



City of Arts & Innovation

Governmental Affairs Committee Memorandum

TO: GOVERNMENTAL AFFAIRS COMMITTEE

DATE: MARCH 6, 2019

FROM: INTERNAL AUDIT DIVISION

WARDS: ALL

SUBJECT: REVISED INTERNAL AUDIT WORK PLAN FOR FISCAL YEARS 2019 AND 2020

ISSUES:

Receive, provide input on and recommend City Council approval of the revised Internal Audit Work Plan for Fiscal Years 2019 and 2020.

RECOMMENDATIONS:

That the Governmental Affairs Committee:

1. Receive and provide input on the revised Internal Audit Work Plan for Fiscal Years 2019 and 2020; and
2. Recommend 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. City Council approved the Audit Work Plan on November 6, 2018.

Due to recent personnel changes within the Internal Audit Division, the previously approved Work Plan was revised to reflect what can be reasonably be accomplished with the number of resources

currently available in the division. 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 includes 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 revised 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. The list below should be reviewed 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. Internal Audit sourcing recommendations are included as well.

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/City Treasurer
 Approved by: Carlie Myers, Deputy City Manager
 Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Revised Internal Audit Work Plan
2. Peer Review Action Plan Update
3. Presentation