

CITY PROCESS FOR TRACKING AND REPORTING ON INTERNAL AND EXTERNAL AUDITS AND INVESTIGATIONS

City Manager's Office

Charter Review Committee

March 17, 2021

LEGISLATIVE HISTORY

1. In 2012, the Charter Review Commission voted to place Measure E on the June 5, 2012 ballot;
2. Measure E sought to amend the Charter by including a new Charter officer, the City Auditor, appointed by the City Council with the powers and duties set forth by ordinance of the City Council; and
3. Final election results show the measure was defeated by a vote of 54% (16,399 votes) to 46% (13,947 votes).

BACKGROUND

1. Internal Audit is housed in the City Manager's Office and operates under a dual reporting structure to the City Manager (administratively) and City Council (functionally);
2. Administrative reporting includes:
 - a) Budgeting and management accounting
 - b) Human Resource administration
 - c) Internal communication and information flows
3. Functional oversight includes:
 - a) Approval of Internal Audit Governing rules
 - b) Approval of Internal Audit Workplan
 - c) Receive communications on workplan performance and other matters
 - d) Make inquiries of management to determine appropriate scope and resources



SOURCE OF AUTHORITY

1. Internal Audit authority is derived from Administrative Manual Policy 01.011.00 “Fraud, Waste and Abuse Reporting and Investigation Policy”
 - a) Provides communication and guidance to employees when misuse or misappropriation of City assets is suspected; and
 - b) Directs city employees to immediately report any fraud that is suspected to the Internal Audit Division.

INVESTIGATION PROCESS

1. Internal Audit coordinates all investigations with the City Attorney's Office and department management;
2. Internal Audit decides, in conjunction with the City Attorney, whether to refer the audit findings to the Police Department or other local law enforcement / regulatory agency for independent investigation.

TYPES OF AUDITS

1. *Financial Audits* – to render an opinion on whether the City's financial statement reports are presented fairly in conformity to generally accepted accounting standards.
2. *Performance Audits* – provide assurance or conclusions about City processes and programs.
3. *Compliance Audits* – specific to industry compliance, regulation/funding requirements and include financial and performance metrics.

RECENT AUDIT HISTORY

Performance Assessment & Financial Expenditure Reviews (External)

Completion Date	Department	External Auditor	Cost	Frequency
July 26, 2016	Human Resources Department	Matrix Consulting Group	\$105,000	Rotating Schedule
July 26, 2016	Riverside Public Utilities	Baker Tilly Virchow Krause	\$154,874	Rotating Schedule
July 26, 2016	Finance Department	Matrix Consulting Group	\$135,000	Rotating Schedule
June 30, 2017	City Manager's Office	Matrix Consulting Group	\$85,000	Rotating Schedule
June 30, 2017	Office of the Mayor			Rotating Schedule
June 30, 2017	Riverside Police Department	Hillard Heintze LLC	\$324,198	Rotating Schedule
January 8, 2019	General Services	Management Partners	\$185,000	Rotating Schedule
January 8, 2019	Parks, Recreation & Community Services			
January 8, 2019	Public Works			
March 31, 2021*	Community and Economic Development	Matrix Consulting Group	\$84,500	Rotating Schedule
March 31, 2021*	Riverside Fire Department	Fitch & Associates LLC	\$65,999	Rotating Schedule
March 31, 2021*	Innovation and Technology	Matrix Consulting Group	\$83,500	Rotating Schedule

RECENT AUDIT HISTORY

Performance Audits & Assessments (Internal)

Completion Date	Department	Subject
April 2019	Public Works	Municipal Approaches to General Liability Claims Related to City-Owned Trees and Residential Sewer Laterals
September 2018	Innovation and Technology Department	Mobile Device Management
June 2018	Public Utilities	SCPPA Financial Transactions Review
May 2017	Community & Economic Development	Code Enforcement Assessment
September 2016	Multiple	Follow-up Professional Services Agreements
June 2016	Public Works	Wastewater Collection System – Asset Management
June 2016	Library	Review of Active Contractual Agreements
June 2016	Library	Financial Transactions Review
May 2016	Finance	Business License Tax Administration & Collections
March 2016	Library	Use of Donations, Trusts, and Library Minor Gift Fund
January 2016	Innovation & Technology	IT Inventory Asset Management
September 2015	Parks, Recreation & Community Services	Fairmount Golf Course
August 2015	Community & Economic Development	Code Enforcement Administration

