



CLARIFICATION ON INTERNAL AUDIT DIVISION REPORTING TO CITY COUNCIL

City Manager's Office

City Council
May 21, 2019

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BACKGROUND

1. On March 12, 2019, following discussion, the City Council directed the City Attorney to prepare the appropriate ordinance to provide that the Internal Audit Division reports to the City Council operationally and to the Mayor Pro Tem administratively.
2. Staff need clarification from City Council to continue the plan to transition the City Manager's Office Internal Audit Division to operationally report to the City Council and administratively report to the Mayor Pro Tem.



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STAFFING

POSITION	STATUS
Internal Audit Manager (Non-Classified)	Vacated 12/31/2018
Senior Internal Auditor (Classified)	Staffed
Principal Management Analyst (Classified)	Vacated 12/31/2017

1. For Internal Audit to report to the City Council operationally and to the Mayor Pro Tem administratively, all of the staff in Internal Audit need to be in non-classified positions*.
2. If the direction remains for Internal Audit to report directly to City Council, it requires the adoption of a resolution to the Fringe Benefits and Salary Plan to approve changes to the job descriptions and make each position non-classified.

* The incumbent in the Senior Internal Auditor position will remain classified until such time the position is vacated.

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BUDGET

DESCRIPTION	FY 2018/19	FY2019/20
Personnel	\$577,985	\$628,290
Non-Personnel	13,961	13,658
Division Total	\$591,946	\$641,948
CMO Financial and Performance Audits	\$245,000	\$245,000
City's Audit Budget	\$836,946	\$886,948

For the Internal Audit Division to report to the City Council operationally and to the Mayor Pro Tem administratively, City Council may elect to retain the Internal Audit Division as it is currently or provide staff with an alternate direction regarding the use of the personnel and the operating budgets.

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REPORTING STRUCTURE – RESOLUTION NO. 22988

Administratively to the CM	Functionally to the City Council
Budget and management accounting	Approval of the Internal Audit Governing rules and any updates
Human Resource administration including personnel matters	Approval of the Internal Audit Work Plan
Internal communication and information flows	Receive communications from Internal Audit on the performance relative to the Work Plan; significant risk exposures and control issues, including fraud risks, governance issues; and other matters requested by the elected officials and/or executive management

The City Council may elect to adopt a resolution to update the Internal Audit Governing Rules to add additional clarification language respective to the Internal Audit's reporting structure.

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RECOMMENDATION

That the City Council receive information and provide direction on the creation of an Internal Audit Division that reports to the City Council.

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