

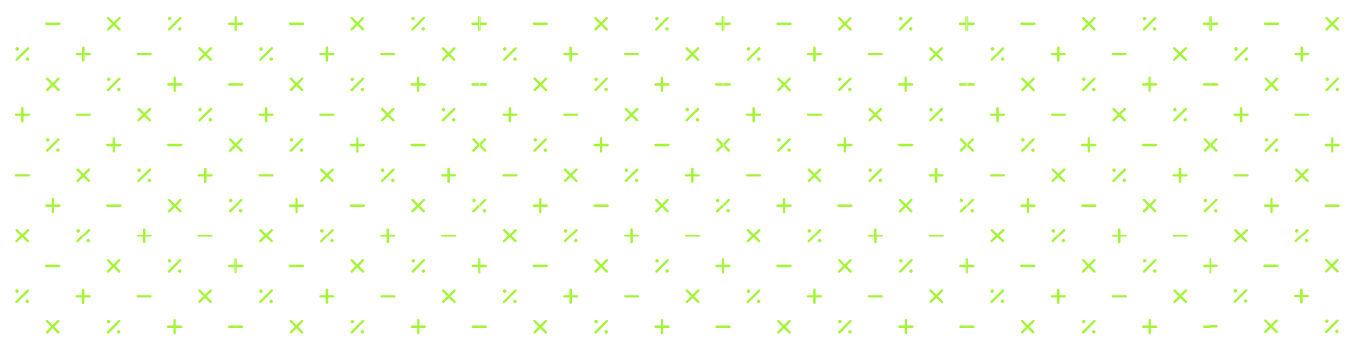


City of Cupertino

Enterprise Risk Assessment and Audit Plan

Audit Committee Meeting

April 2021



Overview

- I. Introduction
- II. Internal Audit Program Components
- III. Risk Assessment Process
- IV. Risk Assessment Results
- V. Internal Audit Plan

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



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III. Risk Assessment Process

PLANNING

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

FACT-FINDING

Fact finding encompassed analyzing received documents, interviewing employees and City Council members, and soliciting additional employee feedback via an online survey. During this phase, we gathered information in order to gain a clear understanding of the City and the way it operates to achieve its goals and purpose.

ANALYSIS

With the information collected and compiled, we performed a risk assessment that included a comprehensive review and analysis of the various categories of risks. This analysis included assessing current risk conditions and trajectory, the level of preparedness efforts to mitigate risks, and the probability and potential impact a negative event may have on the City's ability to achieve its mission, vision, and strategic goals.

REPORTING

During this phase, we developed a draft report to engage in review and discussion with senior leadership. Based on feedback, we finalized the report for delivery to the City Manager and presentation to the Audit Committee.



III. 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	RISK ASSESSMENT	EMPLOYEE SURVEY RESULTS
Procurement and Contracting	High	Low-to-Moderate
Governance	Moderate-to-High	Moderate
External Environment	Moderate-to-High	Moderate
Human Capital and Resources	Moderate-to-High	Moderate
Information Technology	Moderate-to-High	Low-to-Moderate
Planning and Strategy	Moderate-to-High	Moderate
Policies and Procedures	Moderate-to-High	Moderate
Capital Improvement Program	Moderate	Low-to-Moderate
Compliance and Financial Reporting	Moderate	Low-to-Moderate
Ethics and Fraud, Waste, Abuse	Moderate	Low-to-Moderate
Internal Controls	Moderate	Low-to-Moderate
Operations and Service Delivery	Moderate	Moderate
Organization and Staffing	Moderate	Moderate
Risk Programs	Moderate	Moderate
Accounting and Finance	Low-to-Moderate	Low-to-Moderate
Asset Management	Low-to-Moderate	Low-to-Moderate
Management and Leadership	Low-to-Moderate	Moderate
Public Safety and Security	Low-to-Moderate	Low-to-Moderate
Reputation and Public Perception	Low-to-Moderate	Low-to-Moderate



