



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: APRIL 2, 2019**
FROM: INTERNAL AUDIT DIVISION **WARDS: ALL**
SUBJECT: REVISED INTERNAL AUDIT WORK PLAN FOR FISCAL YEARS 2019 AND 2020

ISSUES:

Review and approve the revised Internal Audit Work Plan for Fiscal Years 2019 and 2020.

RECOMMENDATIONS:

That the City Council review and approve the Revised Internal Audit Work Plan for Fiscal Years 2019 and 2020.

COMMITTEE RECOMMENDATION:

The Governmental Affairs Committee met on March 6, 2019, with Chair Andy Melendrez, Vice Chair Mike Gardner and member Chuck Conder in attendance. The committee received, discussed and unanimously recommended that the City Council approve the Revised Internal Audit Work Plan for Fiscal Years 2019 and 2020.

BACKGROUND:

On an annual basis, Internal Audit prepares and submits to the City Council (through the Governmental Affairs Committee) an Internal Audit work plan for review and approval. The plan consists of a work schedule of performance audits, internal assessments and/or consulting engagements upcoming or in progress, monitoring and/or other Internal Audit-supported tasks or initiatives, allocated hours and resource requirements and limitations.

DISCUSSION:

The Governmental Affairs Committee met on October 3, 2018, with Chair Andy Melendrez, Vice Chair Mike Gardner and member Chuck Conder in attendance. The committee received, discussed and unanimously recommended to the City Council, the Internal Performance Audit Work Plan for Fiscal Years 2019 and 2020. The Internal Performance Audit Work Plan was subsequently approved by the City Council on November 6, 2018.

Due to recent personnel changes within the Internal Audit Division, the previously approved Work Plan was revised to reflect the number of resources currently in the division. Additional revisions made to the Work Plan include:

- An overview of the plan (memo format), including selection criteria for audits/assessments, division budget information, and reporting responsibilities;
- Format change to reflect all planned audit and non-audit activities for the year, including monitoring processes, division procedural enhancements to be undertaken, and Internal Audit support of other initiatives (e.g., external performance audits);
- Estimated hours budgeted for each activity; and
- Potential reviews for consideration that currently lack resources to complete.

Audit Work Plan Development

Internal Audit gathers and assesses information about potential risks to the City from multiple sources and prioritizes these risks. Prioritization is based on a variety of factors, including:

- Input from elected officials, executive management, City employees, and the public;
- The likelihood and potential impacts of identified risks;
- Potential community impact;
- Timing and scheduling; and
- Audit resource availability.

Internal Audit reviews and adjusts the Work Plan as necessary to address unforeseen or urgent issues, changes in various risks factors, or specific requests in a timely manner.

The following table summarizes the Internal Audit Work Plan for Fiscal Years 2019 and 2020:

Internal Audit Activity	Summary	Budgeted Hours
Asset Management of Mobile Devices (Innovation & Technology)	Evaluate mobile device management practices and internal controls	Completed
Temp Employees, Independent Contractors and Retired Annuitants Compliance with CalPERS (Citywide) (M) (IP)	Assess the overall management of temporary agency employees, independent contractors and retired annuitants to ensure compliance with CalPERS	90
Sewer Laterals & City-Owned Trees Liability Assessment (Public Works) (M) (IP)	Determine options to reduce sewer lateral repair costs absorbed by the City	30
Software Asset Management (Innovation & Technology) (IP)	Assess software asset management practices to ensure compliance with vendor agreements and license-tracking through the lifecycle	60
Cybersecurity Internal Controls (Innovation and Technology)	Evaluate cybersecurity internal controls in place to determine consistency with industry-established best practices	300
Contract Compliance – Riverside Convention Center (General Services)	Review contract/agreement to ensure terms and conditions are being met by all parties	300

Internal Audit Activity	Summary	Budgeted Hours
CalPERS Compliance Assessment (Human Resources)	Follow up review of the issues identified in the 2013 external CalPERS audit	120
Firefighter Work Schedule Optimization (Fire Department) (M)	Assess the firefighter and staffing work schedule based on best practices and NFPA guidelines	300
Audit Recommendations Follow-up Tracking	Assess the status and quality of implementation for recommendations noted in prior internal and external audits	150
Internal Audit Division Procedural Enhancements	Implement organizational and procedural changes necessary to ensure compliance with government auditing standards	522
Internal Audit Monitoring (various processes)	Ongoing/continuous monitoring of various City functions to ensure risks are identified and addressed	400
External City Performance Audits	Coordinate activities for the Citywide Audit Program	165
Other Internal Audit-supported tasks	Provide additional support as needed on other City activities, projects, and tasks	70
Discretionary Hours	Hours retained for unscheduled or unplanned audits, assessments, special requests, and/or other activities	270
Training	Hours retained for audit-related, City, or other training	60
Paid Time Off (PTO)	Hours retained for vacation, holidays, admin, or other PTO categories	283

M = Engagement requested by Management

IP – Engagement is in progress

Other Potential Review Areas

Listed below are other areas/functions/processes within the City identified as potential audits, assessments, or continuous monitoring; however, the Internal Audit Division lacks the necessary resources to complete these assessments. City officials should review the list below to determine if outsourcing, co-sourcing, or internal review of these areas should be considered for inclusion in this Audit Work Plan or for a future fiscal year.

Activity	Summary	Sourcing Recommendation
RPU Rates Monitoring (Public Utilities)	Internal Audit could be utilized to provide continuous monitoring of RPU's rate increases and the projections on which they were based. All City officials would benefit by being able to point to an independent internal audit function providing third party validation of RPU rates.	Internal Audit Monitoring

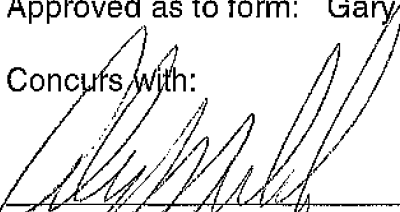
Activity	Summary	Sourcing Recommendation
Construction Contracts Monitoring (Citywide)	Construction projects can be costly, and delays can result in increased costs. Audit objectives may include ensuring proper controls are developed and maintained, identification of overcharges and/or undercharges, and identification of cost avoidance opportunities.	Co-source
Property Management Services (various departments)	As noted in the General Services external Performance Assessment report, an opportunity exists to consolidate the citywide property management functions in one department, allowing for enhanced operational efficiencies and consistent approaches in managing properties and facilities.	Internal Assessment
3-1-1 Call Center Operations (Public Utilities)	Determine if the Call Center provides accurate and quality information to City departments; provides quality customer services; provides accurate and relevant performance data to management.	Co-source or Performance Audit

FISCAL IMPACT:

There is no fiscal impact associated with this report. The completion of the revised Internal Audit Work Plan is based on the current existing resources in the division.

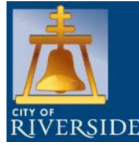
Prepared by: Vincent Price, Senior Internal Auditor
 Certified as to availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
 Approved by: Carlie Myers, Deputy City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Concurs with:


 Andy Melendrez, Chair
 Governmental Affairs Committee

Attachments:

1. Revised Internal Audit Work Plan
2. Peer Review Action Plan Update
3. Internal Audit Activity Chart and Projected timeline
4. Presentation



City of Riverside – Internal Audit Division

Audit Work Plan for Fiscal Years 2018/19 and 2019/20

The Internal Audit Division has developed an Audit Work Plan for the remainder of fiscal year 2018/19, and fiscal year 2019/20. The Audit Work Plan is intended to demonstrate the scope of planned audit and non-audit activities addressing financial, operational, technological, reputation, and compliance risks of the City and prudent use of our resources.

