



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: September 6, 2023

Subject

Enterprise Leadership Assessment Audit Final Report

Recommended Action

Receive the Enterprise Leadership Assessment Audit Final Report

Reasons for Recommendation

Background

In Fiscal Year (FY) 2019-20, the City began an internal audit program. Moss Adams serves as the City's designated Internal Auditor and conducts projects focusing on:

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

An [internal audit charter](#) prescribing the purpose of the internal auditor was approved by the Audit Committee on [February 11, 2020](#), and the City Council on [July 7, 2020](#). The Audit Committee and City Council play a crucial role in the internal audit process. As described in the internal audit charter, the Internal Auditor is appointed by and reports to the Audit Committee and City Council. The Audit Committee and City Council approve the annual audit workplan, review audit report findings and recommendations, and monitor the implementation of recommendations.

Enterprise Risk Assessment

Moss Adams conducted an Enterprise Risk Assessment (ERA) in 2020 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.

The [Enterprise Risk Assessment](#) identified high, moderate-to-high, and moderate risk categories. Moss Adams presented the Enterprise Risk Assessment to the Audit Committee on [February 22, 2021](#) and [May 24, 2021](#), and to the City Council on [July 20, 2021](#).

FY 2022-23 Internal Audit Work Plan

Moss Adams developed the [FY 2022-23 internal audit work plan](#), which included the following projects:

- Ongoing Support:
 - Ongoing Internal Audit Services
 - Policy Review Ongoing Support
- Budget Process Review
- Enterprise Leadership Effectiveness Study
- Library Construction Audit

The FY 2022-23 program was approved by the Audit Committee on [June 27, 2022](#) and the City Council on [September 6, 2022](#). The Enterprise Leadership Assessment was presented to Audit Committee on July 24, 2023 and recommended to be forwarded to City Council.

Project Background

Moss Adams developed this assessment to evaluate the effectiveness of the City's management and governance collaboration framework and provide recommendations to strengthen and streamline procedures to align with best practices for municipal leadership. As part of this work, they evaluated governance topics including:

- The Council's capacity to set the City's strategic direction and monitor financial sustainability
- Council meeting procedures and resources
- Working relationship and collaboration between Council members, City management, and staff
- Training and onboarding
- Committee and commission roles, core function, and support

Project Results

The Enterprise Leadership Assessment included a total of twelve observations and recommendations for City Council and City Staff consideration. Those observations and recommendations can be found in the attached report. Alignment between the Enterprise Leadership Assessment report and the Fact-Finding report are discussed as part of that report.

City Council – Management responses are listed for City Council are aligned with recommendations from both the fact-finding report and revisions to the City Council Procedures Manual staff reports that are also being presented this evening. City Council may consider taking further actions on these items later as part of the recommended Council workshops that would also cover recommendations from the Fact-Finding report and City Council Procedures Manual.

1.	Observation	While the City has established many policies that are aligned with best practices, there are opportunities to increase the effectiveness of current policies.
	Recommendations	A. Continue current efforts to review, update, and expand the City's governance policies, including the Ethics Policy and Commission Handbook. B. Establish a process to ensure all governance policies are reviewed at least once every five years.
	Management Response	Agree, Council may consider using the City Council procedures manual to address these recommendations and may provide direction for staff to return periodically for revisions. The City Attorney's Office recommends the time frame be two to four years. The City's Ethics Policy is scheduled for review in late summer/early fall 2023.
2.	Observation	With the adoption of the City Council Procedures Manual and other recent changes, the City has made positive progress toward increasing the effectiveness of City Council meetings. However, ongoing challenges remain to ensure that meetings are productive and timely.
	Recommendation	Continue current efforts to implement the City Council Procedures Manual and hold meeting participants accountable.
	Management Response	Agree. Council may consider using the City Council procedures manual to address these recommendations and may provide direction for staff to return periodically for revisions.
3.	Observation	There is a well-documented history of mistrust and poor communication between the Council and management.
	Recommendations	A. Continue current efforts to implement recommendations from the 2023 Internal Review, with a focus on expanding the use of 1:1 pre-meetings with Council members B. In alignment with Municipal Code guidelines, consider developing and implementing a set of practical criteria to determine when requests for information will require a significant allocation of staff time or otherwise exceed the code guidelines C. Continue current efforts to clarify roles and responsibilities and build productive working relationships by providing regular governance trainings and retreats.
	Management Response	Agree. The review of Councilmember compliance with the recommendations in the May 2023 Fact Finding report finds that significant progress has been made in this area but there are still areas for improvement.
4.	Observation	The City Council onboarding and orientation process has recently been updated to increase its effectiveness. This process could be further strengthened by focusing additional attention on roles, responsibilities, and practical application of guidelines.
	Recommendation	Take steps to expand and strengthen the orientation process for new Council members.
	Management Response	Agree. City staff prepared a more in-depth onboarding process as part of the onboarding of Council members in 2023. Staff will continue to review this process and make changes as necessary.

