



City of Stockton

Legislation Text

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ADOPT THE FISCAL YEAR 2021-22 INTERNAL AUDIT PROGRAM

RECOMMENDATION

The Council Audit Committee recommends that by motion action the City Council adopt the Fiscal Year (FY) 2021-22 Internal Audit Program.

Summary

The Internal Audit function of the City is designed to provide objective analysis, evaluation, and recommendations for improvements to City systems and activities. This is accomplished through an annual Internal Audit Plan that tests internal controls, evaluates processes, and completes projects to improve operations. This function is distinct from the annual review of City financial statements conducted by external financial auditors.

DISCUSSION

Background

Stemming from the City Council Strategic Initiatives adopted in 2011, designed to attain fiscal sustainability and address a multitude of audit findings, the City Council decided in 2012 to solicit Internal Audit Services by contract. Many municipalities have transitioned to contracting their internal audit services, similar to the historical practice of contracting for external audit services, however the nature of internal audit services is distinct and typically provided by different audit firms.

In early 2013 the City contracted with Moss Adams to complete a risk assessment and internal control review. The recommendations resulting from this work were translated into an initial multi-year Internal Audit Plan designed to strengthen internal controls and processes for the City, as well as make improvements to priority programs and initiatives of the City Council. In subsequent years, Moss Adams recommended and implemented annual audit plans to continue strengthening controls and processes of the City through the term of their contract, ending June 30, 2019.

During the FY2018-19, the City conducted a competitive Request for Proposals process to identify an audit firm to continue providing services for the City. Moss Adams was selected as the winning firm given their vast experience in municipal internal audit services, quality of work, and strategic fit with the City. The new contract with Moss Adams includes continuation of the annual internal audit plan cycle through June 2024. This staff report covers recommendations for the FY2021-22 Internal Audit Plan.

Regular progress updates have been provided at monthly Council Audit Committee meetings. Project reports and recommendations from Moss Adams have also been provided to City Council as

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information items in regular City Council agenda packets.

Present Situation

The FY2021-22 Internal Audit Plan maintains focus on improvement to citywide policies, processes, and controls, conducting an enterprise risk assessment, and vendor management reviews. The proposed plan also provides for continued general program management, audit findings validation, and ethics hotline administration.

The FY2021-22 Internal Audit Plan was presented to the Council Audit Committee for discussion on June 14, 2021 and recommended for Council adoption on July 12, 2021.

FINANCIAL SUMMARY

The recommended FY2021-22 Internal Audit Plan has budget of \$325,000, of which 42% is from the General Fund, is within the budget allocation for Internal Audit Services. There are sufficient funds in the Auditor's Special Services account for these purposes.

Attachment A - Fiscal Year 2021-22 Internal Audit Plan