



## UHY Advisors Mid-Atlantic, Inc.

City of Stockton, CA

Internal Audit Services

June 2026



# Agenda

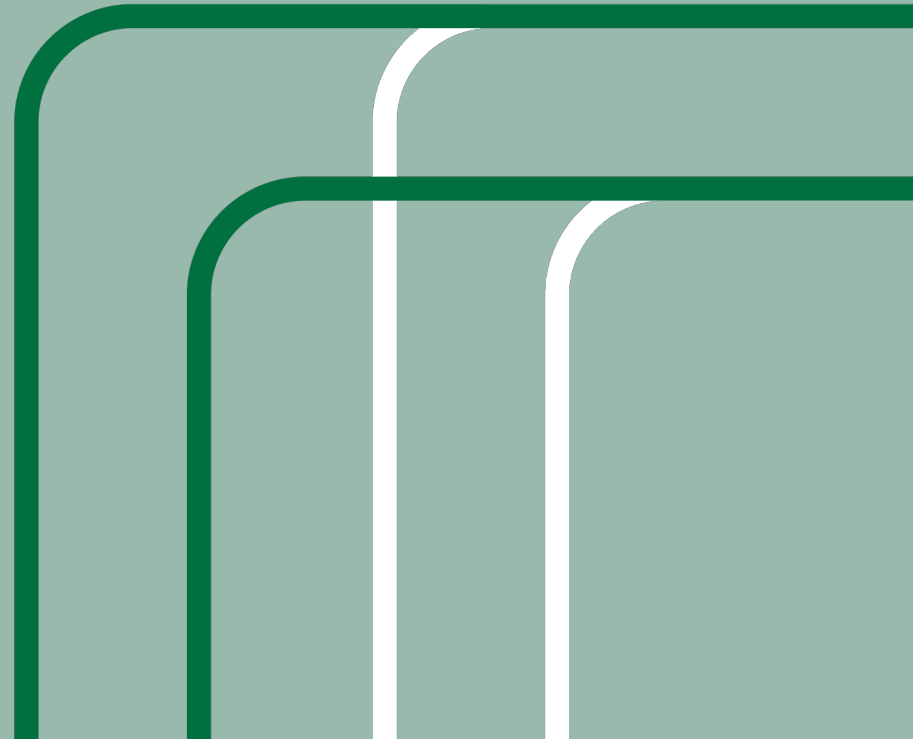
General overview of services offered

Approach & risk assessment

Communication of audit findings and follow-up

Reporting and customization

Questions and answers



# General Overview

## Distinguishing Characteristics

- More than 60 years of experience providing audit services for the municipal industry through our National Government Practice
- More than 30 years of experience providing continuous internal audit for public sector entities
- Providing close to 30 municipalities and organizations with internal audit services
- Participate in and follow guidance from the Institute of Internal Auditors (IIA)
- Our work complies with ethical obligations Code of Conduct of the Institute of Internal Auditors (IIA), COSO's Internal Control Framework, GAGAS, AICPA, and information systems and assurance standards issued by ISACA, and with FISCAM, NIST, and PCI Security
- Project team members hold advanced degrees and certifications (CICA, CIA, CFE, CPA)
- Hands-on partner involvement and more partner attention
- Partners and senior executives serving you with an average of 20 years of experience



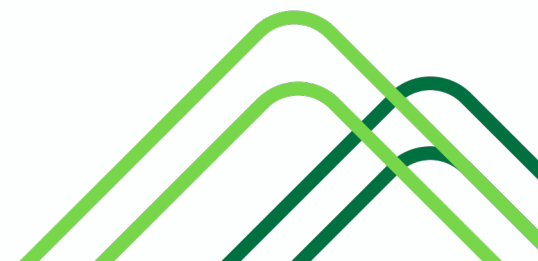
One California Office:  
Irvine

*The Next Level of Service*

# General Overview

## California Clients

- Orange County
- Riverside County
- Sonoma County
- Port of Los Angeles
- City of Los Angeles
- Los Angeles ISD



