



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

Semi-Annual Audit Status Report as of June 30, 2021

City Auditor's Office



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Semi-Annual Audit Status Report – Fiscal Year 2020/21 (January thru June 2021)

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 2019/20 in 2019. The most recent Semi-Annual Status Report (July 1, 2019-December 31, 2019) was delivered to the Audit Committee in March of 2020. The internal audit work was placed on hold with the previous City Auditor, Linh Lam, transitioning to City operations as Assistant Director of Finance.

In May 2021, as a result of Phase I Budget Reductions that were approved by Council, two members of the Finance Department, transitioned to the Internal Audit function. David Noce began the role of Audit Manager and Cindy Juandy assumed the Management Analyst role which is assigned the Internal Audit Charter work. Both David and Cindy have decades of governmental accounting experience including previous roles as auditors of municipalities.

This Semi-Annual Audit Status Report recaps the previous internal audit work that was completed during the period July 2019 through December 2019, before the pause of the internal audit function as indicated above. This status update was originally provided to the Audit Committee in March of 2020. It also summarizes the status of items from the previously approved Annual Audit Workplan which have begun again now that the office is staffed.

ACTIVITY HIGHLIGHTS DURING THE JANUARY THRU JUNE 2021 TIME PERIOD:

- Completed the procurement of Santa Clara Stadium Authority (SCSA) external financial auditor. The Credit Agreement requires that the financial statements be audited by a nationally recognized independent certified public accounting (CPA) firm (also known as the "Big Four"). KPMG, LLP was selected as the CPA firm to perform the annual financial audit for a five-year term.
- The Office was staffed with a new Audit Manager and Management Analyst beginning May 2021.
- The Office issued a Request for Proposal (RFP) for the annual external financial audit and Single Audit of federal funds for the City. The previous audit contract expires at the end of the fiscal year 2020-21 audit and per Council policy, and RFP is conducted at least every five years to evaluate Independent Certified Public Accounting firms to conduct future audits. As of this meeting date, staff has reviewed proposals from CPA firms and has selected Maze & Associates as the firm to perform this work.
- The Office took over the submission of the Bills and Claims reports to Council from the Finance department beginning with the first report in May 2021.

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RECAP OF ASSIGNMENTS COMPLETED FROM MOST RECENT AUDIT STATUS REPORT (Originally reported to the Audit Committee in March 2020)

The following table lists all Assignments Completed as of June 30, 2021 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	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 audit 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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5. 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	Each Check Run
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	September 2020
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 Annual Financial Report (AFR) and the Single Audit.	Completed	December 2020 (AFR) and March 2021 (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 conducted the agreed-upon procedures as of June 30, 2019 and June 30, 2020.	Completed	December 2019 and December 2020
9. Analysis of the NEx System Procurement Process (NEW - <i>contracted audit 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
10. Review of SCSA net income related to Non-NFL events. (NEW - <i>contracted audit service</i>)	The City Auditor's Office contracted with JS Held to perform a review of the year-end net income for Non-NFL events for a three-year period. The review was 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.	Completed	December 2020

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ASSIGNMENTS IN PROCESS:

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

Project Name	Project Description	Status	Projected Issuance / Completion Date
11. 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.	In Process	October 2021
12. Audit of the 2019 College Football Playoff National Championship Game (NEW - <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.	In Process	December 2021
13. Fraud, Waste, and Abuse Policy (Fraud Policy)	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. The City Auditor's Office has begun the draft of the policy and plans to bring it to the City Council for approval in October 2021.	In Process	October 2021
14. Fraud, Waste, and Abuse - Whistle Blower Hotline	The City has issued an RFP for a third-party vendor to provide a comprehensive solution for employees or members of the public to report any concerns related to fraud, waste, or abuse. This outsourced function will provide continuous monitoring and investigations of any issues raised. The hotline will go into effect after Council approval of the Fraud, Waste, and abuse policy.	In process	December 2021

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15. Annual Risk Assessment and Development of Internal Audit Annual Workplan	<p>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.</p> <p>An RFP has been issued to outsource the risk assessment and proposed annual audit workplan to a qualified third-party CPA or consulting firm. Proposals have been received and are currently under review.</p>	In Process	December 2021
16. Update of the City's Travel Policy	<p>The City Auditor's Office is reviewing and updating the City Travel Policy to define the City's expectations regarding employees who travel in connection with their work responsibilities. This will bring the policy in line with US General Services Administration (GSA) guidelines.</p>	In Process	December 2021

ASSIGNMENTS NOT YET STARTED:

The following table lists all Assignments Not Yet Started as of June 30, 2021 for the current Audit Work Plan:

Project Name	Project Description	Status	Projected Issuance / Completion Date
17. 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 	Deferred until the SCSA implements the new financial management system.	Fall 2022

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(continued)**

<p>18. Performance Audit of Vendor Master File and 1099 Reporting (contracted service)</p>	<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 2022 due to conflicts of interest with previous audit office staff having been in accounting operations. We plan to co-source this audit with an external CPA firm.</p>	<p>Per IIAF Standards, project has to wait at least a year since current audit staff was in operations.</p>	<p>Fall 2022</p>
<p>19. Citywide Fraud Risk Assessment (contracted service)</p>	<p>This is a citywide fraud risk assessment for all the departments including utility departments. This is separate from the annual Citywide risk assessment.</p>	<p>Pending</p>	<p>Fall 2022</p>
<p>20. Review of SCSA net income related to Non-NFL events. (NEW - contracted audit service)</p>	<p>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 of fiscal years ended March 31, 2018-2020. 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.</p>	<p>Pending</p>	<p>Fall 2022</p>
<p>21. Annual Audit Recommendation Status Report</p>	<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>Pending</p>	<p>Spring 2022</p>