

City of Cupertino  
**Audit Committee Regular Meeting**  
Minutes  
June 27, 2022

**CALL TO ORDER**

At 4:00 p.m., Chair Moore called the regular meeting to order. This was a teleconference meeting with no physical location.

**ROLL CALL**

Committee Members Present: Chair Kitty Moore, Vice Chair Angela Chen, Mayor Darcy Paul, Committeemember Hammer

City Staff Present: Dianne Thompson, Kristina Alfaro, Thomas Leung, Beth Viajar

Absent: Committeemember Song

Guests: Carlos Oblites (Chandler), Chelsea Ritchie (Moss Adams), Chris McCarry (Chandler), Annie Rose Favreau (Moss Adams), Colleen Rozillis (Moss Adams), Tammy Lohr (Moss Adams)

**ORDERS OF THE DAY**

**1. APPROVAL OF MINUTES OF MAY 23, 2022**

Chair Moore requested for repetition of individual names. Leung noted that staff will. Mayor Paul moved the minutes. Vice Chair Chen seconded. The motion carried unanimously with Committeemember Song absent.

**2. APPROVAL OF MINUTES OF MAY 24, 2022**

Mayor Paul moved the minutes. Committeemember Hammer seconded. The motion carried unanimously with Vice Chair Chen abstaining and Committeemember Song absent.

**ORAL COMMUNICATIONS**

**NEW BUSINESS**

**3. Consider the FY 2022-23 Internal Audit Program**

Rozillis and Ritchie provided an overview of the internal audit program and projects. Mayor Paul noted that he was tempted to move the Grants Management Performance Audit earlier but understood that it wouldn't have much of a bearing in improving the grant writing process. Mayor Paul asked if there was flexibility for the enterprise leadership effectiveness study to be moved earlier in the year or if it was a matter of allocating bandwidth earlier to schedule personnel. Rozillis noted that if there was urgency, they would want to reallocate the budget to mid-year, and it certainly has occurred with clients with larger budgets. Mayor Paul noted that September would be a good time to have the enterprise leadership effectiveness study. Rozillis

noted that if they want to capture current Council they would not want to start any later than September/early October, as they don't want to run into individuals leaving office.

Mayor Paul asked if there would be opportunities for the public and the Council to partake in the Budget Process Review. Rozillis noted that the Budget Process Review is a small project. If they wanted to dive into the effectiveness of the City's budget and public input processes, that would be a larger project and take more time and effort. Chair Moore asked if Moss Adams had the bandwidth to expand what the budget process review would look like. Ritchie confirmed they had looked at the budget policy as part of the Fiscal Policy and Procedures project.

Vice Chair Chen questioned the library audit and the trigger for the audit. Rozillis noted that construction audits are a best practice not because of concerns around the library but to have more public trust to ensure the City and vendor are doing things correctly.

Chair Moore expressed concerns as the dollar amount for the enterprise leadership effectiveness study was high and wanted to add the IT general controls or Cybersecurity audit. Rozillis noted that they were limited to the budget the City had identified for internal audit. Rozillis noted that they could either supplement the budget from this fiscal year or build it into the next fiscal year's program. Director Alfaro noted that any additional projects added would involve staff time from Moss Adams as well as City staff time to gather information and there is a robust work program with the fee study that will take place next year. She added that her team had been tasked to work on grants management this upcoming fiscal year and was currently developing the policy and procedures. Grants management is currently minimal and decentralized amongst departments. If Moss Adams was to look at the grants management system, there may be a benefit to have Moss Adams review the pilot or come in at the front end to assist in developing the pilot for consideration. Rozillis noted that looking at the infancy of the program has benefits and there would not be much difference between this year and next year as it would have the same benefits.

Mayor Paul moved to the City Council prioritized, in order, the Policy Review Ongoing Support, Budget Process Review, Enterprise Leadership Effectiveness Study, and the Library Construction Audit with an understanding that the ongoing internal audit services and fraud, waste, and abuse program are ongoing. Vice Chair Chen seconded. Committeemember Hammer disagreed with the prioritization and notes that prioritization by the committee is critical if they are recommending an audit plan. Vice Chair Chen provided her feedback. Moss Adams will remove numbering items on slides. Motion carried unanimously by all members present. Committeemember Song absent.

#### **4. Consider an update on the Fraud, Waste, and Abuse Program**

Lohr provided an update on the program. Leung noted that staff planed to bring this item to the July 19 council meeting. Mayor Paul asked for a summary of the 3 points and if the hotline was a 24/7 service. Lohr noted that the three points are policy development, establishing a fraud, waste and abuse hotline, and training. She also confirmed that there would be a 24/7 hotline. Mayor Paul asked what if the complaint submitted is against the individual processing the complaint. Lohr noted that is the benefit of having your independent internal auditor be the recipient of

those complaints and reports. Lohr noted that the recommendation says that they recommended having an internal auditor. If the City chooses not to, the function would go to the City Attorney's Office.

**5. Consider the Monthly Treasurer's Investment Report for May 2022**

Leung provided an overview of the investment report. Oblites provided an overview of the Chandler investment report. Vice Chair Chen asked if we pull the funds, how often do we post interest income and investment returns to the special funds. Leung noted that interest income for LAIF and Chandler are updated on a quarterly basis, and the market values are updated at the end of the year. Oblites noted that there is not much activity that happens on a month-to-month basis. Mayor Paul asked if there are any overarching investment recommendations they could be making given the current rising interest rates. Oblites noted that the investment program recognized that short-term market timing is difficult to do, but they do it opportunistically. Vice Chair Chen motioned, and Mayor Paul seconded. Motion carried unanimously by all members present.

**6. Consider the Monthly Treasurer's Report for May 2022**

Mayor Paul moved items 6-9, and items not numerated to Friday July 1<sup>st</sup> at 4pm. Committeemember Hammer seconded. Motion carried unanimously by all members present.

**7. Consider an update on the FY 2021-22 Audit and AUP Engagements**

Mayor Paul moved items 6-9, and items not numerated to Friday July 1<sup>st</sup> at 4pm. Committeemember Hammer seconded. Motion carried unanimously by all members present.

**8. Consider an update on Budget Format Review**

Mayor Paul moved items 6-9, and items not numerated to Friday July 1<sup>st</sup> at 4pm. Committeemember Hammer seconded. Motion carried unanimously by all members present.

**9. Consider the Audit Committee 2022 Schedule and Work Plan**

Mayor Paul moved items 6-9, and items not numerated to Friday July 1<sup>st</sup> at 4pm. Committeemember Hammer seconded. Motion carried unanimously by all members present.

**OLD BUSINESS**

None.

**STAFF AND COMMITTEE REPORTS**

**FUTURE AGENDA SETTING**

**ADJOURNMENT**

The meeting adjourned at 6:15 p.m.

A handwritten signature in black ink, appearing to be 'Janet Liang', located at the top left of the page.

Recording Secretary:  
Janet Liang, Administrative Assistant