



City of Stockton FY 18-19 Internal Audit Program

Council Meeting
July 17, 2018



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- I. Introduction
- II. Internal Audit Program Components
- III. Internal Audit Program Review
- IV. Recommended FY 18-19 Internal Audit Projects

Overview

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 AICPA consultancy standards and the standards from the Institute of Internal Auditors (IIA)



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

<u>Focus</u>	<u>Accomplishments</u>
• Enterprise Risk Assessments	2013 and 2016
• Enterprise Internal Controls Review	2013
• Functional Internal Controls Reviews	7 areas for design reviews
• Functional Internal Controls Testing	6 areas for compliance tests
• Policy Review and Development	dozens of ADs and citywide policies
• Performance Projects	Diversity studies and PMs
• Findings Tracking	Over 300 findings tracked
• Ethics Hotline	Over 100 reports since 2007

IV. Recommended FY 18-19 Internal Audit Projects

1. Risk Assessment Update
2. Accounts Receivable Internal Controls Testing
3. MUD Internal Controls Review
4. Operational Performance Study (e.g., Community Services, Economic Development, Community Development, Library, MUD, or PW)
5. Department Performance Measure Development
6. Policy Development Support
7. Ongoing Program Management
8. Ongoing Validation and Reporting



IV. Recommended FY 18-19 Internal Audit Projects

1. Risk Assessment Update: Perform an update to the 2015 risk assessment (12 weeks, \$45,000)
2. Accounts Receivable (AR) Internal Controls Testing: Test compliance with AR policies and procedures and compare to best practices (14 weeks, \$40,000)
3. MUD Internal Controls Review: Perform a review of the design of key internal controls (14 weeks, \$50,000)
4. Operational Performance Study: Assess the efficiency and effectiveness of operations of Community Services, Economic Development, Community Development, or the Library (16 weeks, \$50,000)



IV. Recommended FY 18-19 Internal Audit Projects

6. Departmental Performance Measure Development: Work with departments to develop department-specific performance measures aligned with the City's strategic goals (16 weeks, \$25,000)
7. Policy Development Support: Continue to facilitate policy development efforts and transition to maintenance mode (16 weeks, \$25,000)
8. Ongoing Program Management: Manage the overall program, prepare Audit Committee and Council materials, and attend Audit Committee and Council meetings (52 weeks, \$45,000)
9. Ongoing Validation and Reporting: Track and report on findings and validate completed findings (52 weeks, \$45,000)



IV. Recommended FY 18-19 Internal Audit Projects

#	Project	Duration	7-9/18	10-12/18	1-3/19	4-6/19
1	Risk Assessment Update	\$45,000				
2	AR Internal Controls Testing	\$40,000				
3	MUD Internal Controls Review*	\$50,000				
4	Operational Performance Study	\$50,000				
5	Department Performance Measure Dev.	\$25,000				
6	Policy Development Support	\$25,000				
7	Ongoing Program Management	\$45,000				
8	Ongoing Reporting and Validation	\$45,000				
	Total General Fund	\$275,000				
	Total Enterprise (MUD) Fund*	\$50,000				





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