



ADMINISTRATIVE SERVICES DEPARTMENT

CITY HALL
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CITY COUNCIL STAFF REPORT

Meeting: July 1, 2025

Subject

FY 2025-26 Internal Audit Work Plan

Recommended Action

Accept the FY 2025-26 Internal Audit Work Plan

Reasons for Recommendation

Background

As of FY 2021-22, Moss Adams LLP (“Moss Adams”) serves as the designated Internal Auditor for the City of Cupertino (the City) and conducts projects focusing on:

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

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 work plan, review audit report findings and recommendations, and monitor the implementation of recommendations.

Internal Audit Work Plan

The internal audit work plan, developed by Moss Adams, outlines the projects to be undertaken in FY 2025-26. The Audit Committee and City Council prioritize the projects included in the work plan.

The Audit Committee and City Council approved the following internal audit work plans in prior years:

- FY 2021-22:
 - Procurement Operational Review
 - Policy Inventory (Fiscal) and Plan

- Capital Program Effectiveness Study Fraud, Waste, and Abuse (FWA) Program
- *FY 2022-23:*
 - Budget Process Review
 - Enterprise Leadership Effectiveness Study
 - Library Construction Audit
- *FY 2023-24:*
 - Enterprise Risk Assessment
 - City Policy Inventory
- *FY 2024-25:*
 - Grants Management Internal Controls Review
 - Special Revenue Funds Process Review
 - Recommendation Validation Process Establishment

For FY 2025-26, Moss Adams recommended the following internal audit work plan:

- Council-Wide Policy Review Inventory (already approved by City Council) Review and provide recommendations to align council policies with best practices (16 weeks, \$40,000)
- City-Wide Internal Control Review: Conduct a review of the City's internal controls framework in key areas that are deemed important to protecting City assets and resources. (16 weeks, \$45,000)
- Investment/Cash Flow Policy Review/Recommendation Review and provide best practice recommendations over the City's investment/Cash Flow policy. (8 weeks, \$10,000)
- Ongoing Internal Audit Services: Attend Audit Committee and Council meetings, prepare status reports, recommendation validation, manage internal audit program, and monitor the Fraud, Waste and Abuse (FWA) hotline. (\$25,000)

The FY 2025-26 Internal Audit Work Plan was presented to the Audit Committee on April 28, 2025. The Audit Committee voted unanimously to receive the reports and forward them to the City Council for approval.

Next Steps

If the City Council approves the recommended Internal Audit Work Plan, Moss Adams will complete the recommended projects and present the audit reports to the Audit Committee for review and the City Council for acceptance. The audit reports will be available on the City's website at cupertino.org/finance under Internal Audit.

Sustainability Impact

No sustainability impact.

Fiscal Impact

In the FY 2025-26 Adopted Budget, the City has budgeted \$120,000 for the internal audit contract in the contracts category of the accounting program (GL 100-10-100 700-702). No additional appropriations are requested.

City Work Program (CWP) Item/Description

Financial, Investment, and Cashflow Policy Review.

Council Goal

Fiscal Strategy.

California Environmental Quality Act

Not applicable.

Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Approved for Submission by: Tina Kapoor, Interim City Manager

Attachments:

A – FY 2025-26 Internal Audit Work Plan