To develop the Audit Work Plan, Internal Audit gathers and assesses information about potential risks to the City from multiple sources and prioritizes these risks. Prioritization is based on a variety of factors, including but not limited to:

- The likelihood and potential impacts of identified risks;
- Potential community impact;
- Timing and scheduling; and
- Audit resource availability.

We also solicit audit suggestions from City Council, City staff, and the public. Additional criteria used for audit selection include City budgetary information, departmental goals and objectives, and last date of audit. Our goal is to ensure that areas selected for review align with the City Council's strategic priorities. The activities of the Internal Audit Division are coordinated with independent external auditors to minimize duplication and to ensure adequate audit coverage.

The Audit Work Plan consists of a work schedule of performance audits, consulting engagements and/or internal assessments¹ (completed, scheduled or in progress), monitoring and/or other Internal Audit-supported tasks or initiatives, allocated hours, and resource requirements and limitations.

The Internal Audit Division includes 3 full time equivalent (FTE) positions with the budget noted below. **However, the Audit Work Plan is based on the available resources of one full time FTE.** Solutions to address resource limitations include outsourcing and co-sourcing² (refer to page 9 for additional information).

	FY 2018/19	FY2019/20
Personnel	\$577,985	\$625,290
Non-Personnel	13,961	13,658
Total	\$591,946	\$641,948

The Audit Work Plan is presented with budgeted hours³ for each activity. Budgeted hours assigned for each activity are based on aspirational estimates and actual hours needed for each audit/activity could be significantly higher. Additionally, the hours presented in the Audit Work Plan do not

¹ Internal assessments are collaborative efforts between Internal Audit and City departments that aid departments in assuming responsibility for risks related to internal controls. Internal assessment results are tracked and reported, but do not result in a formal audit report.

² Co-sourcing allows the City to retain a certain level of control over an audit by having Internal Audit staff work alongside outsourced audit staff. This approach also allows the City to save funds, as costs would be lower than a typical fully outsourced audit.

³ Budgeted hours identified in the Audit Work Plan are based on review of the available hours for a 9/80 work schedule.

account for unexpected changes that may happen. When these events occur, the productive hours will be reduced, and the number of audits or other activities will also be adversely affected.

The City Council or City Leadership Team may request that Internal Audit perform audits or reviews of particular areas during the course of each fiscal year. If audits are added later, they could displace or defer other audits from the list given the overall resources available in the Internal Audit Division.

Internal Audit will review and adjust the Audit Work Plan as necessary in response to changes in operational or financial risks, operations, programs, systems, resource availability, controls or specific requests. Significant deviations from the approved Internal Audit Work Plan will be communicated to the City Manager and the City Council through the Governmental Affairs Committee.

All final performance audit reports will be made available to the public on the City's internet site after review and approval by the Governmental Affairs Committee. Additionally, the Governmental Affairs Committee will be provided with quarterly reports of the status of audit activities, including but not limited to:

- Completed audits/internal assessments;
- Monitoring and other Internal Audit-supported activities in progress;
- Progress in implementing the Internal Audit Workplan; and
- Status of the implementation of agreed internal and external audit recommendations.

The Internal Audit Division supports the City of Riverside's strategic goals and priorities by providing information to assess and improve municipal operations, and promote credible, efficient, effective, focused, transparent and fully accountable City Government. Several other review functions can also promote these objectives. These include:

- Work of external auditors (financial statement, single audit, department performance assessments, and other special reviews);
- Finance Department and the Budget Engagement Commission (accountability and tracking of Measure Z funding);
- City Manager's Office (accountability and tracking of departmental performance measures, goals and targets); and
- Departmental internal control self-assessments (evaluations of departmental functions to determine effectiveness of existing internal control processes).

As a component of the oversight role of the Internal Audit Function, we hereby submit for your review and approval the attached Fiscal Year 2018/19 and Fiscal Year 2019/20 Audit Work Plan for the Internal Audit Division.

ATTACHMENTS

1. Audit Work Plan for Fiscal Year 2018/19 (from January 1, 2019 to June 30, 2019)
2. Audit Work Plan for Fiscal Year 2019/20
3. Recommendations for other potential review areas/functions

AUDIT WORK PLAN
Fiscal Year 2018-2019
(From January 1, 2019 to June 30, 2019)

Performance Audits, Consulting Engagements or Internal Assessments

In general, our objectives for performance audits, consulting engagements and internal assessments are to evaluate existing practices and internal controls in place to determine if policies and procedures are appropriate and adhered to, and to ensure compliance with any applicable agreements or external regulations.

Description of Activity	Engagement Type	Summary	Supports one or more City Strategic Priorities	Budgeted Hours
Asset Management of Mobile Devices (Innovation & Technology)	Performance Audit	Evaluate mobile device management practices and internal controls	Yes	Completed
Temp Employees, Independent Contractors and Retired Annuitants Compliance with CalPERS (Citywide) (M) (IP)	Internal Assessment	Assess the overall management of temporary agency employees, independent contractors and retired annuitants to ensure compliance with CalPERS	Yes	90
Sewer Laterals & City-Owned Trees Liability Assessment (Public Works) (M) (IP)	Consulting Engagement	Determine options to reduce sewer lateral repair costs absorbed by the City	Yes	30
Software Asset Management (Innovation & Technology) (IP)	Internal Assessment	Assess software asset management practices to ensure compliance with vendor agreements and license-tracking through the lifecycle	Yes	60
Audit Recommendations Follow-up Tracking (IP)	Internal Assessment	Assess the status and quality of implementation for recommendations noted in prior internal and external audits	Yes	60

M = Engagement requested by Management

IP – Engagement is in progress

Total **240**

Percent of overall total **23%**

AUDIT WORK PLAN
Fiscal Year 2018-2019 – continued

Internal Audit Division Procedural Enhancements

The Internal Audit Division aims to complete its objectives with due professional care and proficiency using the guidance of generally accepted government auditing standards (GAGAS). As such, organizational and structural changes to improve our processes and practices are necessary to ensure our objectives are achieved as identified.

Description of Activity	Summary	Budgeted Hours
Implement and enhance Internal Audit organizational and structural needs	Implement organizational changes as identified in the 2/23/2016 external peer review	299
Total		299
Percent of overall total		29%

Internal Audit Monitoring

Internal Audit performs ongoing/continuous monitoring of various City functions to ensure risks are identified and addressed, and to validate processes and practices comply with applicable policies and procedures.

Description of Activity	Summary	Budgeted Hours
Purchasing card (p-card) Monitoring	Perform periodic reviews of p-card activities to ensure compliance with program and City policies	40
Grant Compliance Monitoring	Perform periodic reviews of City grants to ensure compliance with grant guidelines and applicable policies and procedures	40
City Payroll Overtime Monitoring	Assess internal controls in place to determine if they adequately address risks associated with overtime usage and/or management	40
Fraud, Waste and Abuse Hotline Monitoring	Receive complaints and allegations of fraud, waste, abuse or mismanagement of City resources, or violations of law, rules/regulations by City employees or contractors	40
Total		160
Percent of overall total		15%

AUDIT WORK PLAN
Fiscal Year 2018-2019 – continued

Additional Internal Audit-Supported or Other Tasks

Internal Audit provides additional support as needed on other City activities, projects, and tasks, provided they do not impair our independence.

