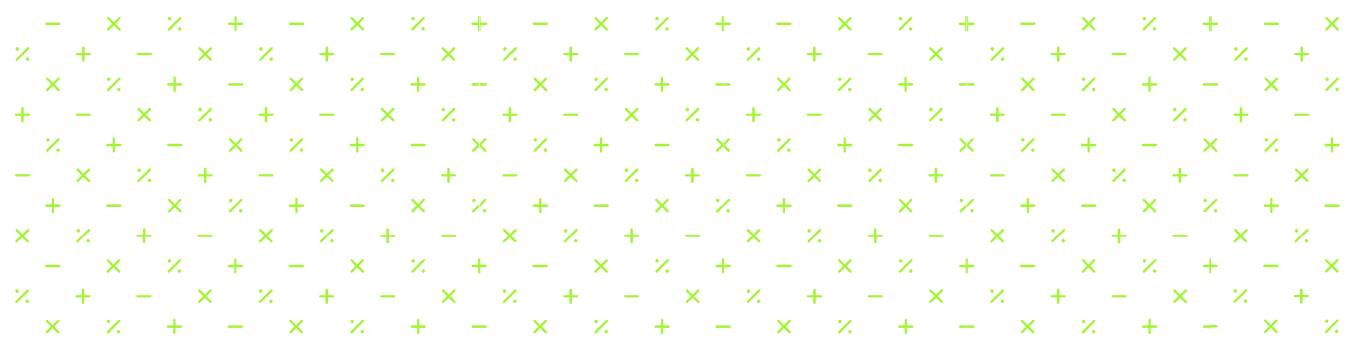


City of Cupertino Internal Audit Program

Audit Committee Meeting

February 11, 2019



Overview

- I. Introduction
- II. Internal Audit Program Components
- III. FY 19-20 Internal Audit Program
- IV. Enterprise Risk Assessment

I. Introduction

- The City retained Moss Adams LLP to serve as the designated Internal Auditor and conduct projects focusing on:
 - Risks
 - Internal controls
 - Compliance
 - Performance
 - Best practices
- Work is being completed under appropriate industry standards



II. Internal Audit Program Components

Internal Audit

Risks

Internal Controls

Compliance

Performance

Areas of Focus: 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



III. FY 19-20 Internal Audit Plan

Activity

1. Enterprise Risk Assessment
2. Internal Audit Program Development
3. Internal Audit Program Adoption

Timing

Feb. thru May

May

June



IV. Risk Assessment Process



PLANNING

We begin planning our assessment by requesting a standard set of documents from Douglas County, including (but not limited to) prior risk assessments, audits, public website documents, and financial reports. We use these to identify the first round of individuals to interview and additional document needs based on business process/functional areas.



FACT FINDING

Fact-finding fieldwork encompasses analysis of received documents, employee and stakeholder interviews, and soliciting additional employee feedback via an online survey. In this phase our aim is to gather information in order to gain a clear understanding of Douglas County and the way it operates to achieve its goals and purpose.



RISK ASSESSMENT

With the information collected and compiled, we perform a risk assessment that includes a comprehensive review and analysis of the 18 categories of risk factors. This analysis includes the inherent vulnerabilities, the level of preparedness efforts to mitigate risks, and the likely impact a negative event may have.



RISK REPORTING

During this phase, we develop the draft version of this report to engage in review and discussion with senior leadership. This report becomes the final deliverable, which is then presented to Douglas County leadership and the Board of Commissioners Audit Committee.

IV. Risk Assessment Process



RISK LEVEL

Level of uncertainty that could impair functions and processes, in the absence of any actions taken to alter either the risk's likelihood or impact.

LIKELIHOOD



Qualitative assessment of the probability of a negative event occurring, given the current risk conditions.

IMPACT



Level of potential impact of a negative event on strategy, people, operations, systems, and resources.

PREPAREDNESS



Level of preparedness through activities and resources to manage risks and minimize and limit potential losses.

TRAJECTORY



Trajectory of the risk level, given the current risk conditions.

RISK MITIGATION



Potential strategies for reducing risk.

RESIDUAL RISK



Possible remaining exposure after known risks have been mitigated through specific actions.

IV. Risk Assessment Results

RISK CATEGORY	IMPACT	LIKELIHOOD	PREPAREDNESS	TRAJECTORY
HIGH RISK				
Policies, Procedures and Processes	Major	High	Limited	Increasing
Human Capital and Resources	Major	High	Limited	Increasing
Management	Significant	High	Limited	Increasing



IV. Risk Assessment Results

RISK CATEGORY	IMPACT	LIKELIHOOD	PREPAREDNESS	TRAJECTORY
MODERATE-TO-HIGH RISK				
Capital Program	Significant	High	Moderate	Increasing
Asset Management	Moderate	High	Limited	Increasing
Funding and Economics	Significant	Moderate-to-High	Limited	Increasing
Organization and Staffing	Significant	Moderate-to-High	Limited	Increasing
Governance	Significant	High	Moderate	Flat
Information Technology	Major	Moderate	Limited	Flat








IV. Risk Assessment Results


RISK FACTOR	RISK ASSESSMENT	SURVEY RESULTS
Organization and Staffing	High	Moderate
Collaboration and Partnerships	High	Moderate
Human Capital and Resources	High	Moderate-to-High
Management	High	Moderate-to-High
Donor Relations and Reputations	High	Low-to-Moderate
Governance	Moderate-to-High	Moderate
Internal Controls	Moderate-to-High	Low-to-Moderate
Planning and Strategy	Moderate	Moderate
Fundraising and Fund Management	Moderate	Moderate
Operations and Mission Delivery	Moderate	Moderate
Accounting and Financial Reporting	Moderate	Low-to-Moderate
Compliance	Moderate	Moderate
Fraud, Waste, and Abuse	Moderate	Moderate
Information Technology	Moderate	Moderate
Policies and Procedures	Moderate	Moderate



IV. Risk Assessment Results

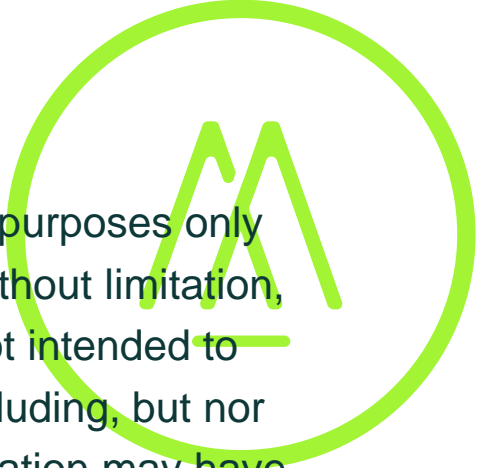
Organization and Staffing

Overall Risk Level	High		
 Impact	 Likelihood	 Preparedness	 Trajectory
Significant	High	Limited	Flat
Survey Rating	Moderate		
 Risk Mitigation	<ul style="list-style-type: none"> Clarify team roles, responsibilities, and work plans that align with the Foundation's strategic plan Evaluate the Division's organization structure to identify opportunities to streamline teams and increase collaboration Develop a cross-functional process to prioritize staff hiring decisions Formalize the draft MOU with Deans to clarify the role, compensation model, and performance metrics of Development Officers 		
Residual Risk	Moderate		



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