

City of Cupertino FY 25-26 Internal Audit Program

Audit Committee Meeting April 2025



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)

EXTERNAL ASSURANCE PROVIDERS

Role of Internal Audit



The IIA's Three Lines Model

GOVERNING BODY

Accountability to stakeholders for organizational oversight

Governing body roles: integrity, leadership, and transparency



MANAGEMENT

Actions (including managing risk) to achieve organizational objectives

First line roles:

Provision of products/services to clients; managing risk

Second line roles:

Expertise, support, monitoring and challenge on risk-related matters



INTERNAL AUDIT

Independent assurance

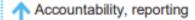
Third line roles:

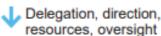
Independent and objective assurance and advice on all matters related to the achievement of objectives



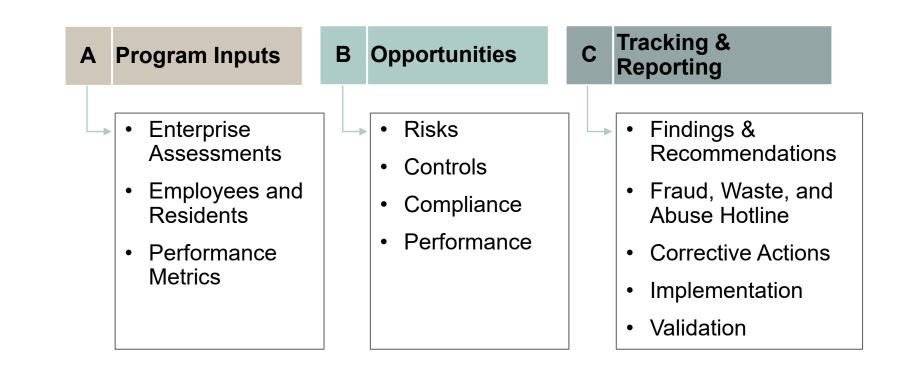
Alignment, communication coordination, collaboration







Holistic Internal Audit Program Components





Internal Audit Program Components

Annual Plan

Internal Audit s Components 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



Program Review

	<u>Focus</u>	<u>Accomplishments</u>
•	Enterprise Risk Assessments	2021, 2024
•	Internal Controls Projects Completed	2
	o Grant Management Internal Controls	FY25
•	Performance/Efficiency Projects Completed	5
	 Special Revenue Fund Process 	FY25
•	Policies Reviewed	139
•	Recommendations Delivered	52
•	Ethics Hotline Reports Received	33 reports
•	Recommendations Validated in FY25	45

Departments Covered

Department	Projects
Administrative Services	Procurement (22) Finance P&Ps (22) Budget Process Review (23) Grants Management Internal Control Review (25) Special Revenue Fund Process (25)
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), Recommendation Validation (25)

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Potential FY25-26 Internal Audit Projects

Performance Projects

- 1. Permitting Efficiency Study
- 2. CIP Implementation

<u>Internal Controls and Compliance Projects</u>

- 1. Council-Wide Policy Review Inventory
- 2. City-Wide Internal Controls Review
- 3. Investment/Cash Flow Policy Review/Recommendation
- 4. Credit Card Testing

Program Management:

- 1. Ongoing Internal Audit Services
- 2. Ongoing Recommendation Validation

Recommended FY25-26 Internal Audit Projects

- 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)
- 3. Investment/Cash Flow Policy Review/Recommendation Review and provide best practice recommendations over the City's investment/Cash Flow policy. (8 weeks, \$10,000)
- 4. Ongoing Internal Audit Services Attend Audit Committee and Council meetings, prepare status reports, recommendation validation manage internal audit program, and monitor FWA hotline. (\$25,000)



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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