Description of Activity	Summary	Budgeted Hours
External City Performance Audits	Coordinate activities for the Citywide Audit Program as needed	90
Other	Provide additional support as needed on other City activities, projects, and tasks	30
Total		120
Percent of overall total		12%

Discretionary Hours

Description of Activity	Budgeted Hours
Hours retained for unscheduled or unplanned audits, assessments, special requests, and/or other activities	120
Total	120
Percent of overall total	12%

Training

Description of Activity	Budgeted Hours
Hours retained for audit-related, City, or other training	20
Total	20
Percent of overall total	2%

Paid Time Off (PTO)

Description of Activity	Budgeted Hours
Hours retained for vacation, holidays, admin, or other PTO categories	72
Total	72
Percent of overall total	7%
Grand Total of Budgeted Hours	1,031

AUDIT WORK PLAN
Fiscal Year 2019-2020

Performance Audits, Consulting Engagements or Internal Assessments

In general, our objectives for performance audits, consulting engagements and internal assessments are to evaluate existing practices and internal controls in place to determine if policies and procedures are appropriate and adhered to, and to ensure compliance with any applicable agreements or external regulations.

Description of Activity	Engagement Type	Summary	Supports one or more City Strategic Priorities	Budgeted Hours
Cybersecurity Internal Controls (Innovation and Technology)	Internal Assessment	Evaluate cybersecurity internal controls in place to determine consistency with industry-established best practices	Yes	300
Contract Compliance – Riverside Convention Center (General Services)	Performance Audit	Review contract/agreement to ensure terms and conditions are being met by all parties	Yes	300
CalPERS Compliance Assessment (Human Resources)	Internal Assessment	Follow up review of the issues identified in the 2013 external CalPERS audit	Yes	120
Firefighter Work Schedule Optimization (Fire Department) (M)	Performance Audit	Assess the firefighter and staffing work schedule based on best practices and NFPA guidelines	Yes	300
Audit Recommendations Follow-up Tracking	Internal Assessment	Assess the status and quality of implementation for recommendations noted in prior internal and external audits	Yes	120

M = Engagement requested by Management

Total	1,110
Percent of overall total	53%

AUDIT WORK PLAN
Fiscal Year 2019-2020 – continued

Internal Audit Division Procedural Enhancements

The Internal Audit Division aims to complete its objectives with due professional care and proficiency using the guidance of generally accepted government auditing standards (GAGAS). As such, organizational and structural changes to improve our processes and practices are necessary to ensure our objectives are achieved as identified.

Description of Activity	Summary	Budgeted Hours
Implement and enhance Internal Audit organizational and structural needs	Implement organizational changes as identified in the 2/23/2016 external peer review	223
Total		223
Percent of overall total		11%

Internal Audit Monitoring

Internal Audit performs ongoing/continuous monitoring of various City functions to ensure risks are identified and addressed, and to validate processes and practices comply with applicable policies and procedures.

Description of Activity	Summary	Budgeted Hours
Purchasing card (p-card) Monitoring	Perform periodic reviews of p-card activities to ensure compliance with program and City policies	60
Grant Compliance Monitoring	Perform periodic reviews of City grants to ensure compliance with grant guidelines and applicable policies and procedures	60
City Payroll Overtime Monitoring	Assess internal controls in place to determine if they adequately address risks associated with overtime usage and/or management	60
Fraud, Waste and Abuse Hotline Monitoring	Receive complaints and allegations of fraud, waste, abuse or mismanagement of City resources, or violations of law, rules/regulations by City employees or contractors	60
Total		240
Percent of overall total		11%

AUDIT WORK PLAN
Fiscal Year 2019-2020 – continued

Additional Internal Audit-Supported or Other Tasks

Internal Audit provides additional support as needed on other City activities, projects, and tasks, provided they do not impair our independence.

Description of Activity	Summary	Budgeted Hours
External City Performance Audits	Coordinate activities for the Citywide Audit Program as needed	75
Other	Provide additional support as needed on other City activities, projects, and tasks	40

Total **115**

Percent of overall total **6%**

Discretionary Hours

Description of Activity	Budgeted Hours
Hours retained for unscheduled or unplanned audits, assessments, special requests, and/or other activities	150

Total **150**

Percent of overall total **7%**

Training

Description of Activity	Budgeted Hours
Hours retained for audit-related, City, or other training	40

Total **40**

Percent of overall total **2%**

Paid Time Off (PTO)

Description of Activity	Budgeted Hours
Hours retained for vacation, holidays, admin, or other PTO categories	211

Total **211**

Percent of overall total **10%**

Grand Total of Budgeted Hours **2,089**

Recommendations for Other Potential Review Areas/Functions

There are other areas/functions/processes within the City identified as potential audits, assessments, or continuous monitoring; however, the Internal Audit Division lacks the necessary resources to complete these assessments. City officials should review the list below to determine if outsourcing, co-sourcing, or internal review of these areas should be considered for inclusion in this Audit Work Plan or for a future fiscal year.

Activity	Rationale for Recommendation and/or Potential Audit Objectives	Supports one or more City Strategic Priorities	Sourcing Recommendation
RPU Rates Monitoring (Public Utilities)	With increased scrutiny over the last RPU rate increase, and an external audit in the planning, Internal Audit could be utilized to provide continuous monitoring of RPU's rate increases and the projections on which they were based. All City officials would benefit by being able to point to an independent internal audit function providing third party validation of RPU rates.	Yes	Internal Audit Monitoring
Construction Contracts Monitoring (Citywide)	Construction projects can be costly, and delays can result in increased costs. Audit objectives may include ensuring proper controls are developed and maintained, identification of overcharges and/or undercharges, and identification of cost avoidance opportunities.	Yes	Co-source
Property Management Services (various departments)	As noted in the General Services external Performance Assessment report, an opportunity exists to consolidate the citywide property management functions in one department, allowing for enhanced operational efficiencies and consistent approaches in managing properties and facilities.	Yes	Internal assessment
3-1-1 Call Center Operations (Public Utilities)	Determine if the Call Center provides accurate and quality information to City departments;	Yes	Co-source or performance audit

