MOSSADAMS

City of Cupertino
FY 25-26 Internal Audit Program

Audit Committee Meeting

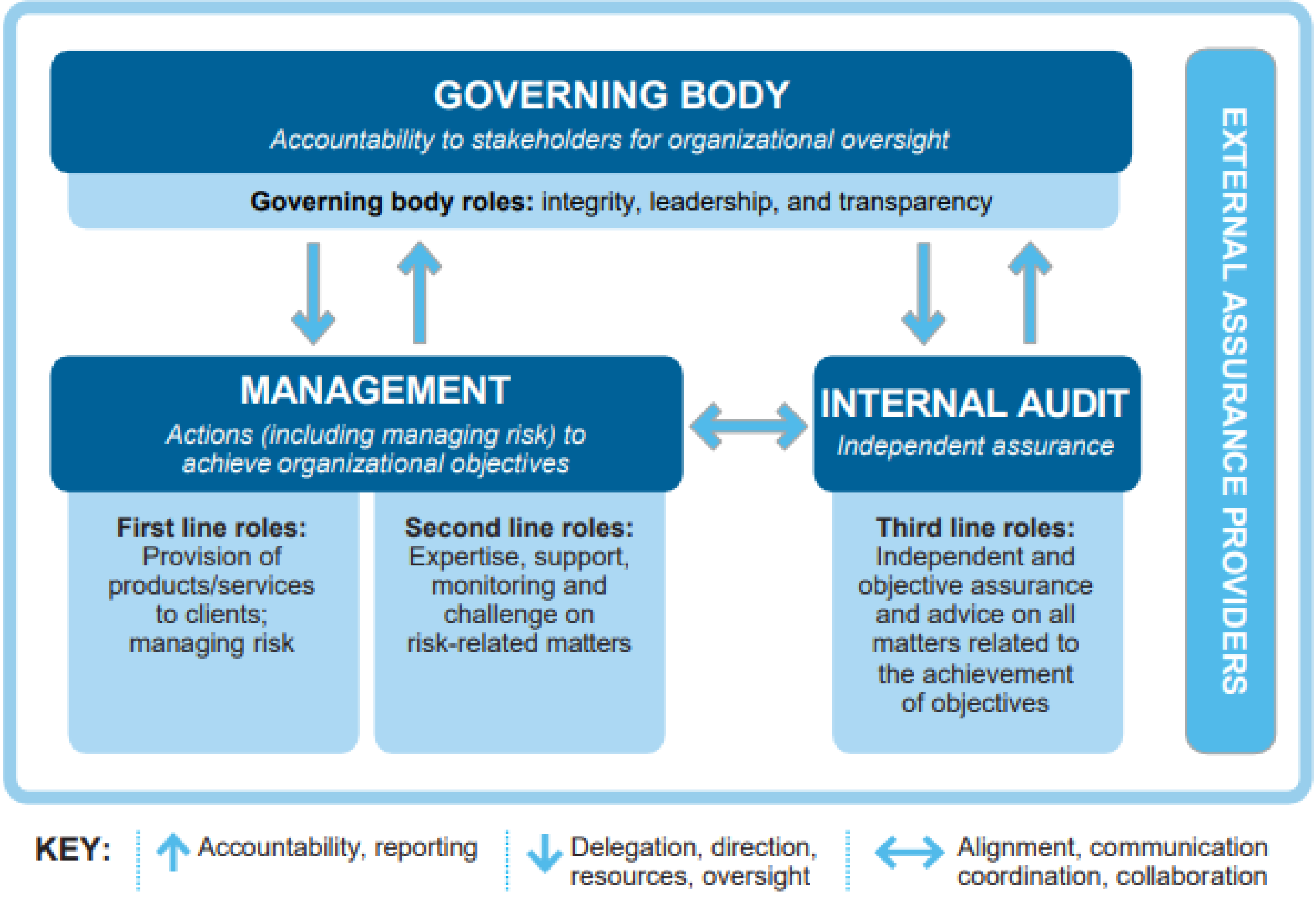
April 2025

Internal Audit Overview

- The City retained Moss Adams to serve as the designated Internal Auditor and conduct projects focusing on:
  - Risks
  - Internal controls
  - Efficiency and effectiveness
  - Best practices
  - Compliance
- Work is being completed under appropriate industry standards (IIA, GAGAS, AICPA)

Role of Internal Audit

The IIA's Three Lines Model



Source: IIA

Holistic Internal Audit Program Components

A Program Inputs

- Enterprise Assessments
- Employees and Residents
- Performance Metrics

B Opportunities

- Risks
- Controls
- Compliance
- Performance

C Tracking & Reporting

- Findings & Recommendations
- Fraud, Waste, and Abuse Hotline
- Corrective Actions
- Implementation
- Validation

Internal Audit Program Components

Annual Plan	Internal Audit Plan
Internal Audit Components	Risks | Internal Controls | Compliance | Performance
City Functions	Accounting and financial reporting, asset management, capital programs, compliance, economics and funding, fraud, governance, human resources, internal controls, maintenance and operations, management, operations and service delivery, organization and staffing, processes and procedures, procurement, public safety, risk management, and technology

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Program Review

Focus	Accomplishments
• Enterprise Risk Assessments	2021, 2024
• Internal Controls Projects Completed	2
○ *Grant Management Internal Controls*	*FY25*
• Performance/Efficiency Projects Completed	5
○ *Special Revenue Fund Process*	*FY25*
• Policies Reviewed	139
• Recommendations Delivered	52
• Ethics Hotline Reports Received	33 reports
• *Recommendations Validated in FY25*	45

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Departments Covered

Department	Projects
Administrative Services	Procurement (22) Finance P&Ps (22) Budget Process Review (23) Grants Management Internal Control Review (25) Special Revenue Fund Process (25)
City Clerk	
City Manager's Office	FWA Program (22)
Community Development	
Communications	
Innovation & Technology	
Parks & Recreation	
Public Works	Capital Program (22) Library Construction Audit (23)

- Enterprise Projects: Risk Assessment (21, 24), Enterprise Leadership (23), Policies and Procedures (24), Recommendation Validation (25)

Potential FY25-26 Internal Audit Projects

Performance Projects

1. Permitting Efficiency Study
2. CIP Implementation

Internal Controls and Compliance Projects

1. Council-Wide Policy Review Inventory
2. City-Wide Internal Controls Review
3. Investment/Cash Flow Policy Review/Recommendation
4. Credit Card Testing

Program Management:

1. Ongoing Internal Audit Services
2. Ongoing Recommendation Validation

Recommended FY25-26 Internal Audit Projects

1. **Council-Wide Policy Review Inventory (already approved by City Council)** Review and provide recommendations to align council policies with best practices(16 weeks, $40,000)
2. **City-Wide Internal Control Review** Conduct a review of the City's internal controls framework in key areas that are deemed important to protecting City assets and resources. (16 weeks, $45,000)
3. **Investment/Cash Flow Policy Review/Recommendation** Review and provide best practice recommendations over the City's investment/Cash Flow policy. (8 weeks, $10,000)
4. **Ongoing Internal Audit Services** Attend Audit Committee and Council meetings, prepare status reports, recommendation validation manage internal audit program, and monitor FWA hotline. ($25,000)

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Resources

- Government Finance Officer’s Association (GFOA)
  - GFOA Best Practices Guide on Audit Committees
- Institute of Internal Auditors
  - IIA Publication “The Audit Committee: Internal Audit Oversight”
- U.S. Government Accountability Office (GAO)
- American Institute of Certified Public Accountants
- Association of Certified Fraud Examiners