RECENT AUDIT HISTORY

Financial Audits (Annual)

Completion Date	Audit Type	External Auditor	Cost
January 21, 2021	City of Riverside Comprehensive Annual Financial Report	Lance, Soll & Lunghard, LLP	\$622,323, 5 year cost (\$123,220 for FY 2020)
January 21, 2021	Successor Agency Financial Statements	Lance, Soll & Lunghard, LLP	\$41,369, 5 year cost (\$8,191 for FY 2020)
January 21, 2021	Riverside Public Financing Authority Financial Statements	Lance, Soll & Lunghard, LLP	\$21,016, 5 year cost (\$4,161 for FY 2020)
June 25, 2020	Gann Limit	Lance, Soll & Lunghard, LLP	\$2,347, 5 year cost (\$465 for FY 2020)
January 21, 2021	Air Quality Improvement Special Revenue Fund	Lance, Soll & Lunghard, LLP	\$7,525, 5 year cost (\$1,490 for FY 2020)
February 12, 2021	City of Riverside Single Audit	Lance, Soll & Lunghard, LLP	\$50,143, 5 year cost (\$9,928 for FY 2020)
January 21, 2021	Riverside Public Utilities Financial Statements	Lance, Soll & Lunghard, LLP	\$214,651, 5 year cost (\$42,501 for FY 2020)
January 5, 2021	Measure A - Fund 432 Audit Report	Macias, Gini & O'Connell, LLP	No cost to City, paid by RCTC
February 28, 2021	TDA 3 - Fund 431 Audit Report	Macias, Gini & O'Connell, LLP	No cost to City, paid by RCTC

RECENT AUDIT HISTORY

Compliance Audits

Completion Date	Audit Type	External Auditor	Cost
February 2018 & March 2019	State Mandated Claims (SB90)	State Controller's Office	No cost
June 12, 2019	Prop 1B (Public Works)	California Department of Finance	No Cost
November 7, 2019	National Transportation Database Report (NTD)	Lance, Soll & Lunghard, LLP	\$6,000
November 2020	Assessment of Information Technology Practices	Municipal Information Systems Association of California (MISAC)	No Cost
Ongoing (last audit completed on 1/29/21)	COVID-19 FEMA Claims	FEMA	No cost
February 28, 2021	CARES Act	Department of Finance	No cost
June 30, 2021*	SCPPA Audit (Public Utilities)	Eide Bailly	\$128,000

FUTURE STRUCTURE OF INTERNAL AUDIT

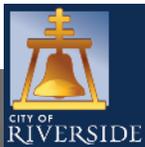
1. January 2019 – March 2020 – Charter Review Committee considered several potential Charter amendments related to the future of Internal Audit;
2. July 2019 – Internal Audit Division was left unstaffed;
3. October 2019 – Request for Proposals issued for audit services:
 - a) RFP 1977 – External audit firm to perform a risk assessment of all City operations, develop a workplan based on the assessment, and execute the necessary audits in the workplan; and
 - b) RFQ 1976 – Panel of external auditing firms to perform ad-hock audits, external to the workplan audits, as requested by the City Council.

FUTURE STRUCTURE OF INTERNAL AUDIT

4. Due to additional staffing changes in the City Manager's Office, ongoing budgetary challenges, and impacts from the pandemic, delays have occurred in executing agreements with the external auditing firms; and
5. Finalization of agreements (expected by May 2021) is currently underway with a current non-personnel budget of \$150,000 annually to provide a dedicated funding source for the external auditor and audit panel.

REPORTING FRAUD, WASTE OR ABUSE

1. **3-1-1 Whistleblower Hotline** is available for reporting fraud, waste or abuse by City employees or vendors suspected of engaging in fraud, waste or abuse of City assets:
 - a) Phone (951) 826-5311
 - b) City website: <https://www.riversideca.gov/internalaudit/3-1-1-whistleblower-hotline>.
2. Public comments and ideas on Internal Audit can be submitted on the **Submit Your Audit Ideas** form on the city website at <https://corweb.riversideca.gov/internalaudit/submit-your-audit-ideas-0>



RECOMMENDATION

That the Charter Review Committee receive a presentation on the City's process for tracking and reporting on internal and external audits and investigations.