

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CUPERTINO ESTABLISHING AN INTERNAL AUDIT FUNCTION AS
HEREINAFTER DESCRIBED

July 7, 2020

WHEREAS, it shall be the duty of the Internal Auditor to (1) enhance compliance by City Departments and Officers responsible for accounting and financial management activities with statutory requirements and accounting standards, (2) conduct internal audits of fiscal transactions of the City including, but not limited to, the examining and analyzing fiscal procedures and evaluating, checking, and verifying accounts and expenditures, (3) provide other analyses of financial and operating data as directed by the Audit Committee and City Council, and (4) perform other such duties as the City Council and Audit Committee may direct by ordinance; and,

WHEREAS, the mission of the Internal Auditor is to promote efficient, effective, safe, and transparent City government operations. To fulfill this mission, the Internal Auditor shall conduct audits and examinations of any City department, program, service, or activity. The purpose of these audits and examinations is to provide the Audit Committee, City Council, and City Management with insights regarding the effectiveness and efficiency with which City resources are employed, the adequacy of the system of internal controls, management of risks, and compliance with City policies and procedures and regulatory requirements.

WHEREAS, the Internal Auditor shall work under the direction of the Audit Committee and City Council; and,

WHEREAS, the Internal Auditor shall conduct internal audits in accordance with a schedule approved by the City Council and Audit Committee and may conduct unscheduled audits from time to time; and,

WHEREAS, the results of these audits shall be reported in writing to the City Manager, Audit Committee, and City Council; and,

WHEREAS, in addition to the audits conducted by the Internal Auditor, the City Council and Audit Committee shall continue to engage an independent

certified public accounting firm to conduct an annual external audit and report the results of this audit in writing to the City Manager, Audit Committee, and City Council and the Internal Auditor shall coordinate, as directed by the Audit Committee and City Council, with the External Auditor; and,

WHEREAS, the Internal Auditor annually will certify to the Audit Committee and City Council that as a firm, and all members of the firm's team, providing services to the City are in full compliance with the City's code of ethics, which may be established or modified from time to time, and as applicable to third-party service providers; and,

WHEREAS, the Internal Auditor shall (1) be knowledgeable in operational financial auditing, public administration, and public financial and fiscal practices, (2) be a licensed certified public accountant or certified internal auditor, (3) establish an organizational structure appropriate to carrying out the responsibilities and functions as set forth herein; and,

WHEREAS, the Internal Auditor shall conduct operational and financial audits and other audit work as requested by the Audit Committee and City Council. This will include objectively determining and evaluating:

- a) The soundness, adequacy, and application of accounting, financial, and other operating controls towards promoting effective control at a reasonable cost;
- b) The extent of compliance with applicable laws and regulations and with established policies and procedures;
- c) The extent to which City assets are accounted for and safeguarded from losses of any kind;
- d) The sufficiency, validity, and reliability of accounting and statistical data developed within the organization;
- e) The economy, efficiency, and effectiveness of City departments, programs, services, and activities; and,

WHEREAS, audits shall be conducted in accordance with relevant standards, such as Government Audit Standards, as established by the United States General Accounting Office, and the Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors; and,

WHEREAS, the Internal Auditor shall (1) coordinate with an annual external financial audit for the City with an independent certified public accounting firm selected by the Audit Committee and City Council, (2) provide consulting services as requested by the Audit Committee, City Council, or City Manager to support efforts to re-engineer operating practices and processes, (3) provide consulting services as requested by the Audit Committee or City Council to evaluate the accuracy and financial impact of information provided to the Audit Committee and City Council, and (4) perform other internal audit functions consistent with the provisions herein; and,

WHEREAS, at the beginning of each fiscal year, the Internal Auditor shall submit an annual plan, after obtaining preliminary input, if any, from the Audit Committee, to the City Manager. The plan shall identify the preliminary objectives of each audit to be performed, reflecting the purpose of the audit with a preliminary description of the areas that may be addressed, and a budget including an expected timeline. The City Manager shall identify areas where the City will benefit from operational and financial audits. The Internal Auditor will review the plan with and seek advice of the City Attorney prior to submitting it to the Audit Committee and City Council for approval. The Internal Auditor will issue quarterly reports to the Audit Committee and City Council describing the status and progress towards completing the audits. The annual audit plan may be amended as appropriate during the year with the approval of the Audit Committee and City Council; and.

WHEREAS, upon completion of the final draft of an audit report, and prior to submission of the report to the Audit Committee and City Council, the Internal Auditor shall transmit a copy of the report to the City Manager (or the highest official of the audited entity), City Attorney (for legal advice relating to disclosure of information contained in the report), and other appropriate official as determined by the Internal Auditor; and,

WHEREAS, within five weeks after reviewing the report, the City Manager or the highest official of the audited entity will prepare an official written response to the findings and recommendations contained within the report and transmit the response to the Internal Auditor; and,

WHEREAS, the report will be issued to the Audit Committee and City Council within four weeks of receipt of the response; and,

WHEREAS, the official written response will be included verbatim in the audit report issued to the Audit Committee and City Council by the Internal Auditor; and,

WHEREAS, if a response is not received within the established five weeks, as described above, the audit report will be issued to the Audit Committee and City Council without a management response; and,

WHEREAS, the audit report will be placed on the agenda of the next appropriate Audit Committee meeting and/or appropriate City Council meeting within forty-five (45) calendar days after the audit report is issued to the Audit Committee and City Council; and,

WHEREAS, the Internal Audit will prepare and issue an annual report describing the status of recommendations made in completed audits. The report will reflect the status as reported by the City Manager or the highest official of the audited entity. The report will be issued in the first quarter of each fiscal year for review by the Audit Committee. Further follow-up audits will be conducted as determined and recommended by the Internal Auditor and approved by the Audit Committee and City Council; and,

WHEREAS, the Internal Auditor will have unrestricted access to all sources of information, property, and personnel relevant to the performance of an Audit Committee and City Council-approved audit, unless prohibited by law. Documents and information will be handled with the same prudence exercised by those normally accountable for them and consistent with relevant standards. To the extent possible, the Internal Auditor will accommodate an area's daily responsibilities when scheduling and conducting audits. Nothing in this section shall authorize access to documents, records, and information related in any way to the office of any elected official; and,

WHEREAS, the Internal Auditor is appointed by and reports to the Audit Committee and City Council. The Audit Committee and City Council approves the annual audit workplan, reviews audit report findings and recommendations, and monitors the implementation of recommendations; and,

NOW, THEREFORE, BE IT RESOLVED, that the City Council hereby establishes the Internal Audit Function.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Cupertino this 7th day of July, 2020, by the following vote:

Vote Members of the City Council

AYES:

NOES:

ABSENT:

ABSTAIN:

SIGNED: _____ Steven Scharf, Mayor City of Cupertino	_____ Date
ATTEST: _____ Kirsten Squarcia, City Clerk	_____ Date