5.	Observation	The City has established many best practice elements of a comprehensive ethics program. However, there are gaps in the City’s compliance enforcement.
	Recommendation	Strengthen internal processes for tracking and holding elected and appointed individuals accountable to timely completion of Form 700 Disclosures.
	Management Response	Agree. City staff will work toward strengthening the internal process for tracking and holding elected and appointed individuals accountable.
6.	Observation	A core function of any governing body is to set and monitor the strategic direction of the organization. While the City Council has adopted a two-year Work Program to prioritize annual initiatives, it has not yet developed a long-range strategic plan.
	Recommendations	A. Consider developing a long-range strategic plan to increase the City’s ability to strategically plan and advance initiatives. B. Continue current efforts to utilize and refine the annual Work Program prioritization practice. C. Consider expanding the City’s reporting processes to more effectively track progress toward strategic goals over time.
	Management Response	Agree. The City will explore creating a long-range strategic plan and continue current efforts on the work plan.
7.	Observation	While the City has established some strong community engagement practices, interviewees noted that Council members may have an overreliance on anecdotal evidence and/or public comment that may not be representative of the wider community perspective.
	Recommendation	A. Consider setting clearer expectations for the intended scope of community engagement at the start of City initiatives. B. Continue current efforts to implement a statistically significant, representative community survey. C. Consider providing media and crisis communication training to all Council members.
	Management Response	Agree. As recommended in the report on compliance with the recommendations in the May 2023 Fact Finding Report, Council may consider additional procedural measures to attempt to focus Councilmembers on their policy and decision-making responsibilities, as well as considering procedural provisions or improvements to public engagement processes to ensure community engagement is more representative. In addition, staff will be conducting a community survey in late fall/early winter timeframe.

Commissions and Committees – The report listed three observations and recommendations for Commissions and Committees, management responses are included in the table below.

8.	Observation	The City utilizes multiple commissions and committees to support Council decision-making. There are opportunities to increase the effectiveness of some of these groups.
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	Recommendations	A. Establish charters, including clear roles and responsibilities, for each commission and committee that outline the group’s purpose and member roles and responsibilities. B. Review additional opportunities to streamline governance groups. C. Consider reviewing the names of governance groups to introduce a consistent naming convention for commission versus committee.
	Management Response	Agree. City staff will bring recommendations regarding commissions and committees to increase their effectiveness.
9.	Observation	The City has documented processes to select and appoint community members to governance groups. This process could be strengthened by adding relevant qualification criteria.
	Recommendation	Review and establish the qualification criteria for each commission and committee member to determine if the City would benefit from adjustments.
	Management Response	Agree. City staff will bring recommended criteria for each commission and committee.
10.	Observation	Commission and committee operations—including onboarding, meeting procedures, work plans, and reporting—are not always consistent or effective.
	Recommendations	A. Continue efforts to expand and formalize onboarding and training expectations for both commissions and committees. B. Clarify the process and expectation for cancelling unnecessary meetings. C. Consider adopting the practice of requiring annual work plans for each commission and committee.
	Management Response	Management agrees with the observation and recommendations A and B and will continue efforts were recommended and work toward clarifying meeting cancellation procedures. City staff does not agree that adopting annual work plan for the committees and commissions would be effective. As previously the City did have this process and it led to confusion and misalignment with the Council workplan.

City Staff – The report listed two observation and recommendations for City staff, management responses are included in the table below.

11.	Observation	The staff time used to support governance groups represents a significant investment of City resources.
	Recommendations	A. Review the practice of requesting department directors attend commission and committee meetings. B. Provide training for staff liaisons annually and when a new individual takes on the liaison role.
	Management Response	Disagree. Department directors play a critical role in the function of their department and necessarily need to understand the recommendations of Commissions and Committees on department functions.
12.	Observation	City staff continue to experience a high degree of organizational change and uncertainty. Within this context, it is critical for the City’s management team to provide active communication and change management to increase support of staff.

Recommendation	Identify and implement expanded communication and change management practices to improve workplace culture.
Management Response	Agree. Management will begin discussions on strategies for active communication and change management as part of the Department Head retreat on August 30, 2023.

Next Steps

Staff is currently working on implementing the report’s recommendations as listed in the tables above. Internal audit status reports are available on the City’s website at cupertino.org/internal-audit.

Sustainability Impact

No sustainability impact.

Fiscal Impact

No fiscal impact. The City’s Internal Audit contract is included in the contracts category of the accounting program in the FY 2022-23 Adopted Budget.

Prepared by: Thomas Leung, Budget Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Approved for Submission by: Pamela Wu, City Manager

Attachments:

A – City of Cupertino Enterprise Leadership Assessment Audit Final Report