



**City of
Santa Clara**
The Center of What's Possible

Audit Status Report - as of September 30, 2023

City Auditor's Office





2023 Audit Status Report As of September 30, 2023

OVERVIEW

The mission of the City Auditor's Office is to promote honest, efficient, effective, and fully accountable city government through accurate, independent, and objective audits. We conduct performance audits and reviews of City departments, programs, and services. We provide oversight of external auditors regarding the City's annual financial audit, single audit, annual compliance review with the City's Investment Policy, performance audits and related financial audits.

The Audit Committee and City Council approve a flexible annual Audit Work Plan with a risk-based methodology. The most recent Audit Workplan Report was delivered to the Audit Committee in March of 2023 and was accepted by City Council in June of 2023. The Auditor's Office began working with consultant Baker Tilly, Inc. on the projects approved by the Committee and continued to finalize outstanding projects from the previous workplan.

Listed below are activity highlights from the audit work plan during the reporting period. The 2023 update to the risk assessment is currently underway and when completed, those results will be presented to the committee with the goal of identifying future audit projects as well as make any necessary revisions to previously suggested projects. The audit work plan is a flexible process that may recommend projects based on the results of the annual risk assessment or other projects that the committee would like to recommend. The Audit Committee has the discretion to propose changes to the plan as it deems necessary.

This Audit Status Report summarizes the standing of items from the previously approved Annual Audit Workplan and includes other items that have been proposed for review.

ACTIVITY HIGHLIGHTS – PERIOD ENDING SEPTEMBER 30, 2023:

- Completed the City's first annual risk assessment and provided recommendations to the committee to prioritize the audit work plan. The annual work plan is designed to improve the effectiveness of risk management, internal controls, and governance processes.
- Completed a review of past Stadium Authority Construction Fund and Public Safety transactions during the time of stadium construction.
- Completed an analysis of the revenue and expense classification and review of the completeness of the supporting documents for the 2019 College Football Playoff game.
- Completed a review of the year-end net income for Non-NFL events for fiscal years 2018, 2019, and 2020 to identify any differences in overall net income versus the sum of net income for individual events, while also determining if revenues and expenditures for each event were recorded accurately.
- Continued detailed monitoring of all City expenses related to Accounts Payable, Payroll, Purchase Card Charges, and employee travel and MOU reimbursements to ensure proper supporting documentation and approvals by management.

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ASSIGNMENTS COMPLETED SINCE PREVIOUS STATUS REPORT

The following table lists completed assignments from the previous Audit Work Plan:

Project Name	Project Description	Start Date(1)	Status	Issuance / Completion Date
1. Annual External Financial Audit and Single Audit for the City (contracted audit service)	The City Charter requires an annual external audit of the City's financial transactions to be performed by an independent certified public accountant. The City Auditor's Office administers the audit contract and works with the Finance Department and the external audit firm to coordinate this effort.	July 2022	Completed	December 2022
2. Annual External Financial Audit for the Stadium Authority (contracted audit service)	The Santa Clara Stadium Authority (Stadium Authority), the Stadium Funding Trust, and Goldman Sachs Bank USA entered into a Credit Agreement on June 19, 2013 to finance the stadium. Section 5.1(a) of the Credit Agreement requires that the Stadium Authority Annual Financial Statements be audited by independent certified public accountants within 180 days after the end of each fiscal year. The City Auditor's Office administers the audit contract and works with the Finance Department and the external audit firm to coordinate this effort.	March 2023	Completed	September 2023
3. Review of Financial Procedures and Controls for the Santa Clara Stadium Authority (contracted service)	Review past Construction Fund and Public Safety transactions and provide feedback on the allocation of staff charges. Contracted to JS Held. This report was presented to the City Council on September 26, 2023.	June 2023	Completed	December 2022

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ASSIGNMENTS COMPLETED SINCE PREVIOUS STATUS REPORT (Cont.)

