MOSSADAMS

City of Cupertino
FY 24-25 Internal Audit Program

Audit Committee Meeting

June 2024

Internal Audit Overview

- The City retained Moss Adams 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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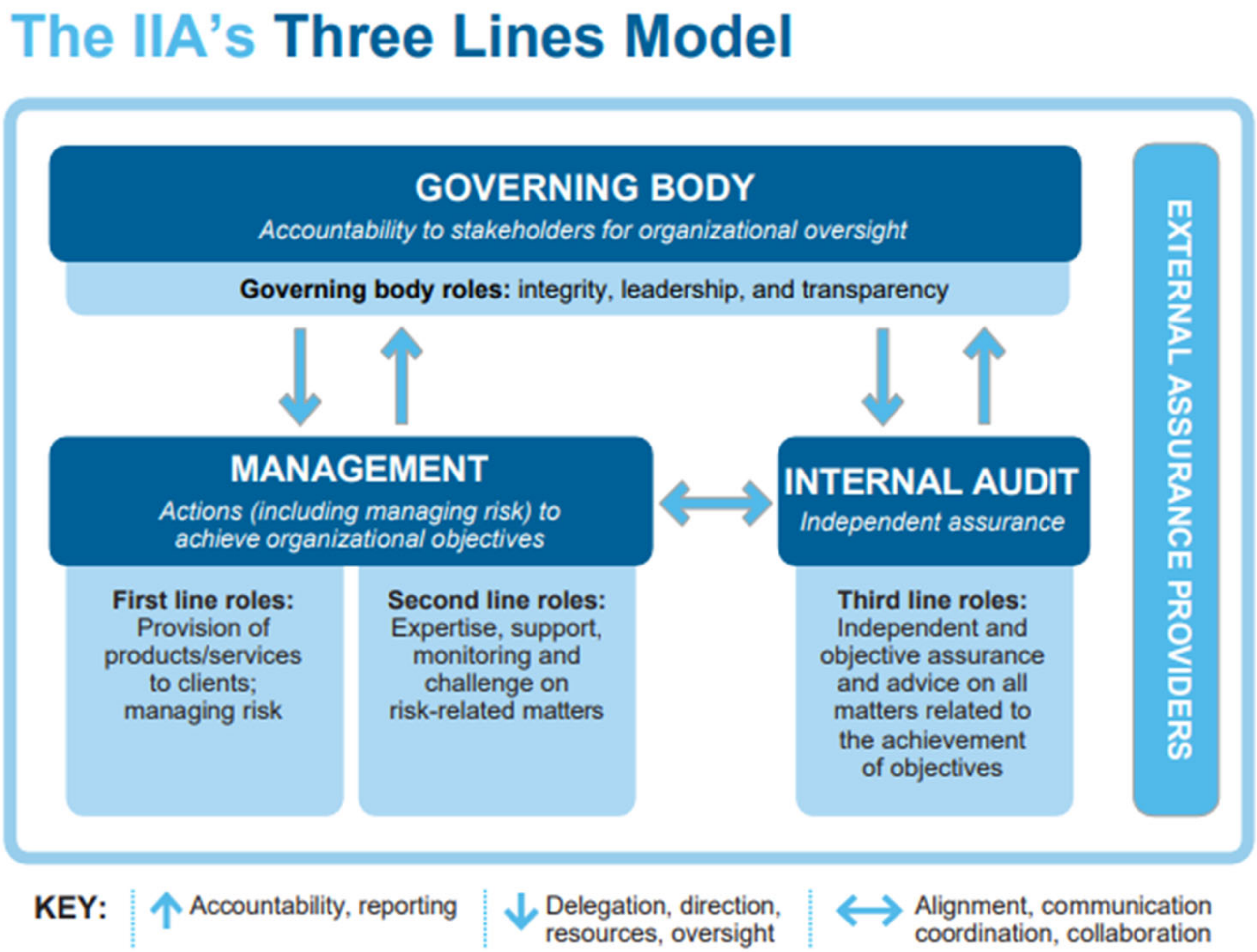

Source: IIA

Holistic Internal Audit Program Components

A Program Inputs

- Enterprise Assessments
- Employees and Residents
- Performance Metrics

B Opportunities

- Risks
- Controls
- Compliance
- Performance

C Tracking & Reporting

- Findings & Recommendations
- Fraud, Waste, and Abuse Hotline
- Corrective Actions
- Implementation
- Validation