	provides quality customer services; provides accurate and relevant performance data to management.		
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Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
1. Audit Report					
1	Assess the costs and benefits of establishing and maintaining an effective public sector auditing organization and define the role such a function will have in the organization.	1.1. The City firmly believes in the value of the Internal Audit function. This Action Plan aims to elevate the function's placement in the organization, broadly advertise its internal and external benefits, and strengthen its role in continuously assessing and improving City's operations.	See timeline below. Certain steps have already been taken, and others will be taken over the next 2-3 years to fully implement the Action Plan.	Previously completed, however Internal Audit will make a presentation to the GAC regarding IA's placement within the organization. 2/6/2019 - Gov't Affairs Committee votes to move discussion to the full City Council	3/12/2019
2	Discuss the placement of IAD within the organization. The placement should ensure that the chief audit executive has consistent and direct access to the City Council and/or a City Council Committee.	<p>1.2. The City's Internal Audit reports to the City Manager, which allows the Internal Auditors uncompromised access to all City departments and functions.</p> <p>Previously, Internal Audit reports were made public online, and provided to the City Council directly and/or presented publicly upon request.</p> <p>This Action Plan seeks to formalize and enhance the Internal Audit's relationship with the City Council. The Internal Audit Division (IAD) will receive input / direction from and regularly report to the Government Affairs Committee (GAC).</p> <p>The GAC will first receive, review and approve the Internal Audit Governing Rules, which defines:</p> <ul style="list-style-type: none"> - the purpose, authority, and responsibility of the Internal Audit function; - the function's position within the organization, including functional and reporting relationship with the City Council through GAC; - scope of internal audit activities, professional standards and qualifications; and - access to City operations, physical properties and records. <p>Upon GAC review and approval, the IAD Governing Rules will be forwarded to the City Council for input and approval.</p>	<p>Governing Rules approved by GAC March 2, 2016</p> <p>Governing Rules approved by City Council Resolution April 12, 2016</p>	Previously completed, however the Governing Rules have not been reviewed or updated since April 2016; changes have been made and will be presented to the Governmental Affairs Committee.	3/6/2019
3	Adopt an internal audit charter, or enact an ordinance, that defines the purpose, authority, and responsibility of the internal audit function. This charter should establish the audit function's position within the organization, including the chief audit executive's functional and reporting relationship with the City Council; authorize access to records, personnel, and physical properties relevant to the performance engagements; define the scope of internal audit activities; specify the professional standards to be followed; and define the minimum qualifications for the chief audit executive and specify responsibility for evaluating the chief audit executive.	1.3. See Action 1.2 above.		Previously completed, however the Governing Rules have not been reviewed or updated since April 2016; changes have been made and will be presented to the Governmental Affairs Committee.	3/6/2019

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
4	Discuss options to increase the size of the IAD. These discussions should include the number of staff needed and the required funding, including cost of personnel, office space, equipment and training costs needed to provide sufficient resources for the audit function.	1.4. Increasing the size of the IAD – and the funding needed – will be discussed during the two-year budget / five-year planning process. Increase in the size may or may not be possible during the upcoming two fiscal years.	Size of Division and funding approved by Council June 21, 2016.	FTE assigned to the Internal Audit Division consists of one (1) Manager level position and two (2) Sr. Auditor level positions. Current actual resources in the Internal Audit Division consist of one Sr. Auditor FTE. Decision to hire additional staff will be made by the City Manager's Office.	TBD
5	Revise the existing job specifications and salary ranges for the Internal Audit Manager and Senior Internal Auditor. The job duties and salary ranges should be consistent with the duties of a chief audit executive and an experienced performance auditor. These job specifications should also include an entry-level audit position. The revised job specifications should include preferences for Masters' degrees, professional certifications, and experience using computer-assisted auditing techniques such as ACL.	1.5. The Human Resources Department has been requested to review and revise the existing job specifications and salary ranges.	In progress - Compensation study finalized; report presented to GAC in November 2016 and City Council in December 2016; implementation is expected in December 2016 upon Council approval	The HR compensation study conducted resulted in a change in the salary ranges of the Internal Audit Manager and Senior Internal Auditor positions, however revisions to the job descriptions were not completed. This will be revisited with the Human Resources Department in the coming months.	9/30/2019
6	Adopt and follow Generally Accepted Government Auditing Standards.	1.6. IAD is developing an Administrative Manual on conducting audits in conformance with the Generally Accepted Government Auditing Standards (GAGAS). Training of IAD staff will follow.	Manual completed in March 2016; training conducted in April 2016.	A review of existing documentation reflected that an internal audit administrative training manual has not been completed. Additionally, training was not conducted. A training manual will be completed as part of Internal Audit's plan to ensure organizational and structural changes are implemented as needed and in accordance with GAGAS.	12/30/2019
7	Develop and implement a comprehensive policies and procedures manual and train staff on the use of these policies and procedures in conducting audits in conformance with GAGAS. These policies should include provisions for ensuring that staff is independent and objective on audits and complying with continuing professional education requirements.	1.7. See Action 1.6 above.		A review of existing documentation reflected that an internal audit administrative training manual has not been completed. A training manual will be completed as part of Internal Audit's plan to ensure organizational and structural changes are implemented as needed and in accordance with GAGAS.	12/30/2019

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
8	Invite the Internal Audit Manager to attend the weekly Executive Management meetings.	1.8. The Internal Audit Manager is invited to attend Executive Management meetings that involve matters of potential interest and value for the Division. In addition, Internal Audit has been attending since October 2015, weekly meetings of internal departments, including Finance, Human Resources and General Services, where many of the citywide critical issues are discussed.		No action will be taken on this item.	N/A
2. Management Letter					
1	Develop an internal audit charter that defines the purpose, authority, and responsibility of the internal audit function. This charter should establish the placement of the internal audit position within the organization, including the chief audit executive's functional and reporting relationship with the City Council; authorize access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of IAD's internal audit activities. The internal audit charter should be submitted to the City Council for final approval.	2.1. See Action 1.2 above.		Previously completed, however the Governing Rules have not been reviewed or updated since April 2016; changes have been made and will be presented to the Governmental Affairs Committee.	3/6/2019
2	Discuss and establish a reporting relationship, which provides the Internal Audit Manager with appropriate access to the City Council.	2.2. See Action 1.2 above.		Previously completed, however Internal Audit will make a presentation to the GAC regarding IA's placement within the organization. 2/6/2019 - Gov't Affairs Committee votes to move discussion to the full City Council	3/12/2019
3	Establish a process to ensure that auditors are objective and their objectivity is not impaired, prior to initiating an engagement.	2.3 This has been completed. To ensure the internal auditors have an impartial, unbiased attitude and avoid any conflict of interest and are free from personal impairments to independence, each auditor completes an <i>Auditors Engagement & Independence Statement</i> prior to the initiation of an audit engagement for approval by the Audit Manager. The procedure and copy of the <i>Statement</i> form is included in the Administration Manual.		Review of existing documentation reflects that an Auditors Engagement & Independence Statement was created and implemented. However, an internal audit training manual was not created. The annual Conflict of Interest Statement (form 700) noted in the action plan is to provide information regarding potential conflicts of interest regarding an official's personal or other financial interests, and is not applicable to the recommendation noted regarding an auditor's objectivity.	3/6/2019

