





- The formal role of the City Auditor's Office was established by the Council approved Internal Audit Charter in July 2019.
- The Charter formalizes the internal audit activities, purpose, authority, and responsibility.
- Accountable to the City Council through the Audit Committee
- The Auditor's Office activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to maintain it's status as a wholly independent office.
- Maintain strict accountability for confidentiality and safeguarding records and information.
- The office is authorized to have full, free, and unrestricted access to all functions, systems, records, physical properties, and personnel information pertinent to carrying out the projects in the Audit Work Plan. All employees are requested to assist the City Auditor's Office activity in fulfilling its roles and responsibilities.

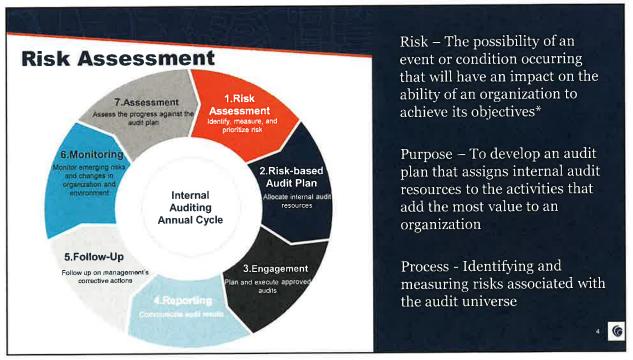


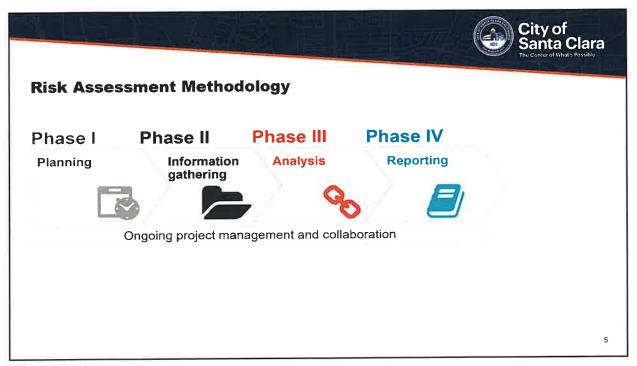
# **Background**

- The City Auditor's Office conducts its work under the auditing standards prescribed by the Institute of Internal Auditors (IIA) which requires the City Auditor's Office to "establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals" and consider the input from senior management and a governing board.
- The Auditor's Office was established under a "co-source" model to perform its duties.
- Accordingly, in 2022, the City Auditor's Office engaged Baker Tilly US, LLP (Baker Tilly) to conduct a citywide risk assessment and prepare an annual audit work plan for the next five years.
- In attendance from Baker Tilly to assist in the presentation of the report is Chiemi Perry, Manager, Risk Advisory.

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Risk Assessment Methodology			
	Risk Assessment Phases		
Planning	<ul> <li>Prepared risk assessment survey questions and the online survey tool.</li> <li>Scheduled interviews with council members and Senior Leadership Team members.</li> </ul>		
Information Gathering	<ul> <li>Reviewed key documents such as Council Priority Matrix, the biennial budget documents, the annual comprehensive financial report, departmental strategic plans, the information on the City's website, and other relevant documents.</li> <li>Sent a link to the online survey to the selected 56 City's employees including SLT members who were not scheduled to be interviewed. The survey responses were downloaded in Excel spreadsheet.</li> <li>Updated the risks in the existing risk matrix based on interviews with City Council members and SLT members, survey responses, and review of key documents.</li> </ul>		
Analysis	<ul> <li>Analyzed the survey responses.</li> <li>Scored the auditable units (Appendix A) in the risk matrix based on the likelihood and the impact of potential adverse events for various risk factors (Appendix B).</li> <li>Identified potential internal audit activities with high risk scores.</li> </ul>		
Reporting	- Summarized the approach and results of the risk assessment.		



## **Risk Assessment Methodology**

### **Example of Audit Universe:**

### City Clerk's Office

- · Assistant City Clerk Council/Administration Support
- Assistant City Clerk Public Information/Legislation Records Management
- Assistant City Clerk Political Reform Act
- Elected City Clerk Election