Internal Audit Program Components

Annual Plan	Internal Audit Plan			
Internal Audit Components	**Risks**	**Internal Controls**	**Compliance**	**Performance**
City Functions	**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
• Internal Controls Projects Completed	2
• Performance/Efficiency Projects Completed	5
• Policies Reviewed	133
• Recommendations Delivered	52
• Ethics Hotline Reports Received	21 reports
• Recommendations Validated	*To Come*

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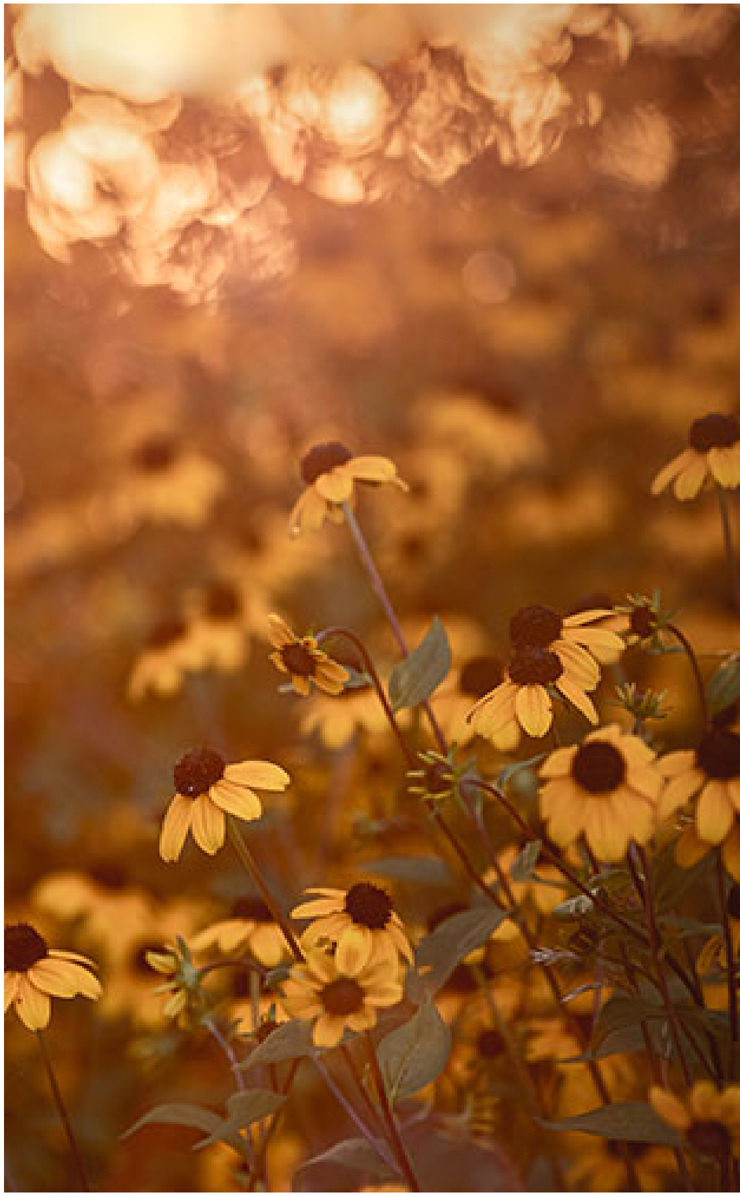
Departments Covered

Department	Projects
Administrative Services	Procurement (22) Finance P&Ps (22) Budget Process Review (23)
City Clerk	
City Manager's Office	FWA Program (22)
Community Development	
Communications	
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)

Recommended Internal Audit Projects

1. **Grants Management Internal Controls Review** Assess the internal controls in place over the City's grants management activities (including applications, review, administration, and reporting). (16 weeks, $25,000)
2. **Special Revenue Fund Process Review** Document the process used for special revenue fund accounting, identify gaps compared to best practices, and conduct testing of prior years' accounting. (16 weeks, $18,000)
3. **Recommendation Validation Process Establishment** Inventory prior internal and external audit recommendations, collaborate with City staff to develop a tracking mechanism and process to report and validate recommendation implementation. (20 weeks, $10,000)
4. **Ongoing Internal Audit Services** Attend Audit Committee and Council meetings, prepare status reports, manage internal audit program, and monitor FWA hotline. ($7,000)



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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