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
		In addition, all auditors are required to complete annual conflict of interest statements (Fair Political Practices Commission form 700).		An annual statement of independence that covers both audit and non-audit services will be developed. Additionally, independence of the internal audit activity will be confirmed to the GAC on an annual basis as noted in the IA Governing Rules.	
4	Develop annual training plans for each auditor. These plans should identify the training needed to enhance their knowledge, skills, and other competencies needed to perform their work. These training should also identify how auditors will satisfy the GAGAS continuing professional education requirements. The Internal Audit Manager should use these training plans to request sufficient funding for IAD's training needs.	2.4. The training plans are being drafted. Funding for the required training will be included in the two-year budget and five-year plan for the IAD.	\$4K annually for training in approved FY2016 – 2018 budget	Review of existing documentation reflected that \$4K (subsequently reduced to \$3k) was included in the budget. However, training plans for auditors were not completed. A training plan will be developed for the existing Sr. Internal Auditor; should additional staff be added, their skillsets will be assessed and a training plan will be developed accordingly.	4/30/2019
5	Address the recommendations in this management letter to ensure its work is in conformance with IIA Standards.	2.5. This Action Plan addresses the recommendations.		Review of existing documentation reflected that various actions in the action plan have not been completed as indicated, or not fully addressed. The Internal Audit Division aims to complete its objectives with due professional care and proficiency using the guidance of GAGAS, and will make the organizational and structural changes needed as recommended in this action plan.	6/30/2020
6	IAD develop and implement a quality assurance and improvement program. This program should include internal and external assessments.	2.6. The IAD will implement two layers of assessments: a) Internal: The IAD is currently establishing and documenting a quality assurance and improvement program utilizing the IIA's Path to Quality Model, a step-by-step guide for continuous improvement that will help to ensure the IAD achieves and maintains internal audit quality. In addition, IAD will perform a periodic quality self-assessment utilizing a questionnaire that will identify strengths and potential opportunities for improvement.	Internal Reviews Annually as of FY 2016-17 External Reviews: November 2018	Review of existing documentation reflected that a plan for annual internal reviews has not been documented, and annual internal reviews have not been conducted. Internal Audit plans to develop a quality control and assurance system consistent with the requirements noted in GAGAS.	6/30/2020 (quality control and assurance system)

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
		<p>b) External (Peer Review):</p> <p>The IAD quality assurance and improvement program (QAIP) will be assessed per GAGAS standards every three (3) years through an external independent validation (peer review). The objective of the full external assessment is to evaluate an internal audit activity's conformance with Standards. This approach may also focus on identifying opportunities to enhance internal audit processes, offering suggestions to improve the effectiveness of the internal audit activity, and promoting ideas to enhance the activity's image and credibility.</p> <p>Cost of the external (peer) reviews will be included in the two-year budget and five-year plan.</p>		Both internal and external requirements will be addressed. However, as various components of this action plan have not been completed as of 2/4/2019, an external peer review (originally slated for November 2018) would be premature, as time will be needed to implement the necessary requirements of the action plan. Internal Audit will reach out to the Association of Local Government Auditors (ALGA) to conduct an external assessment (peer review) of the Internal Audit Division at the appropriate time.	6/30/2021 (external peer review)
7	Update its risk assessment, at least annually, and consider input from senior management and the City Council in its risk assessment process.	2.7. The IAD is currently updating its risk assessment, and will present the results – and any necessary adjustments to the two-year work plan – to the Executive Leadership Team (ELT) and the GAC.	Currently being evaluated.	<p>Review of existing documentation reflected that no action appears to have been taken on this item.</p> <p>Internal Audit is preparing a combined Audit Universe and Risk Assessment document to assess City risks for each area, and will request input from the City Council and Senior Management as part of the process.</p>	3/31/2020
8	Communicates IAD's workplans and resource requirements to the City Council annually.	2.8. The two-year workplan will be presented to the GAC in conjunction with the updated risk assessment, per Action 2.7 above.	Workplan approved by GAC March 2, 2016	Audit workplans are presented to the GAC as indicated; the next work plan will be presented to GAC on 3/6/2019 (audit work plans will be presented to GAC annually in March).	N/A

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
9	Report periodically to the City Manager and the City Council on the purpose, authority, and responsibility, and performance relative to its audit workplan.	<p>2.9. The IAD will report to the GAC on the following matters:</p> <p>a) Governing Rules</p> <p>b) revised risk assessment, workplan and budget</p> <p>c) three times a year – progress report on the workplan, hotline, management’s implementation of audit recommendations, and status of this Action Plan</p> <p>d) as needed – presentation of completed audits</p> <p>In addition, the IAD will annually report to the City Council on the workplan and budget.</p>	<p>Workplan status report to GAC October 5, 2016</p> <p>Action Plan status report to GAC November 2, 2016</p> <p>Workplan status and Action Plan status to City Council November 15, 2016</p>	<p>Annual audit work plans are communicated to all parties as recommended - however, quarterly progress reports on the workplan, hotline, management's implementation of internal audit recommendations have not been completed.</p> <p>NOTE - it should be noted that management's implementation of external audit recommendations are communicated to all parties on a periodic basis.</p> <p>Internal Audit will provide quarterly updates to the GAC as indicated in the Governing Rules. Additionally, an annual update on the HOTLINE will be reinstated (the last HOTLINE update was provided for FY2014-15).</p>	7/3/2019
10	<p>Modify its procedures for engagement planning. These procedures should require that an engagement plan be prepared for all engagements. In addition, the procedures should also ensure that engagement plans:</p> <ul style="list-style-type: none"> • State the objectives of the program · Identify the technical requirements, risks, processes, and transactions that are to be examined · State the nature and extent of testing required · Document the procedures for collecting, analyzing, interpreting, and documenting information during the engagement · Are modified, as appropriate, during the audit engagement · Include schedules and resource allocations. 	2.10. The procedures will be included in the IAD Administrative Manual – see Action 1.6 above. The IAD Administrative Manual will refer where applicable to the GAGAS standards.		<p>As previously noted, an internal audit administration manual was not completed.</p> <p>A training manual will be completed as part of Internal Audit's plan to ensure organizational and structural changes are implemented as needed and in accordance with GAGAS.</p>	12/30/2019
11	Revise its procedures to ensure appropriate documentation of its audit work. These procedures should include workpaper templates to ensure standards for engagement planning, performing the engagement, and reporting on the results of engagements are met.	2.11. The IAD Administrative Manual will address this – see Action 1.6 above.		<p>As previously noted, an internal audit administration manual was not completed.</p> <p>A training manual will be completed as part of Internal Audit's plan to ensure organizational and structural changes are implemented as needed and in accordance with GAGAS.</p>	12/30/2019

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
12	Discontinue citing that its audit work was conducted in conformance with IIA Standards until it is in conformance with these standards.	2.12. The IAD no longer cites conformance with the IIA Standards. Conformance with the GAGAS standards will be cited once the IAD Administrative Manual and training are completed.		Implemented. However, conformance to GAGAS standards will not be cited upon completion of the internal audit administration manual; conformance to GAGAS will be cited in audits when the quality control and assurance system is implemented.	6/30/2020
13	Develop and implement a formal process for monitoring management's progress in implementing audit recommendations and for periodically reporting out to senior management and to the City Council or City Council Committee on the status of audit recommendations.	2.13. The IAD Administrative Manual will incorporate a formal process for monitoring management's progress in implementing audit recommendations – see Action 1.6 above. Progress reports to the Governmental Affairs Committee will take place three times per year, as described in Action 2.9.		Annual audit work plans are communicated to all parties as recommended - however, quarterly progress reports on management's implementation of internal audit recommendations have not been completed. Internal Audit will provide quarterly updates to the GAC as indicated in the Governing Rules.	7/3/2019
3. Internal Audit Best Practice					
1	Communicate IAD's workplans to the City Council annually.	3.1. Reporting is addressed in Action 2.9 above.		This has been implemented; next update to the GAC will be 3/6/2019.	N/A
2	Update its risk assessment, at least annually, and consider the input from senior management and the City Council in its risk assessment process.	3.2. An updated risk assessment is addressed in Action 2.7 above.		Review of existing documentation reflected that no action appears to have been taken on this item. Internal Audit is preparing a combined Audit Universe and Risk Assessment document to assess City risks for each area, and will request input from the City Council and Senior Management as part of the process.	3/31/2020
3	Develop a 3-5 year audit plan. This plan should be based on its annual risk assessment and should identify the following: · Audit priorities for the next three to five years · Staff resources needed to address these priorities · Options for addressing risk areas including conducting pre- and post-implementation reviews of planned or newly implemented information systems, contracting for audits, using control self-assessments, participating in re-engineering or process improvement teams, and continuous monitoring.	3.3. Action 2.7 addresses updates to the risk assessment. Action 2.8 addresses presenting a two-year workplan. Action 2.9 addresses reporting on both.		This has been implemented. However, on a go-forward basis the annual audit work plan will be a 1-year plan, as best practices noted for several different organizations reflect 1-year plans are being conducted. The plan will include continuous monitoring efforts, internal (self) assessments, time allocated for other City initiatives as well as resource requirements and limitations.	3/6/2019