# General Overview

## Team



**Jack Reagan, CPA**  
Managing Director



**Kimberly Anderson**  
Managing Director  
IT Audit



**Ty Coffee, AQSA, CISA**  
Principal  
IT Security



**Reina Hernandez, CIA**  
Consulting Manager,  
Internal Audit



**Shannon Castillo, CFE**  
Consulting Manager,  
Forensic Audit



**DeAndre Watson**  
Senior Consultant

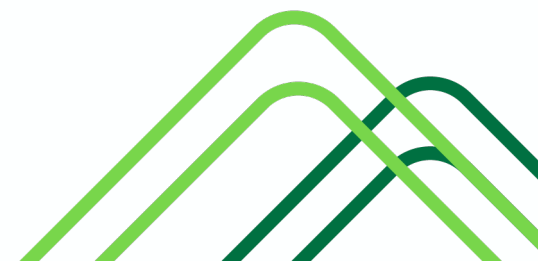


# City-Wide Risk Assessment

- Communicate risk assessment framework to City Council and City management
- Inform leadership of the City's risk exposure results
- Serve as the foundation for the City's Internal Audit Plan

## Methodology

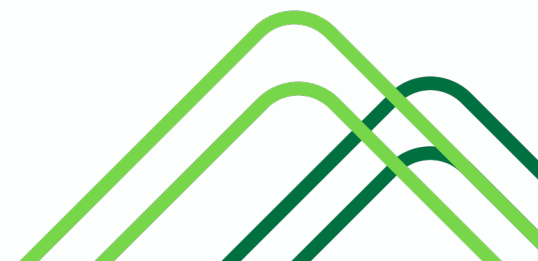
- Conducted in accordance with GAGAS (Yellow Book)
- Interview City Manager, Department Directors, and others
- Standard questionnaire covering goals, risks, controls, and improvement opportunities
- Review of Budget Book, ACFR, prior audits and corrective actions



# Risk-Based Internal Audit Plan

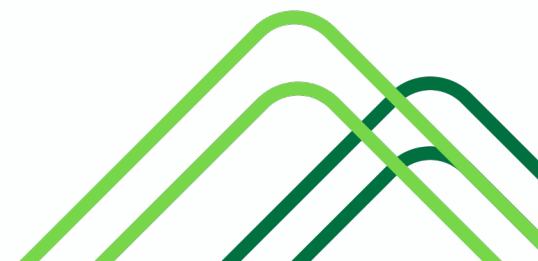
**Risk:** The possibility that an event will affect the achievement of operational or other objectives of the City.

- Operational Risk
- Financial Risk
- Compliance & Legal Risk
- Technology & Data Risk
- Reputational Risk
- Risk Management Governance Risk
- Infrastructure Risk



# Types of Internal Audits

- Compliance
- Performance
- Forensic
- Assurance
- Other



# Approach



# Approach

## Planning

- Provide management with overview of program
- Understand:
  - Business area/function
  - Relevant Strategies
  - External Factors
  - Control Environment
  - Emerging Risk
- Management Interviews
- Create and/or optimize engagement-level risk assessment
- Develop project scope and objective

## Test of Controls

- Evaluate design effectiveness of controls
- Perform walkthroughs with key personnel
- Identify control activities and objectives
- Perform design gap assessment
- Assess inherent and residual risk levels
- Develop comprehensive documentation

## Test of Transactions

- Evaluate control operating effectiveness
- Execute audit procedures
- Evaluate exceptions
- Perform additional testing, if necessary
- Complete comprehensive documentation
- Develop recommendations

## Reporting

- Review initial observations
- Prepare and provide overall reporting to management, to include design gap and operating effectiveness assessment
- Prepare a remediation plan that is useful for management to review and summarize
- Meet with key stakeholders such as Audit Committee, Senior Management

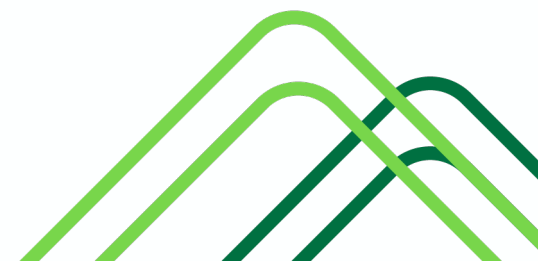
## Communication

Continuous status communications over milestones, observations  
Maintain close relationship with management throughout engagement  
Identify operational and strategic improvements to increase operating efficiency, effectiveness and reduce costs