Project Name	Project Description	Start Date(1)	Status	Issuance / Completion Date
4. Audit of the 2019 College Football Playoff National Championship Game (<i>Contracted audit service</i>)	An analysis of the revenue and expense classification and review of the completeness of the supporting documents for the 2019 College Football Playoff game. Contracted to The PUN Group. This had been delayed due to a need for a non-disclosure agreement between MANCO and The PUN Group as well as contractual and PUN Group staffing issues that had to be addressed with the time extension of the PUN Group contract.	June 2021	Completed	June 2023
5. Review of SCSA net income related to Non-NFL events. (<i>Contracted audit service</i>)	The City Auditor's Office originally contracted with JS Held to perform a review of the year-end net income for Non-NFL events for an initial three-year period (2015, 2016, 2017). Amendment #3 of this contract was been approved to allow for additional reviews of fiscal years 2018, 2019, and 2020. The review is to identify reasons for the differences in overall net income versus the sum of net income for individual events, while also determining if revenues and expenditures for each event were recorded accurately. This report was presented to the Stadium Authority Board on September 26, 2023.	June 2021	Completed	May 2023
6. Annual Risk Assessment and Development of Internal Audit Annual Workplan - Year 1	The City Auditor's Office is to perform an annual risk assessment as required by internal audit standards to identify and prioritize the potential audit subjects for the Audit Work Plan. The annual work plan is designed to improve the effectiveness of risk management, internal controls, and governance processes. The City contracted with Baker Tilly, Inc. to perform the risk assessment for a period of five years. They are a nationally respected firm with many municipal internal audit clients. The Year 1 risk assessment and audit work plan was accepted by the City Council on June 27, 2023.	June 2021	Completed	February 2023

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ASSIGNMENTS COMPLETED SINCE PREVIOUS STATUS REPORT (Cont.)

Project Name	Project Description	Start Date(1)	Status	Issuance / Completion Date
7. Semi-Annual Audit Status Report	The City Auditor's Office prepares and issues semi-annual status and progress update reports on the approved audit assignments in the audit work plan. The staff also reports on any changes (e.g. assignment addition or deletion) to the audit work plan.	June 2021	Completed	March & November 2023

ASSIGNMENTS IN PROCESS:

The following table lists all Assignments in Process from the previous Audit Work Plan

Project Name	Project Description	Start Date(1)	Status	Issuance / Completion Date
8. Annual Audit Recommendation Status Report	The City Auditor's Office tracks audit recommendations and issues reports on the implementation status of all open audit recommendations. The staff also meets with the auditee to discuss the progress of the audit recommendations.	June 2021	In Process	March 2024
9. City Auditor's Cash Disbursement Audit	The City Charter requires the City Auditor to audit and approve bills, invoices, payrolls, demands or charges against the City before payment.	June 2021	In Process	Ongoing
10. Annual Risk Assessment and Development of Internal Audit Annual Workplan - Year 2	The City Auditor is responsible for developing an annual internal audit work plan based on the results of an annual citywide risk assessment designed to improve the effectiveness of risk management, internal control, and governance processes. We are currently in the process of the 2nd year assessment. The updated annual work plan will be presented to the Audit Committee to recommend to the City Council for approval, which is required prior to the start of any audit work.	October 2023	In Process	January 2024

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ASSIGNMENTS IN PROCESS (Cont.):

Project Name	Project Description	Start Date(1)	Status	Issuance / Completion Date
11. Annual Continuing Education Training	The City Auditor's Office attends regular continuing professional education training and maintaining a minimum of 40 CPE hours a year for each staff. Audit staff is attending online trainings for cost effectiveness.	June 2021	In Process	Ongoing
12. Review of Silicon Valley Power (SVP) Power Purchase Agreements (Co-sourced audit process)	The City has contracted Baker Tilly, Inc. to conduct an assessment of the process for evaluating and entering into power purchase agreements as well as assess the effectiveness of the internal controls in place that oversee the terms and conditions of the agreements.	June 2023	In Process	January 2024
13. Review of the City's Building Permit Process in Community Development (Co-sourced audit process).	Baker Tilly, Inc. is leading the audit as it related to internal controls to ensure compliance with industry best practices related to rules and regulations. The audit will assess the efficiency and effectiveness of the City's building permit process from application to issuance and follow up with applicants throughout the process.	June 2023	In Process	January 2024

ASSIGNMENTS NOT YET STARTED:

The following table lists all Assignments Not Yet Started as of September 30, 2023 for the current Audit Work Plan:

Project Name	Project Description	Start Date(1)	Status	Issuance / Completion Date
14. Cybersecurity Assessment of City and SVP Information Technology (Contracted Service)	Identify risks related to weaknesses in City and SVP cybersecurity programs. Map current state security capabilities to industry specific cybersecurity frameworks and evaluate the maturity of current security processes.	June 2023	Postponed (2)	TBD

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ASSIGNMENTS NOT YET STARTED (Cont.):

Project Name	Project Description	Start Date(1)	Status	Issuance / Completion Date
15. City Property Management Function (Co-sourced audit process)	Evaluate the efficiency and effectiveness of the City's property management.	June 2023	Postponed (3)	TBD
16. Review of FMS Financial Procedures and Controls for the Santa Clara Stadium Authority (<i>contracted service</i>)	Staff has asked the City Auditor's Office to provide advice on policies, procedural and internal control issues for the Stadium Authority. Proposed reviews include: - Analyzing the Stadium Authority's review procedures for Non-NFL Event revenues and provide feedback on procedure and control issues, if any. - Reviewing the Stadium Authority Financial Reporting Policy with staff and external auditors and providing feedback on best practices.	June 2021	Pending - Will be scoped with proposed next phase of Non-NFL event review	June 2024
17. Performance Audit of Vendor Master File and 1099 Reporting	The purpose of this audit is to assess and evaluate whether the City has adequate controls regarding its master vendor file setup and if the City is effectively monitoring and maintaining its vendor information. This audit has been deferred due to conflicts of interest with current audit staff having been in accounting operations. We plan to co-source this audit with an external CPA firm.	June 2021	Pending - Per IIA Standards, project has to wait until at least a year has passed since audit staff was previously involved with vendor maintenance	June 2024
18. Citywide Fraud Risk Assessment (<i>contracted service</i>)	This is a citywide fraud risk assessment for all the departments including utility departments. This is separate from the annual Citywide risk assessment.	June 2021	Pending	December 2024

2023 Audit Status Report – As of September 30, 2023 (continued)

ASSIGNMENTS NOT YET STARTED (Cont.):

Project Name	Project Description	Start Date(1)	Status	Issuance / Completion Date
19. Review of SCSA net income related to Non-NFL events. (Co-sourced audit service)	The City Auditor's Office will contract with JS Held to perform a review of the year-end net income for Non-NFL events for the next three-year period (2021, 2022, 2023) leveraging their previous fiscal year reviews. The review is to identify reasons for the differences in overall net income versus the sum of net income for individual events, while also determining if there has been improvement with the support of revenues and expenditures for each event. Direction from City Council was to scope this project and return before approval of this project. This is anticipated to be scoped with the above project related to the analysis of the FMS at the stadium. The scope is currently being worked on.	September 2023	Pending	June 2024

****See Footnotes on next page****

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Notes:

- (1) The start date column indicates the period where the project was either re-started from the original work plan (June 2021) after the Auditor's Office was staffed again, or the date where new projects were added to the audit work plan.
- (2) After the recommendation to the Audit Committee that IT Cybersecurity programs be audited; the Auditor's Office has been made aware of audits that already occur by other agencies that may cover these topics already. In 2019, the City had an external auditor conduct an exhaustive cybersecurity audit and risk assessment of the City against the National Institute of Standards and Technology (NIST) framework and the risk register that resulted from that audit is regularly maintained and actively used by the IT department to manage cybersecurity risks. Additionally, subsequent to the acceptance of the work plan, the City was awarded Super Bowl 60 and FIFA World Cup. As part preparing for those high-profile events, the City is working with the Cybersecurity and Infrastructure Security Agency (CISA) and Department of Homeland Security (DHS) to audit our cyber readiness in preparation for these events. There will be audits associated with these events that cover the areas of interest that were identified in the initial risk assessment and these audits will be free of charge to the City. This work has already begun and will continue to ramp up as the events get closer.
- (3) The Auditor's Office is recommending a postponement of this project since the staff position for property management has been vacant for some time. Recommendation is to perform this audit in 2024 once the staff position has been filled and there is a City contact that can lead the audit.