

City of Stockton

FY 17-18 Internal Audit Program
City Council Meeting
July 25, 2017

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

AGENDA

- I. Introduction
- II. Internal Audit Program Components
- III. Internal Audit Program Review
- IV. FY 17-18 Internal Audit Plan

I. INTRODUCTION

- The City retained Moss Adams LLP to serve as the designated Internal Auditor and conduct projects focusing on:
 - Risks
 - Internal controls
 - Compliance
 - Performance
 - Best practices
- Work is being completed under the standards from the Institute of Internal Auditors (IIA) and AICPA consultancy standards

II. INTERNAL AUDIT PROGRAM COMPONENTS

Internal Audit

Risks

Internal
Controls

Compliance

Performance

Areas of Focus: accounting and financial reporting, asset management, capital programs, compliance, economics and funding, fraud, governance, human resources, internal controls, maintenance and operations, management, operations and service delivery, organization and staffing, processes and procedures, procurement, public safety, risk management, and technology

III. INTERNAL AUDIT PROGRAM REVIEW

Project**Results**

• Risk Assessment	Assessment of 17 risk areas
• Internal Controls Review	68 findings and recommendations
• Internal Audit Plan	2.5 year implementation plan
• Revenue & Cash ICR	17 findings and recommendations
• Payroll ICR	12 findings and recommendations
• Information Technology ICR	20 findings and recommendations
• AP & Purchasing ICR	10 findings and recommendations
• Monthly Close Process ICR	4 findings and recommendations
• Grants Management ICR	3 findings and recommendations

III. INTERNAL AUDIT PROGRAM REVIEW (CONT.)

Project

- Internal Controls Testing
- Audit Findings Tracking
- FWA Hotline
- FWA and ICR Training
- Policy Assessment
- Policy Development
- Performance Management
- Risk Assessment Update

Results

Follow up to ICRs

Tracking and validating over 300 items

Responding to reports via hotline

Training for Council and senior mgmt.

Streamlined policy framework

Council policies updated

Developed key performance indicators

Reassessed 17 risk areas

III. INTERNAL AUDIT PROGRAM REVIEW (CONT.)

<u>Project</u>	<u>Results</u>
• Policy Development	20 updated policies
• Performance Management	23 community indicators developed
• Cash Handling Testing	18 findings and recommendations
• Monthly Close & Rec Testing	13 findings and recommendations
• Grants Management Testing	15 findings and recommendations
• Payroll/Timekeeping Testing	15 findings and recommendations
• Workforce Diversity Study	20 recommendations

IV. FY 17-18 INTERNAL AUDIT PLAN

• Procurement Diversity Study	\$60,000/\$50,000
• Policy Development Project Management	\$60,000/\$50,000
• Performance Metrics Implementation	\$25,000
• ERP Preparation Support	\$80,000/\$40,000
• Travel Expense Internal Controls Testing	\$35,000
• ASD Process Improvement	\$25,000
• Internal Audit Program Management	\$45,000
• Audit Findings Validation	<u>\$45,000</u>
Total	\$375,000/\$315,000*

* Audit Committee recommended \$315,000

IV. FY 17-18 INTERNAL AUDIT PLAN (CONT.)

1. Procurement Diversity Study: Review current practices, identify best practices, and provide recommendations for enhancing procurement diversity (16 weeks, \$50,000)
2. Policy Development Project Management: Manage the policy development process working with Oversight Committee and departments (52 weeks, \$50,000)
3. Integrated PM Implementation: Continue to support data collection and publication of community indicators dashboard and communication (20 weeks, \$25,000)
4. ERP Preparation Support: Provide additional support for data conversion and internal controls incorporation (20 weeks, \$40,000)

IV. FY 17-18 INTERNAL AUDIT PLAN (CONT.)

5. Travel Expense Internal Controls Testing: Review travel expenses policies and procedures, compare to best practices, and perform internal controls testing (12 weeks, \$35,000)
6. ASD Process Improvement: Identify efficiency improvements and develop new process workflow for one ASD process (10 weeks, \$25,000)
7. Ongoing Internal Audit Services: Attend Audit Committee and Council meetings; prepare status reports, respond to Ethics Hotline reports, manage internal audit program, and prepare FY 18-19 internal audit plan (52 weeks, \$45,000)
8. Audit Findings Validation: Review information provided by the City to validate that completed findings were implemented as reported and adequately addressed findings (52 weeks, \$45,000)

IV. FY 17-18 INTERNAL AUDIT PLAN (CONT.)

#	Process	Fees	7-9/17	10-12/17	1-3/18	4-6/18
1	Procurement Diversity Study	\$50,000				
2	Policy Improvement Support	\$50,000				
3	Integrated PM Implementation	\$25,000				
4	ERP Preparation Support	\$40,000				
5	Travel Expense Testing	\$35,000				
6	ASD Process Improvement	\$25,000				
7	Ongoing Internal Auditor Services	\$45,000				
8	Audit Findings Validation	\$45,000				
	Total	\$315,000				