IV. Risk Assessment Results

RISK CATEGORY	IMPACT	LIKELIHOOD	PREPAREDNESS	TRAJECTORY
High Risk				
Procurement & Contracting	High	Moderate-to-High	Low-to-Moderate	Increasing
Moderate-to-High Risk				
Governance	Moderate-to-High	Moderate-to-High	Low-to-Moderate	Flat
External Environment	High	Moderate-to-High	Moderate	Increasing
Human Capital & Resources	Moderate-to-High	Moderate-to-High	Moderate	Increasing
Information Technology	Moderate-to-High	Moderate	Moderate-to-High	Increasing
Planning and Strategy	Moderate-to-High	Moderate-to-High	Low-to-Moderate	Flat
Policies and Procedures	Moderate-to-High	Moderate-to-High	Moderate	Flat



V. Potential Internal Audit Projects

- Governance Policies: Assist the City with revising the Council Policy Manual and Commissioner Policy Manual. (12 weeks)
- Procurement Operational Review: Assess the City's procurement function, including structure, policies and procedures, processes, tools, oversight, and training. (14 weeks)
- Fraud, Waste, and Abuse (FWA) Program Development: Develop a FWA program, including program design, hotline implementation, ongoing hotline administration, and training. (10 weeks)
- Policy Inventory and Plan: Perform an inventory of policies, compare to best practices, and establish a prioritized plan to develop/update priority policies. (12 weeks)



V. Potential Internal Audit Projects

- Senior Center Operational Review: Conduct a programmatic review of Senior Center services, including the Senior Case Management program and the Senior Travel program, to evaluate service offerings and utilization. (14 weeks)
- Vendor Management Internal Controls Review: Assess vendor management practices and controls throughout the City, including policies and procedures, vendor selection, due diligence, monitoring, and reporting. (14 weeks)
- Capital Program Effectiveness Study: Assess processes, interdepartmental collaboration, and throughput for capital planning and execution, including contract management and reporting. (14 weeks)



V. Potential Internal Audit Projects

- Grants Management Process Review: Assess grant management processes across the City, including policies, procedures, and processes to support compliance with federal, state, and other grants. (14 weeks)
- AR and Revenue Internal Controls Review: Assess AR and revenue collection processes throughout the City, including policies and procedures, revenue intake, revenue recording, and associated internal controls. (14 weeks)
- Employee Performance Management Review: Evaluate existing employee performance management processes, including expectation-setting, reviews, accountability, and employee development. (14 weeks)
- Ongoing Program Management: Provide status reports, attend Audit Committee and Council meetings, and prepare annual internal audit plan.



V. Recommended Internal Audit Plan

FY 20-21

1. Procurement Operational Review

FY 21-22

2. Policy Inventory and Plan
3. Capital Program Effectiveness Study
4. FWA Program Development




V. Recommended Internal Audit Plan

#	Project	Budget	3-6/21	7-9/21	10-12/21	1-3/22	4-6/22
1	Procurement Operational Review	\$50,000					
2	Policy Inventory and Plan	\$35,000					
3	Capital Program Effectiveness Study	\$35,000					
4	FWA Program	\$25,000					
5	Ongoing Program Management	\$5,000					
	FY 20-21 Budget*	\$50,000					
	FY 21-22 Budget	\$100,000					

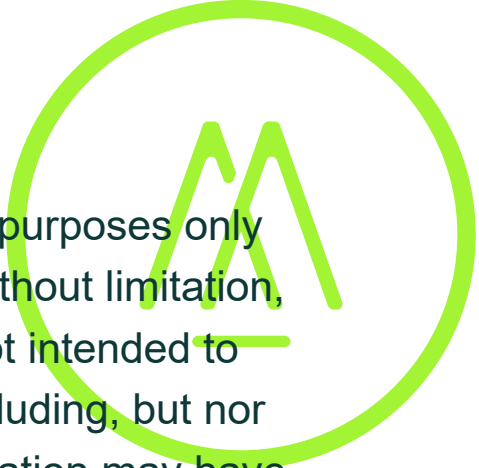
* FY 20-21 Total Budget \$100,000, \$50,000 remaining to carry forward after Enterprise Risk Assessment (\$50,000)





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