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
4	Develop a marketing plan to promote the benefits of the audit function to the City Council, management, and the citizens of Riverside.	3.4. The IAD will work with the City Manager's Marketing Division on a comprehensive marketing plan to promote the value of internal audit to employees and residents. The Marketing Plan and its implementation will be presented to the GAC as part of semi-annual reporting (see Action 2.9).	Brochure designed; Three eblasts sent to date	Marketing efforts have been implemented, however semi-annual reporting on IAD activities has not been implemented. Further marketing efforts to reintroduce Internal Audit and it's value will continue, and will be noted in upcoming quarterly progress reports.	7/3/2019
5	Develop and use surveys and audit questionnaires to obtain input on its value to the organization.	3.5. The IAD will reach out to professional internal audit organizations and other government agencies with internal audit functions to develop and implement effective surveys and audit questionnaires.	Customer service feedback form implemented.	Review of existing documentation reflected that a customer service feedback form was developed. However, there is no documentation to support that it was actually implemented (sent to audited departments). Internal Audit will review the existing customer feedback form and make enhancements as needed. Feedback will be requested upon completion of audit engagements/internal assessments, as well as obtaining general feedback to obtain input on IA's value to the City.	5/31/2019
6	Develop several key measures to assess its performance. Typical measures for assessing internal audit departments include but are not limited to the following: · Identified economic benefits derived from audits/audit cost · Number of audit recommendations accepted by management · Percentage of audit recommendations implemented by management · Results of customer surveys and audit effectiveness questionnaires · Percentage of work completed on its annual workplan	3.6. Performance measures to be developed in concert with the Citywide process, which will commence in FY 2017/18.	Currently being evaluated as part of Citywide Department Performance Measures & Reporting Program	To this date, performance measures have not been developed for Internal Audit. Internal Audit will review the recommendation provided, along with ALGA-produced documentation on performance measures to implement measures to assess its performance.	6/30/2019

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
7	Develop and implement a formal process for monitoring management's progress in implementing audit recommendations and for periodically reporting out to senior management and to the City Council or City Council Committee on the status of audit recommendations.	3.7. This is addressed in Action 2.13.		<p>Quarterly progress reports on management's implementation of internal audit recommendations have not been completed.</p> <p>NOTE - it should be noted that management's implementation of external audit recommendations are communicated to all parties on a periodic basis.</p> <p>Internal Audit will provide quarterly updates to the GAC as indicated in the Governing Rules.</p>	7/3/2019
8	Develop and implement a quality assurance and improvement program. This program should include internal and external assessments.	3.8. This is addressed in Action 2.6.		<p>Review of existing documentation reflected that a plan for annual internal and external reviews has not been documented nor conducted.</p> <p>The Internal Audit Division aims to complete its objectives with due professional care and proficiency using the guidance of GAGAS, and will make the organizational and structural changes needed as recommended in this action plan.</p> <p>Both internal and external requirements will be addressed. However, as various components of this action plan have not been completed as of 2/4/2019, an external peer review (originally slated for November 2018) would be premature, as time will be needed to implement the necessary requirements of the action plan. Internal Audit will reach out to the Association of Local Government Auditors (ALGA) to conduct an assessment of the Internal Audit Division at the appropriate time.</p>	<p>6/30/2020 (quality control and assurance system)</p> <p>6/30/2021 (external peer review)</p>

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
9	Delve more deeply on its audits and focus more on issues of effectiveness and the major risks in the areas being audited.	3.9. Risk assessments will be reflected in the 2-year workplan.		Review of existing documentation reflected that no action appears to have been taken on this item. Internal Audit is preparing a combined Audit Universe and Risk Assessment document to assess City risks for each area, and will request input from the City Council and Senior Management as part of the process.	3/31/2020
10	After developing its long-term audit plan, consider using contractors to audit high-risk areas where it lacks the resources to conduct these audits internally.	3.10. Outside consultants are already being utilized for the City's <i>External Audit Program</i> . Additional consulting assistance will be evaluated for each audit engagement.	Ongoing annually	External Auditors are being utilized as part of the City's External Performance Audit Program. However, this does not address the recommendation of specifically using contractors for high-risk areas that Internal Audit lacks resources to address. A component of the upcoming audit work plan will address areas/potential audits where IA does not have the resources to conduct (outsourcing and/or co-sourcing are noted as potential options).	3/6/2019
11	In conjunction with developing its long-term audit plan, identify any planned information system implementations. The IAD should also work with the IT Department to identify a proper role for IAD to become involved in reviewing information systems.	3.11. The IAD will collaborate with IT in updating its risk assessment and developing a two-year audit workplan.	Currently being evaluated	Review of existing documentation reflected that no action appears to have been taken on this item. Internal Audit is preparing a combined Audit Universe and Risk Assessment document to assess City risks for each area, and will collaborate with IT to identify planned or recently implemented systems. IA will also discuss with IT ways to identify a role for IA to become more involved in reviewing information systems.	12/30/2019 (for discussions with IT)
12	After developing its long-term plan, identify high-risk areas that would benefit from continuous monitoring.	3.12. The IAD Governing Rules addresses ongoing, continuous monitoring.	Monitoring services defined	This item has been implemented.	N/A
13	After developing its long-term plan, consider assisting departments on process improvement teams to address high risk areas it lacks the resources to audit.	3.13. The IAD Governing Rules addresses assurance and consulting services.		This item has been implemented.	N/A