#### City Manager's Office

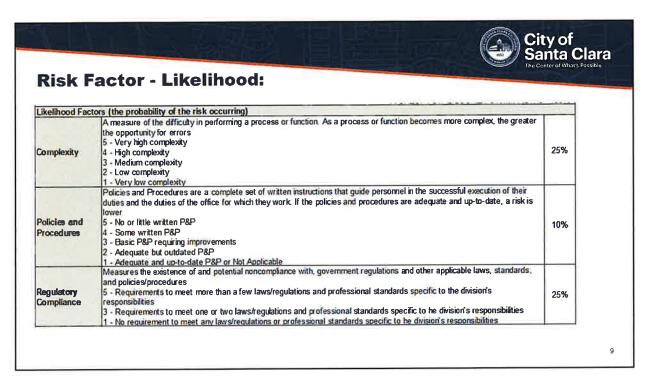
- · City Council Support Policy Support for Decision Making
- City Council Support Intergovernmental Relations & Advocacy
- Leadership and Management Services Day to Day Operations
- · Leadership and Management Services Strategic Planning
- Leadership and Management Services Community Outreach & Engagement
- · Citywide Programs
- Stadium Operations
- Citywide Strategic Programs & Initiative
- · Convention Center

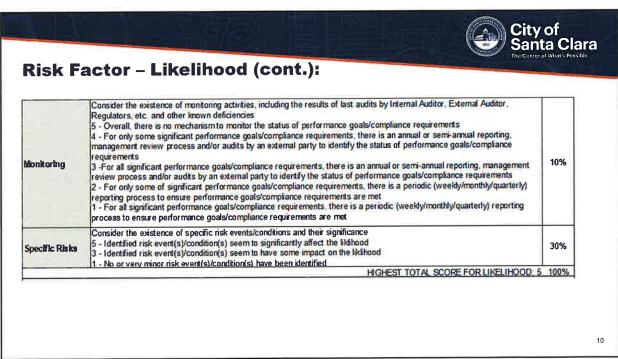
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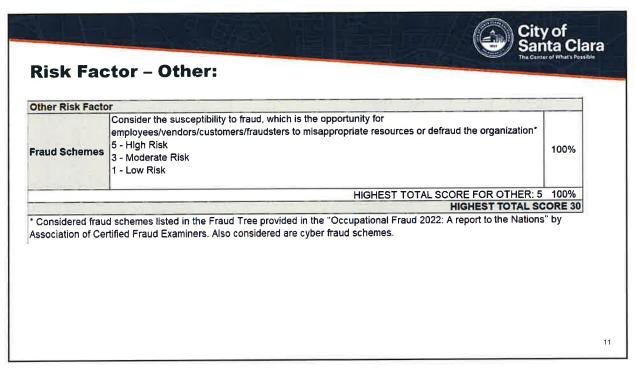
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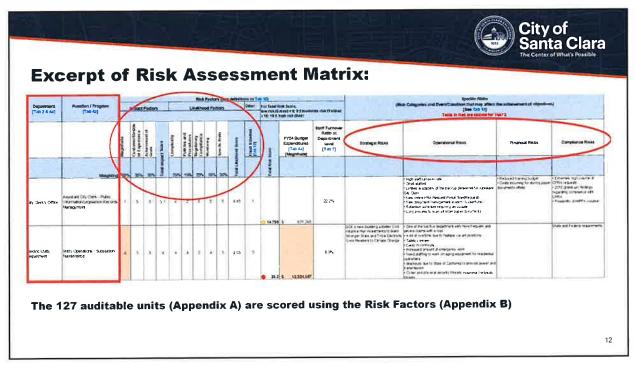
Factor	<b>Definition</b>	Weigh
Impact Factors (	the effect on the organization)	
Magnitude	A measure of materiality based on pervasiveness of volume of dollars or transactions; Scores based on the budgeted expenditure amount  Extreme - 5: \$50M or more Material - 4: \$10M or more; Less than \$50M Significant - 3: \$3M or more; Less than \$10M Moderate - 2: \$1M or more; Less than \$1M Inconsequential - 1: Less than \$1M Added 1 to the magnitude of the Information Technology Department due to the pervasive nature of its work	30%
Customer / Resident Experience	Negative experience by customers and residents, such as perceived or actual safety concerns and unsatisfactory services, impacts negatively on the reputation / credibility of the organization  Extreme - 5: Direct impact on health and safety  Material - 4: Direct impact on transparency  Significant - 3: Direct impact on customer satisfaction/City's reputation  Moderate - 2: Indirect impact on customer satisfaction/City's reputation  Inconsequential - 1: Immaterial impact on reputation / credibility	35%
Achievement of Organizational Goals	The greater the effect that a department or process has on the organization meeting strategic objectives and goals, the greater the related risks  Extreme - 5: Directly relates to the City Council Priorities  Material - 4: Supports the function/process directly related to the City Council Priorities  Significant - 3: Has performance/workload measures related to Strategic Pillars  Moderate - 2: Somewhat relates to the organizational goals Inconsequential - 1: Does not relate to City's priorities and goals	35%

