



## ADMINISTRATIVE SERVICES DEPARTMENT

CITY HALL  
10300 TORRE AVENUE • CUPERTINO, CA 95014-3255  
TELEPHONE: (408) 777-3220 • FAX: (408) 777-3109  
CUPERTINO.ORG

### CITY COUNCIL STAFF REPORT

Meeting: July 7, 2020

#### Subject

Approving an Internal Audit Charter

#### Recommended Action

1. Adopt Resolution No. a resolution of the City Council of the City of Cupertino to establish an Internal Audit Function.
2. Conduct the first reading of Ordinance No. : “An ordinance of the City Council of the City of Cupertino Amending City Code Chapter 2.88: Audit Committee §100 Duties-Powers-Responsibilities.”

#### Discussion

An internal audit function was introduced as part of the City Council’s FY 2019-20 Work Program. The project’s objective was to assist the City in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. As part of the Fiscal Year 2019-20 Adopted Budget, City Council approved a \$50,000 appropriation for said services.

The City issued a Request for Proposal (RFP) on September 3, 2019 and received proposals from multiple qualified firms. A sub-committee, consisting of the City Manager, Administrative Services Director, Finance Manager, and Audit Committee Chair, was established for purposes of evaluating and selecting an internal audit firm to provide said services. Moss Adams, LLP was selected and a contract was entered into on February 3, 2020.

In conjunction with the establishment of an internal audit function for the City, a proposed internal audit charter and amendments to the City’s Municipal Code are recommended in order to carry out the services and establish appropriate oversight.

On February 11, 2020, the City’s Audit Committee accepted a proposed amendment to the City’s Municipal Code in accordance with the establishment of an internal audit function within the City. The proposed amendment to the Code is an addition to Section 2.88.100 (Audit Committee Duties-Powers-Responsibilities) to include two

additional duties: "To recommend appointment of internal auditors" and "To review internal audit reports."

The Audit Committee also accepted the proposed internal audit charter which details the duties of the internal auditor, assigns authority and responsibility to the City's Audit Committee and City Council, and describes the various communications and reporting during a respective fiscal year.

If approved, the City's internal audit function will be formally established and an on-going annual internal audit work plan will commence.

Sustainability Impact

No sustainability impact.

Fiscal Impact

No fiscal impact.

---

Prepared by: Zach Korach, Finance Manager

Reviewed by: Kristina Alfaro, Administrative Services Director

Approved for Submission by: Dianne Thompson, Assistant City Manager

Attachments:

A – Draft Resolution

B – Ordinance