



**City of
Santa Clara**
The Center of What's Possible

Semi-Annual Audit Status Report as of December 31, 2019

City Auditor's Office



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Semi-Annual Audit Status Report – Fiscal Year 2019/20 (July thru December 2019)

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. Furthermore, the City Auditor's Office is responsible for the Stadium Authority's annual financial audit.

The Audit Committee and City Council approved the Audit Work Plan for fiscal year 2018/19 (midyear) and 2019/20 in 2019. This Semi-Annual Audit Status Report summarizes reports issued, other activities, assignments in process, and the status of the work plan during the period from July 1, 2019 thru December 31, 2019.

ACTIVITY HIGHLIGHTS DURING THE PERIOD:

- The Office issued the ***Contract Audit of the Public Affairs and Media Relation Services*** (July 2019).
- The Office completed 5 of the 13 items in the FY 2018/19 (midyear) and FY 2019/20 Work Plan, with a total of 7 of the 13 items either completed or in process as of December 31, 2019.
- The Office completed three new contracted projects and one new in-house audit that were not in the Work Plan.
- The City Council approved a new job classifications and specifications for the Performance Auditor series in 2019.
- The Office will start recruiting for the two vacancies (e.g. Management Analyst and Senior Performance Auditor) after receiving approval from the City Council on the Internal Audit Service Model in February 2020.

Audit Status Report – Fiscal Year 2019/20 (July thru December 2019) (continued)

ASSIGNMENTS COMPLETED

The following table lists all Assignments Completed as of December 31, 2019 for the FY 2019-20 Audit Work Plan:

Project Name	Project Description	Status	Projected Issuance / Completion Date
1. Internal Audit Charter	The purpose of the Charter, which requires City Council approval, is to formally authorize internal audit staff access to records, personnel and physical properties so they can perform their audit tasks. It also defines the internal audit division's purpose, authority and responsibility within the City. The City Auditor will start to formally provide periodic updates to City Council after the adoption of this charter.	Completed	July 2019
2. 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.	Completed	July 2019
3. Contract Audit of the Public Affairs and Media Relation Services (NEW)	The City Auditor's Office, at the request of the City Manager's Office, initiated a contract audit on the Public Affairs and Media Relation Services agreement with Singer Associates, Inc. The purpose of the audit is to determine whether staff followed proper procurement and contract management processes for the City of Santa Clara and Santa Clara Stadium Authority.	Completed	July 2019
4. Audit of the Stadium Manager's Delegated Procurement Authority (NEW – contracted service)	The City Auditor's Office, at the request of the Executive Director's Office, initiated a review of the Stadium Manager's Procurement Authority over its contract process. The Office contracted with JS Held (formerly known as HSNO), an accounting and consulting firm, to perform an audit of the Stadium Manager's Delegated Procurement Authority. The purpose of the audit is to determine whether the Stadium Manager was procuring in accordance to the Stadium Authority's Procurement Policy.	Completed	July 2019

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Project Name	Project Description	Status	Projected Issuance / Completion Date
5. Annual 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.	Completed	August 2019
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.	Completed	August 2019
7. 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 (currently Maze & Associates). This includes audits of the Comprehensive Annual Financial Reports (CAFRs) and the Single Audit.	Completed	December 2019 (CAFR) and March 2020 (Single Audit)
8. Annual Compliance Reviews of the City’s Investment Program (NEW - <i>contracted audit service</i>)	The City’s investment policy requires annual compliance review to determine whether the investments in the City’s pooled portfolio are in compliance with the City’s investment policy, internal controls, and department procedures. Maze & Associates will conduct the agreed-upon procedures as of June 30, 2019.	Completed	December 2019
9. Analysis of the NEx System Procurement Process (NEW – <i>contracted service</i>)	The City Auditor’s Office, at the request of the Executive Director’s Office and General Counsel, initiated a detailed review of the NEx System Procurement process. The Office contracted with JS Held (formerly known as HSNO), an accounting and consulting firm, to perform an analysis on the timeline of events for the procurement process of the NEx System contract.	Completed	January 2020

Audit Status Report – Fiscal Year 2019/20 (July thru December 2019) (continued)

ASSIGNMENTS IN PROCESS:

The following table lists all Assignments in Process as of December 31, 2019 for the FY 2019-20 Audit Work Plan:

Project Name	Project Description	Status	Projected Issuance / Completion Date
10. 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.	In Process	June 2020
11. Audit of the 2019 College Football Playoff National Championship Game (NEW – contracted service)	An analysis of the revenue and expense classification and review of the completeness of the supporting documents for the 2019 College Football Playoff game.	In Process	June 2020
12. Fraud, Waste, and Abuse Reporting Policy (Fraud Policy)	<p>The Fraud, Waste, and Abuse Reporting Policy (Fraud Policy) sets out policies and procedures to encourage and facilitate the reporting of fraud or abuse and questionable accounting practices.</p> <p>The City Auditor's Office plans to bring this policy to the City Council for approval in 2020 after the division is fully staffed.</p>	In Process	August 2020

ASSIGNMENTS NOT YET STARTED:

The following table lists all Assignments Not Yet Started as of December 31, 2019 for the FY 2019-20 Audit Work Plan:

Project Name	Project Description	Status	Projected Issuance / Completion Date
13. 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 Events' revenues and provide feedback on procedure and control issues, if any. 		

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Project Name	Project Description	Status	Projected Issuance / Completion Date
	<ul style="list-style-type: none"> Reviewing the Stadium Authority Financial Reporting Policy with staff and external auditors and providing feedback on best practices. <p>This advisory service has been deferred until the Stadium Authority implements the new financial management system.</p>		
14. Fraud, Waste, and Abuse Hotline Monitoring & Audit	<p>The City does not currently have a Whistleblower Hotline to provide individuals a way to confidentially report evidence of fraud, waste or abuse involving employees or operations. The City Auditor’s Office plans to implement such hotline for the City through an outsourced third-party service and provide continuous monitoring and investigations.</p> <p>This project will start after the Fraud Policy is formally adopted by the City Council.</p>		
15. Performance Audit of Vendor Master File and 1099 Reporting (contracted service)	<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 to year 2020 due to staffing shortage in Accounting, Purchasing and Audit divisions. We will also co-source this audit with an external CPA firm.</p>		
16. Citywide Fraud Risk Assessment (contracted service)	<p>This is a citywide fraud risk assessment for all the departments including utility departments.</p> <p>This assignment will start after the Vendor Master File Audit project.</p>		

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Project Name	Project Description	Status	Projected Issuance / Completion Date
17. Annual Audit Recommendation Status Report	<p>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.</p> <p>This assignment has been deferred until the end of the year due to staffing shortage.</p>		
18. Annual Risk Assessment	<p>The City Auditor’s Office performs an annual risk assessment as required by internal audit standards to identify and prioritize the potential audit subjects for the Audit Work Plan.</p> <p>This assignment has been deferred until the end of the year due to staffing shortage.</p>		
19. 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 controls, and governance processes.</p> <p>This assignment has been deferred until the end of the year due to staffing shortage. The Office will continue to advance the projects in the current year’s Audit Work Plan.</p>		