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
14	After developing its long-term plan, consider using control self-assessment as an option to address high-risk areas it lacks the resources to audit.	3.14. The IAD Governing Rules will address consulting to departments on the development and use of internal control self-assessments.		This item has been implemented. Further internal assessments are identified in the upcoming audit work plan.	N/A
15	Develop in-house capability to use data mining software such as ACL.	3.15. The IAD will assess the cost-benefits of new software.	Currently evaluating; unfunded	This item will be a continual process, in working to determine cost-benefits of audit/data mining software.	N/A
4. HOTLINE Best Practice					
1	Contract with a third party vendor to provide anonymous reporting mechanisms, with both phone and web capabilities, a friendly user interface including multi-lingual capabilities and an analytical case management system for the fraud hotline program.	4.1. Management will assess the cost/benefit of outsourcing the HOTLINE function.	Merged with 311 Call Center	This item has been implemented. NOTE - It should be noted however, that the City's 311 Call Center is not technically a 3rd party vendor.	N/A
2	Enact a <i>Whistleblower Protection</i> Ordinance to provide assurance that: · No officer or employee of the City shall use or threaten to use any official authority or influence to restrain or prevent any other person who is acting in good faith and upon reasonable belief as a whistleblower. · No officer or employee of the City shall use or threaten to use any official authority or influence to cause any adverse employment action as a reprisal against a City officer or employee who acts as a whistleblower in good faith and with reasonable belief that improper conduct has occurred.	4.2. The IAD will research other cities' <i>Whistleblower Protection</i> ordinances, and collaborate with the City Attorney's Office and Human Resources Department to determine the best course of action to communicate assurance to elected officials and employees of the City's position and compliance regarding the State of California Whistleblower Protection Act.	Collaborated with Human Resources to include information in updated Employee Handbook	This item has been implemented. A Whistleblower Protection Ordinance is not necessary, as the state of California added new laws to the Whistleblower Protection Act in 2014. Information regarding CA laws protecting whistleblowers is also included on the Internal Audit webpage.	N/A
3	Reassign the responsibility for administering the fraud hotline to another organizational unit within the City. The organizational unit assigned to administer the hotline should periodically inform the IAD of relevant internal control issues identified through investigations to ensure that IAD is aware of areas vulnerable to fraud, waste and abuse.	4.3. Management will evaluate this in conjunction with outsourcing the HOTLINE.	Merged with 311 Call Center July 2016	This item has been implemented.	N/A
4	Develop a fraud, waste and abuse prevention hotline policies procedures manual that addresses the roles, responsibilities and protocols in detail.	4.4 The IAD Administrative Manual will address this – see Action 1.6 above.		As previously noted, an internal audit administration manual was not completed. However, a Fraud Prevention, Reporting, and Investigation policy is in place addressing the recommendations noted, and will be incorporated or referenced in the newly developed internal audit training manual.	12/30/2019

Peer Review / Independent Audit Recommendations As of March 4, 2019					
Report	Recommendation	Initial Action Plan	Status Reported to GAC October 2016	Current Status and/or Updated Action	Target Implementation Date
5	Record all complaints of fraud, waste, and abuse, regardless of the mechanism used to report the complaint.	4.5. The IAD Administrative Manual will address this – see Action 1.6 above.		As previously noted, an internal audit administration manual was not completed. However, this item is already occurring and addressed in the existing Fraud policy.	N/A
6	Submit semi-annual hotline reports to the City Manager and City Council.	4.6. Action 2.9 addresses reporting.		Annual HOTLINE reports were previously uploaded to the Internal Audit webpage, but the practice was discontinued when the department changed into the Office of Organizational Performance and Accountability (later Audit). Now that the name has been changed back to Internal Audit, annual reports will again be posted to the Internal Audit webpage.	7/3/2019
7	Issue substantiated investigation reports publicly in accordance the California Government Code.	4.7. All final reports will be presented to Government Affairs Committee – see Action 2.9. All final reports are already being posted on the City’s website to ensure compliance with California Government Code.	Ongoing	Annual HOTLINE reports were previously uploaded to the Internal Audit webpage, but the practice was discontinued when the department changed into the Office of Organizational Performance and Accountability (later Audit). Now that the name has been changed back to Internal Audit, annual reports will again be posted to the Internal Audit webpage (annual reports will include any substantiated investigation reports as applicable).	7/3/2019

INTERNAL AUDIT DIVISION ACTIVITY CHART

PROJECTED TIMELINE - DETAIL OF TASKS

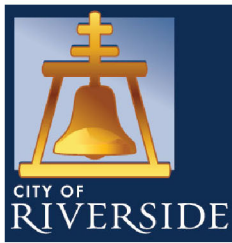
INTERNAL AUDIT DIVISION
ACTIVITY CHART AND PROJECTED TIMELINE
FISCAL YEAR 2019-2020

	Performance Audit Projects	Internal Control Assessments	Consulting Engagements	Audit Follow-up Tracking	IA Infrastructure Building	IA Monitoring Initiatives	Other IA Supported Tasks	Miscellaneous IA Tasks/Projects
March-19			Sewer Laterals & City-Owned Trees Liability Assessment (3/11 - report to be revised to include and/or address Finance and CAO comments)	Audit recommendations follow-up tracking	IA Governing Rules, Internal Audit Work Plan and peer review status update approved by GAC	Develop and/or update procedures for all monitoring processes	Review and approval of external performance & financial audit scopes of review	Provided administrative manual updates (Finance, CMO-Communications)
				Develop procedures for action plans to be included in audit training manual (item #2.13, but have these procedures completed by 3/31)	Review peer review status, IA work plan and IA charter to help document IA activity chart	P-card review		
				Agenda report & slides due to Legistar on 3/29 for GS, Park & Rec and PW action plans (review plans & and follow up by 3/22)	develop IA training programs (item #2.4, due 4/30)			
April-19		Temp Employees, Independent Contractors and Retired Annuitants Compliance with CalPERS	Sewer Laterals & City-Owned Trees Liability Assessment	Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs develop template for quarterly updates (which should also include item #3.4, due 7/3)	Payroll OT monitoring	CC approval of external City audits scopes of review	Develop procedures and templates for internal control assessments
						Update of grants IA website	Issue RFPs for external City audits	
May-19		Software Asset Management	Sewer Laterals & City-Owned Trees Liability Assessment - Land Use Committee presentation	Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs begin development of item #1.7, #2.10 (due 12/30)	Implement trial/test of grant compliance process	RFPs due 5/24; determine individuals to be part of RFP selection process	Provide administrative manual updates
		Temp Employees, Independent Contractors and Retired Annuitants Compliance with CalPERS			begin development of item #3.5 (due 5/31)			
June-19		Software Asset Management		Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs begin discussion with HR re: item #1.5 (due 9/30)	P-card review	Internal review of RFP proposals due 6/7	Review IA work plan
		Temp Employees, Independent Contractors and Retired Annuitants Compliance with CalPERS			begin development of item #3.6 (due 7/31)		Interviews conducted (completion due by 6/21)	
					begin development of item #2.7 (due 3/31/2020)			
July-19	Begin research for Contract Compliance audit	CalPERS Compliance Assessment		Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	Submit annual HOTLINE reporting summary	Recommendation of consultant(s) and contract negotiations	GAC quarterly update of IA activities
					Development of IA performance measures	Payroll OT monitoring		Provide admin manual updates
					Begin process to implement item #2.6, due 6/30/2020	Update of grants IA website		
August-19	Contract Compliance - Riverside Convention Center	CalPERS Compliance Assessment		Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	Grant compliance monitoring	CC approves selection of consultant(s) and PSA contracts	
							External audits due to begin	