# Communication

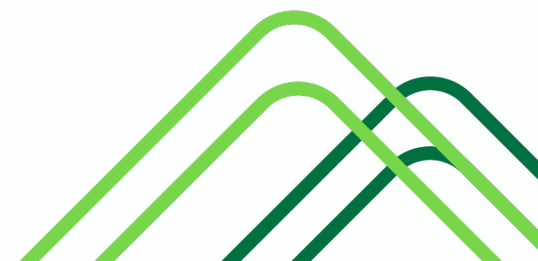
We are dedicated to ongoing communication throughout the engagement. UHY will coordinate and monitor staff via the Project Manager, who assigns roles based on expertise, tracks hours and deliverables, and conducts internal quality reviews per AICPA as well as GAO standards. Access and communication are ensured through:

- **Entrance Conferences:** Remote/in-person kickoff meetings to refine objectives, scope, timeline, assign responsibilities, and address risks.
- **Progress Reporting:** Throughout the engagement, we will maintain regular communication with the Finance and Administration Committee through verbal and written updates, including monthly progress reports. To maintain communication continuity, we can provide weekly updates through calls, emails, and reports on status, milestones, and obstacles. Bi-weekly detailed summaries with metrics, via a secure portal for real-time access.



# Communication cont.

- **Audit Close-Out:** Facilitate an audit closeout meeting with the City's Internal Auditor prior to drafting the report to review preliminary observations, risks, and proposed action plans.
- **Exit Conferences:** Final remote/in-person meetings to present draft reports, discuss audit findings and recommendations, and incorporate feedback before issuance, ensuring balanced, actionable outcomes.
- **Post Audit:** Conduct follow-up audits to validate remediation, as requested. Provide a recommended model for the City's internal audit program before contract conclusion.



# Reporting & Customization

1) UHY will provide continuous status communications with key stakeholders over findings and observations to produce a draft report with no surprises. Transparency strengthens the value that management receives from UHY as your provider. Engagements such as this generally result in findings that must be reported, and we can also provide the City with recommendations for corrective action plans. For each finding, we include the following elements:

- **Condition** – What did we observe?
- **Criteria** – With what policy or procedure did we identify the condition to be inconsistent?
- **Cause** – What is our conclusion on the reason the condition exists?
- **Effect** – What is the result of the condition’s inconsistency with the criteria?
- **Recommendation** – What changes to the City policies and procedures do we recommend in order to mitigate the risk of the condition occurring again in the future?

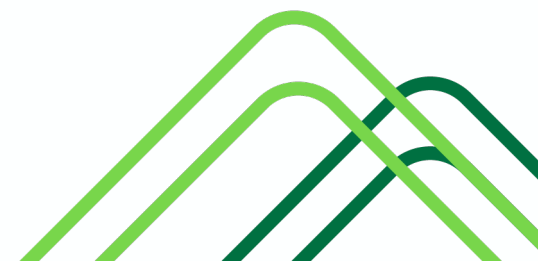
2) Draft findings will be reviewed by the engagement managing director prior to submission. City management will have the opportunity to respond, clarify, or provide additional documentation. Final reports will incorporate management responses and highlight industry best practices and process improvement opportunities.

Monthly progress reports will summarize:

- Work completed and upcoming tasks
- Preliminary findings and current issues
- Hours performed, hours remaining, and estimated cost to complete

3) Final report customization and template will be tailored to Springfield’s requirements

4) Discussion of sample report



# Questions

What additional questions can we answer?



