



Semi-Annual Audit Status Report – Fiscal Year 2022/23 As of September 30, 2022

OVERVIEW

The mission of the City Auditor's Office is to promote honest, efficient, effective, and fully accountable city government through accurate, independent, and objective audits. We conduct performance audits and reviews of City departments, programs, and services. We provide oversight of external auditors regarding the City's annual financial audit, single audit, annual compliance review with the City's Investment Policy, performance audits and related financial audits.

The Audit Committee and City Council approve a flexible annual Audit Work Plan with a risk-based methodology. The most recent Semi-Annual Status Report (as of June 30, 2021) was delivered to the Audit Committee in September 2021. The internal audit work has had some delays due to internal staff availability and contracted audit firms scheduling issues.

The Auditor's Office also would like to formalize the semi-annual reporting timeline to the Audit Committee, to align with the September and March meeting dates, where other financial reporting requirements already trigger Audit Committee meetings. For the current reporting period, the Auditor's Office will also come before the Committee in December of 2022 to review and seek approval of additional audit work that is recommended as part of the Citywide risk assessment project. This will set the Annual Audit Work Plan for calendar year 2023.

This Semi-Annual Audit Status Report summarizes the status of items from the previously approved Annual Audit Workplan and includes other items that have been proposed for review.

ACTIVITY HIGHLIGHTS – PERIOD ENDING SEPTEMBER 30, 2022:

- Completed a review of the City's Conference and Travel Policy. Changes were made to bring the City into compliance with GSA guidelines and strengthen controls around pre-travel approvals as well as clarify previously inconsistent language.
- Launched "Speak Up Santa Clara" the City's whistleblower hotline for employees to report anything related to fraud, waste, and abuse or other areas of concern they feel the Auditor's Office needs to know about. The hotline was authorized in relation with the Fraud, Waste, and Abuse Policy that was also approved by Council during this reporting period.
- Over the previous year, the Auditor's Office staff has placed an emphasis on training related to internal audit functions and have attended a number of training events offered by the Institute of Internal Auditors (IIA) and the Association of Local Government Auditors (ALGA) to strengthen core internal audit skills.
- Completed the procurement of Maze & Associates to perform the annual external financial audit and Single Audit of federal funds for the City for a period of five years.

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ASSIGNMENTS COMPLETED SINCE PREVIOUS STATUS REPORT

The following table lists completed assignments from the previous Audit Work Plan:

| Project Name | Project Description | Start Date(1) | Status | Issuance / Completion Date |
|--|---|---------------|-----------|----------------------------|
| 1. Fraud, Waste, and Abuse Policy (Fraud Policy) | The Policy sets out policies and procedures to encourage and facilitate the reporting of fraud, waste, or abuse and any other questionable practices. | June 2021 | Completed | January 2022 |
| 2. Update of the City's Travel Policy | The City Auditor's Office reviewed the City Travel Policy to define the City's expectations regarding employees who travel in connection with their work responsibilities. The update brings the policy in line with US General Services Administration (GSA) guidelines and clears up previous inconsistencies. | June 2021 | Completed | July 2022 |
| 3. Annual Review of Internal Audit Charter | The City Auditor's Office reviewed the Internal Audit Charter in conjunction with its ongoing citywide risk assessment project and determined no revisions were necessary at this time. Charter is reviewed annually, and any proposed revisions are subject to review and approval by the Audit Committee. | June 2021 | Completed | June 2022 |
| 4. Fraud, Waste, and Abuse - <i>Whistle Blower Hotline</i> | The City has retained a third-party vendor to provide a comprehensive solution for employees to report any concerns related to fraud, waste, or abuse. This function provides continuous monitoring of any issues raised and provides a case management platform to track reported issues and produce statistical reporting which will help inform areas of focus for future audit plans. | June 2021 | Completed | September 2022 |
| 5. Annual External Financial Audit and Single Audit for the City (<i>contracted audit service</i>) | The City Charter requires an annual external audit of the City's financial transactions to be performed by an independent certified public accountant. The City Auditor's Office administers the audit contract and works with the Finance Department and the external audit firm to coordinate this effort. | June 2021 | Completed | December 2021 |

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| Project Name | Project Description | Start Date(1) | Status | Issuance / Completion Date |
|--|--|---------------|-----------|----------------------------|
| 6. Annual External Financial Audit for the Stadium Authority (<i>contracted audit service</i>) | The Santa Clara Stadium Authority (Stadium Authority), the Stadium Funding Trust, and Goldman Sachs Bank USA entered into a Credit Agreement on June 19, 2013 to finance the stadium. Section 5.1(a) of the Credit Agreement requires that the Stadium Authority Annual Financial Statements be audited by independent certified public accountants within 180 days after the end of each fiscal year. The City Auditor's Office administers the audit contract and works with the Finance Department and the external audit firm to coordinate this effort. | June 2021 | Completed | September 2022 |

ASSIGNMENTS IN PROCESS:

The following table lists all Assignments in Process from the previous Audit Work Plan:

| Project Name | Project Description | Start Date(1) | Status | Issuance/ Completion Date |
|--|--|---------------|------------|---------------------------|
| 7. Review of Financial Procedures and Controls for the Santa Clara Stadium Authority (<i>contracted service</i>) | Review past Construction Fund and Public Safety transactions and provide feedback on the allocation of staff charges. Contracted to JS Held. A draft of this report was just received by the Auditor's Office and will be presented at the next Committee meeting in December 2022. | June 2021 | In Process | October 2022 |
| 8. Audit of the 2019 College Football Playoff National Championship Game (<i>contracted audit service</i>) | An analysis of the revenue and expense classification and review of the completeness of the supporting documents for the 2019 College Football Playoff game. Contracted to The PUN Group. This had been delayed due to a need for a non-disclosure agreement between MANCO and The PUN Group as well as contractual and staffing issues that had to be addressed with the time extension of the PUN Group contract. The PUN Group has identified the staff resource needed and has communicated to MANCO the documentation they require finish the review. | June 2021 | In Process | December 2022 |

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| Project Name | Project Description | Start Date(1) | Status | Issuance/ Completion Date |
|---|--|---------------|------------|--------------------------------|
| 9. Annual Risk Assessment and Development of Internal Audit Annual Workplan | The City Auditor's Office is to perform an annual risk assessment as required by internal audit standards to identify and prioritize the potential audit subjects for the Audit Work Plan. The annual workplan is designed to improve the effectiveness of risk management, internal controls, and governance processes. The City contracted with Baker Tilly, Inc. to perform the assessment. They are a nationally respected firm with many municipal internal audit clients. The initial data gathering, and interviews have recently completed, and a draft of both the risk assessment report and proposed annual audit work plan are in process. | June 2021 | In Process | December 2022 |
| 10. Semi-Annual Audit Status Report | The City Auditor's Office prepares and issues semi-annual status and progress update reports on the approved audit assignments in the audit work plan. The staff also reports on any changes (e.g. assignment addition or deletion) to the audit work plan. | June 2021 | In Process | September 2022 & December 2022 |
| 11. Annual Audit Recommendation Status Report | The City Auditor's Office tracks audit recommendations and issues reports on the implementation status of all open audit recommendations. The staff also meets with the auditee to discuss the progress of the audit recommendations. | June 2021 | In Process | December 2022 |
| 12. City Auditor's Cash Disbursement Audit | The City Charter requires the City Auditor to audit and approve bills, invoices, payrolls, demands or charges against the City before payment. | June 2021 | In Process | December 2022 |

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| Project Name | Project Description | Start Date(1) | Status | Issuance/ Completion Date |
|--|--|---------------|------------|---------------------------|
| 13. Internal Audit Annual Work Plan | <p>The City Auditor is responsible for developing an annual internal audit work plan based on the results of an annual citywide risk assessment designed to improve the effectiveness of risk management, internal control, and governance processes.</p> <p>The annual work plan is presented to the Audit Committee to recommend to the City Council for approval, which is required prior to the start of any audit work.</p> | June 2021 | In Process | December 2022 |
| 14. Annual Continuing Education Training | The City Auditor's Office is committed to attending regular continuing professional education (CPE) training and maintaining a minimum of 40 CPE hours a year for each staff. | June 2021 | In Process | Ongoing |

ASSIGNMENTS NOT YET STARTED:

The following table lists all Assignments Not Yet Started as of September 30, 2022 for the current Audit Work Plan:

| Project Name | Project Description | Start Date(1) | Status | Projected Issuance / Completion Date |
|---|--|---------------|---|--------------------------------------|
| 15. Review of Financial Procedures and Controls for the Santa Clara Stadium Authority (<i>contracted service</i>) | <p>Staff has asked the City Auditor's Office to provide advice on several policies, procedural and internal control issues for the Stadium Authority. Proposed reviews include:</p> <ul style="list-style-type: none"> Analyzing the Stadium Authority's review procedures for Non-NFL Event revenues and provide feedback on procedure and control issues, if any. Reviewing the Stadium Authority Financial Reporting Policy with staff and external auditors and providing feedback on best practices | June 2021 | Deferred until the SCSA implements the new financial management system. | Spring 2023 |

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| Project Name | Project Description | Start Date(1) | Status | Projected Issuance / Completion Date |
|---|---|---------------|--|--------------------------------------|
| 16. Performance Audit of Vendor Master File and 1099 Reporting | <p>The purpose of this audit is to assess and evaluate whether the City has adequate controls regarding its master vendor file setup and if the City is effectively monitoring and maintaining its vendor information.</p> <p>This audit has been deferred due to conflicts of interest with current audit staff having been in accounting operations. We plan to co-source this audit with an external CPA firm.</p> | June 2021 | Per IIA Standards, project has to wait until at least a year has passed since current audit staff was in operations. | Summer 2023 |
| 17. Citywide Fraud Risk Assessment (contracted service) | This is a citywide fraud risk assessment for all the departments including utility departments. This is separate from the annual Citywide risk assessment. An RFP is planned for early 2023 after the Citywide risk assessment has been completed. | June 2021 | Pending | Summer 2023 |
| 18. Review of SCSA net income related to Non-NFL events. (NEW - contracted audit service) | The City Auditor's Office originally contracted with JS Held to perform a review of the year-end net income for Non-NFL events for a three-year period. Amendment #3 of this contract has been approved to allow for additional reviews. The review is to identify reasons for the differences in overall net income versus the sum of net income for individual events, while also determining if revenues and expenditures for each event were recorded accurately. | June 2021 | Pending | Spring 2023 |

Notes:

- (1) The start date column indicates the period where the project was either re-started from the original work plan (June 2021) after the Auditor's Office was staffed again, or the date where new projects were added to the audit work plan.