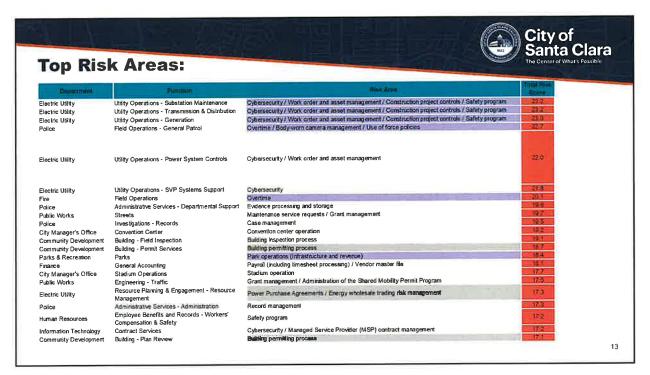


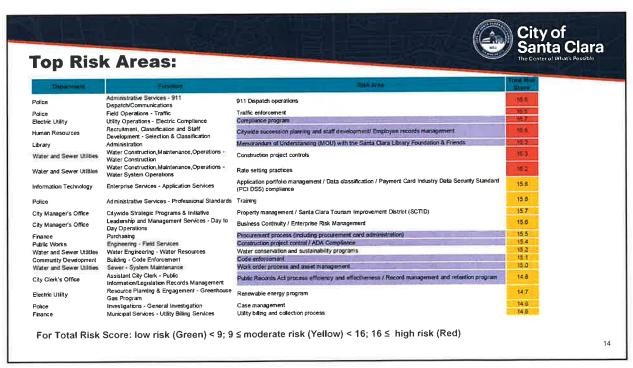




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#### **Proposed Audit Workplan:**

## **Audit Project Update for 2024-2025**

- Update of the 2023-2024 audit plan based on factors such as:
  - o Risk rating
  - o Pervasiveness of the process or control
  - o Audit coverage
  - o Timing of projects
  - Value-added activities that help the City enhance the ability to manage risks, strengthen accountability, and improve efficiency and effectiveness
- · A variety of projects for a 24-month period
  - o Flexibility to adjust the timing of audits
  - Amendments during a year in response to changes in the City's environment such as organizational structure, operations, risks, systems, and controls

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#### ańta Clara Proposed Audit Workplan: Proposed 2024-2025 Plan Determine whether adequate policies and procedures are in place for developing and maintaining a citywide succession plan to return continuity in key positions for all departments. Determine whether the Chip provides adequate personal professional development training to staff to ensure that quantited staff are prepared to assume increased responsibilities when recessary. Determine whether adequate controls are in place and winding effectively to ensure that the appropriate vanious are selected in a timely manner and monitored property to achieve desired objectives. Determine whether adequate controls are administered to ensure that only the authorized users can make purchases in accordance with the requirements and guideness. Determine whether interest controls over procurement card transactions are in place and working effectively to prevent and object errors and imagnificances, including disposale invusionated or improper transactions. Determine whether adequate policies and concedures are in raised to ensure the annorance transactions. Determine whether adequate policies and procedures are in place to ensure the appropriate usage of or 360 vibic safety personnel overtime which personnel Determine whether the overtime practices including recording and reporting comply with the City's policies and procedures Fire Department Determine whether the Electric Utility Department has adequate mechanisms in place to identify and mutigate the safety 400 nazaris at workplace. Determine whether the Electric Utility Department's internal controls are working effectively to ensure a safe workplace. Determine whether the internal controls over the maintenance of parks are working effectively to ensure safety. Determine whether the internal controls over lee collection are working effectively. ectric Utility Department Safety program Park operation odes & Recognition Decorporal Determine whether internal controls over construction projects are adequate and working effectively 360 epartment of Public Works Construction project control assessmen 350 Determine whether the Electric Utility Department had adequate mechanisms in place to keep track of all federals state, and other compliance requirements. Determine whether the Electric Utility Department assess neks associated with each compliance requirement and monitor the conjugate status to crosure that the requirements are met. 300 ecini Utitty Department Compliance program Memorandum of Understanding (MOU) will ture whether the internal controls to monitor the compliance with the MOU requirements are in place and working 240 Library Department effectively the Santa Clara Library Foundation & Friends Determine whether the internal controls over the work order process are adequate and working effectively 420 Valer and Search Utables Dep Determine whether claywide record management and retention policies and procedures are properly established in accordance Determine a regulations to have not repulsions Determine a hebitar internal controls are working effectively to ensure compliance with the record management and retention policies and procedures 16 Follow up on previous audit reports to ensure corrective actions included in management responses in each completed audit