	Performance Audit Projects	Internal Control Assessments	Consulting Engagements	Audit Follow-up Tracking	IA Infrastructure Building	IA Monitoring Initiatives	Other IA Supported Tasks	Miscellaneous IA Tasks/Projects
September-19	Contract Compliance - Riverside Convention Center			Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	P-card review		Review IA work plan
								Provide admin manual updates
October-19	Contract Compliance - Riverside Convention Center			Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	Payroll OT monitoring		GAC quarterly update of IA activities
					Begin discussions with IT re: item #3.11 (due 12/30)			
November-19				Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	Grant compliance monitoring	1st drafts for external audits due	Provide admin manual updates
December-19	Begin research for firefighter work schedule (or replacement) audit			Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	P-card review	Final reports for external audits due	Review IA work plan
January-20	Firefighter Work Schedule Optimization (or replacement audit)			Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	Payroll OT monitoring	External audit reports presented to CC	GAC quarterly update of IA activities
February-20	Firefighter Work Schedule Optimization (or replacement audit)			Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	Grant compliance monitoring		
March-20	Firefighter Work Schedule Optimization (or replacement audit)			Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	P-card review		Submit annual IA work plan to GAC
								Submit annual confirmation of organizational independence to GAC
								Submit IA governing rules to GAC for annual review
April-20		Cybersecurity Internal Controls		Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	Payroll OT monitoring		GAC quarterly update of IA activities
May-20		Cybersecurity Internal Controls		Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	Grant compliance review		
June-20		Cybersecurity Internal Controls		Audit recommendations follow-up tracking	Implement and enhance Internal Audit organizational and structural needs	P-card review		Review IA work plan

Legend:

- Audit/Project completed as planned.
- Audit/Project completion was delayed due to time constraints from other Internal Audit projects.
- Audit/Project schedule/timeframe changed from original Audit Plan Timeline.
- Audit/Project added to original Audit Plan Timeline.



REVISED INTERNAL AUDIT WORK PLAN FOR FISCAL YEARS 2019 AND 2020

City Manager's Office – Internal Audit Division

City Council
April 2, 2019

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BACKGROUND

March 6, 2019 - Governmental Affairs Committee received, discussed, and unanimously recommended that the City Council approve the Revised Internal Audit Work Plan for Fiscal Years 2019 and 2020.



2

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BACKGROUND

1. Annually, Internal Audit prepares an Internal Audit work plan for review and approval.
2. Plan consists of:
 - A. Work schedule of performance audits
 - B. Internal assessments and/or consulting engagements
 - C. Monitoring and/or other Internal Audit-supported tasks or initiatives
 - D. Allocated hours and resource requirements and limitations



3

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DISCUSSION

1. October 3, 2018 – Governmental Affairs committee unanimously recommended that City Council approve the Internal Performance Audit Work Plan for FYs 2019 and 2020
2. November 6, 2018 - Internal Performance Audit Work Plan was subsequently approved by City Council



4

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DISCUSSION

Due to recent personnel changes within Internal Audit, the approved Work Plan was revised to reflect what can be accomplished with current resources

REVISIONS TO THE INTERNAL AUDIT WORK PLAN

- An overview of the plan, including selection criteria for audits/assessments, division budget information, and reporting responsibilities
- Format change to reflect all planned audit and non-audit activities for the year, including monitoring processes, division procedural enhancements to be undertaken, and Internal Audit support of other initiatives
- Estimated hours budgeted for each activity
- Potential reviews for consideration that currently lack resources to complete



5

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AUDIT WORK PLAN DEVELOPMENT

1. Internal Audit gathers and assesses information about potential risks to the City and prioritizes these risks using the following factors:
 - A. Input from elected officials, executive management, City employees, and the public;
 - B. The likelihood and potential impacts of identified risks;
 - C. Potential community impact;
 - D. Timing and scheduling; and
 - E. Audit resource availability



6

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INTERNAL AUDIT WORK PLAN FYS 2019 AND 2020

1. Internal Audit Work Plan is adjusted to address unforeseen issues.
2. Revised Internal Audit Work Plan for FYs 2019 and 2020 is summarized in the table below:

Internal Audit Activity	Summary	Budgeted Hours
Asset Management of Mobile Devices (Innovation & Technology)	Evaluate mobile device management practices and internal controls	Completed
Temp Employees, Independent Contractors and Retired Annuitants Compliance with CalPERS (Citywide) (M) (IP)	Assess the overall management of temporary agency employees, independent contractors and retired annuitants to ensure compliance with CalPERS	90
Sewer Laterals & City-Owned Trees Liability Assessment (Public Works) (M) (IP)	Determine options to reduce sewer lateral repair costs absorbed by the City	30



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INTERNAL AUDIT WORK PLAN FYS 2019 AND 2020

Internal Audit Activity	Summary	Budgeted Hours
Software Asset Management (Innovation & Technology) (IP)	Assess software asset management practices to ensure compliance with vendor agreements and license-tracking through the lifecycle	60
Cybersecurity Internal Controls (Innovation and Technology)	Evaluate cybersecurity internal controls in place to determine consistency with industry-established best practices	300
Contract Compliance – Riverside Convention Center (General Services)	Review contract/agreement to ensure terms and conditions are being met by all parties	300
CalPERS Compliance Assessment (Human Resources)	Follow up review of the issues identified in the 2013 external CalPERS audit	120



8

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INTERNAL AUDIT WORK PLAN FYS 2019 AND 2020

Internal Audit Activity	Summary	Budgeted Hours
Firefighter Work Schedule Optimization (Fire Department) (M)	Assess the firefighter and staffing work schedule based on best practices and NFPA guidelines	300
Audit Recommendations Follow-up Tracking	Assess the status and quality of implementation for recommendations noted in prior internal and external audits	150
Internal Audit Division Procedural Enhancements	Implement organizational and procedural changes necessary to ensure compliance with government auditing standards	522
Internal Audit Monitoring (various processes)	Ongoing/continuous monitoring of various City functions to ensure risks are identified and addressed	400



9

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INTERNAL AUDIT WORK PLAN FYS 2019 AND 2020

Internal Audit Activity	Summary	Budgeted Hours
External City Performance Audits	Coordinate activities for the Citywide Audit Program	165
Other Internal Audit-supported tasks	Provide additional support as needed on other City activities, projects, and tasks	70
Discretionary Hours	Hours retained for unscheduled or unplanned audits, assessments, special requests, and/or other activities	270
Training	Hours retained for audit-related, City, or other training	60
Paid Time Off (PTO)	Hours retained for vacation, holidays, admin, or other PTO categories	283

M = Engagement requested by Management
IP – Engagement is in progress



10

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OTHER POTENTIAL REVIEW AREAS

1. Listed below are other potential audits or assessments that may need to be conducted using other resources:

Activity	Summary	Sourcing Recommendation
RPU Rates Monitoring (Public Utilities)	Internal Audit could be utilized to provide continuous monitoring of RPU's rate increases and the projections on which they were based.	Internal Audit Monitoring
Construction Contracts Monitoring (Citywide)	Audit objectives may include ensuring proper controls are developed and maintained, identification of overcharges and/or undercharges, and identification of cost avoidance opportunities.	Co-source
Property Management Services (various departments)	An opportunity exists to consolidate the citywide property management functions in one department, allowing for enhanced operational efficiencies.	Internal Assessment
311 Call Center Operations (Public Utilities)	Determine if the Call Center provides accurate and quality information to City departments, along with providing quality customer services.	Co-source or Performance Audit

11



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RECOMMENDATION

That the City Council review and approve the Revised Internal Audit Work Plan for Fiscal Years 2019 and 2020.

12



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