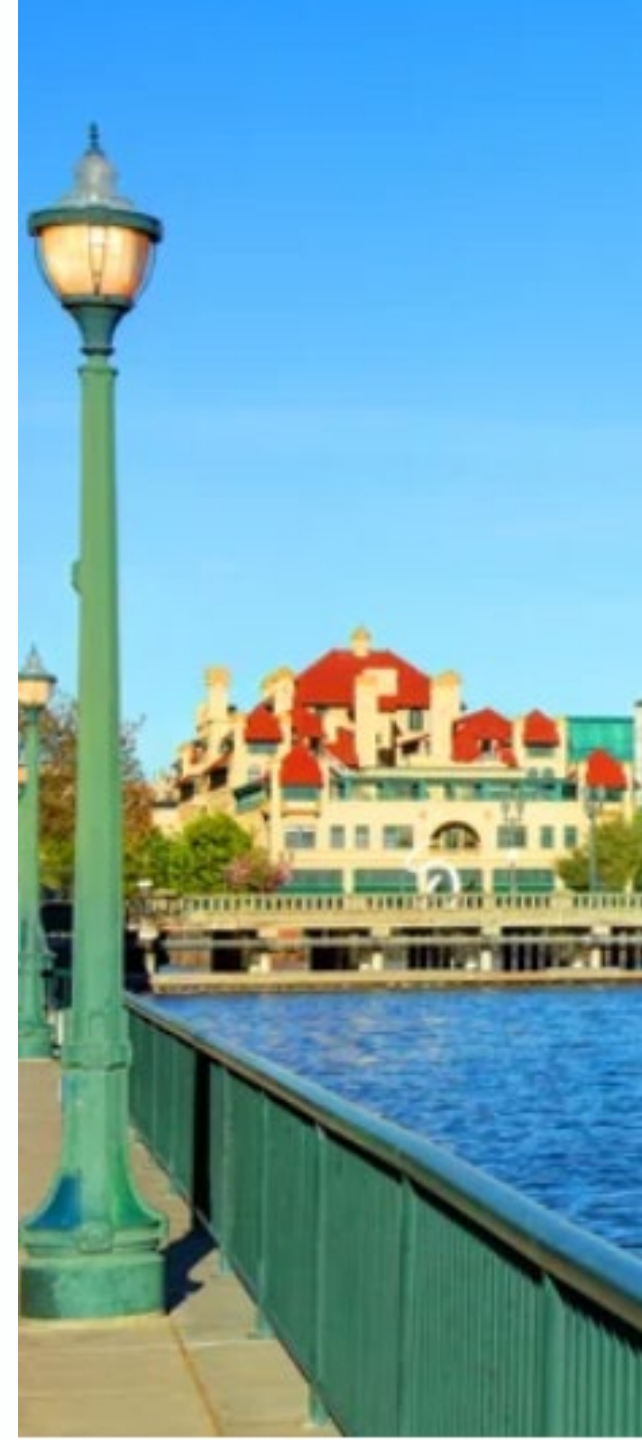
We have experienced a high level of professionalism and quality work during the audit project – in addition, UHY's approach has made them an ideal choice.

*Stephanie Mergler - Deputy Chief of Staff, Wilmington, DE*



UHY has provided professional and thorough work for us thus far, and I would not hesitate to utilize their services again.

*Mike Kingery - Independent Internal Audit Program Manager, Glendale, AZ*



# Questions



## Contact Us

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State and Local Government Practice Leader

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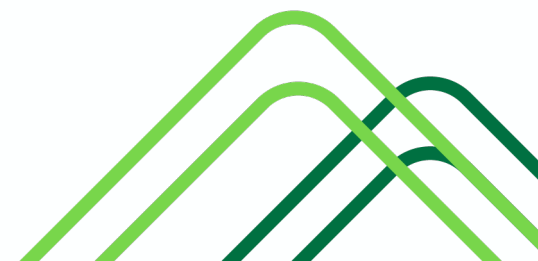
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[uhy-us.com](https://www.uhy-us.com)

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**Disclaimer:**

*UHY is NOT being engaged for any "Audit" or "Attest" work within the meaning of the AICPA rules and regulations. This engagement specifically EXCLUDES any "Audit" or "Attest" work. Rather, this is consultative accounting work which will be conducted in accordance with the terms of this engagement and proposal response.*

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