywide Internal Control Review*	3 FY 26
Performance/Efficiency Projects Completed	5
Policies Reviewed • *City Council Review* • *Investment/Cash Flow Policy Review*	147 FY 26 FY 26
Recommendations Delivered	79
Ethic Hotline Reports Received	39 reports
Recommendations Validations in FY26	7

Departments Covered

Department	Projects
Administrative Services	Procurement (22) Finance Policy and Procedures (22) Budget Process Review (23) Grants Management Internal Control Review (25) Special Revenue Fund Process (25) Investment/Cash Flow Policy Review (26) Council- Wide Policy Review (26)
City Clerk	
City Manager's Office	FWA Program (22)
Community Development	
Communication	
Innovation & Technology	
Parks & Recreation	
Public Works	Capital Program (22) Library Construction Audit (23)

⇒ Enterprise Projects: Risk Assessment (21, 24), Enterprise Leadership (23), Policies and Procedures (24), Recommendation Validation (25), Internal Control Review (26)

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Potential FY26-27 Internal Audit Projects

Project Title	Project Description	Estimated Fee
Code Enforcement – 311 Response Time Review	Evaluate the City's code enforcement complaint response process, with a focus on response times, staffing availability, and service delivery.	$45,000
Property Tax Review	Inventory property tax revenues and compare to relevant legislation and interlocal agreements to identify opportunities to improve understanding of tax revenue distributions, county service delivery, and intergovernmental funding.	$35,000
Investment/Cash Flow Review	Compare existing investment and cash flow processes to the City's existing policy to assess alignment with the policies.	$35,000
Permitting Efficiency Study	Evaluate the efficiency and effectiveness of the City's permitting process to identify opportunities to streamline workflows, reduce processing times, improve customer service, and enhance overall service delivery.	$50,000
Grant Management Follow-up	Follow up on outstanding recommendations and assess what progress the City has made to address recommendations.	$30,000
Recruitment and Retention Study	Assess the City’s recruitment and retention practices to identify opportunities to improve hiring efficiency, enhance the City’s ability to attract and retain qualified employees, and support long-term organizational stability.	$45,000
Recommendation Validations	Continue to track and validate recommendation implementation.	$10,000
Program Management	Support ongoing program management activities.	$20,000

Resources

- Government Finance Officer's Association (GFOA)
  - GFOA Best Practices Guide on Audit Committees
- Institute of Internal Auditors
  - IIA Publication "The Audit Committee: Internal Audit Oversight"
- U.S. Government Accountability Office (GAO)
- American Institute of Certified Public Accountants
- Association of Certified Fraud Examiners

Questions?