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City of Santa Clara

City Auditor's Office

Citywide Risk Assessment and Proposed 2023 – 2024 Audit Work Plan

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Introduction

Overview

Background

The California Government Code Section 1236 requires all cities that conduct audit activities to conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards (GAO) issued by the Comptroller General of the United States, as appropriate. The internal audit function will govern itself by adherence to the mandatory elements of the International Standards for the Professional Practice of Internal Auditing (the Standards). According to the IIA Standard 2010, the head of internal audit function "must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals" and consider the input from senior management and a governing board.

The City Auditor's Office (CAO) engaged Baker Tilly US, LLP (Baker Tilly) in 2022 to conduct a citywide risk assessment and prepare an annual audit work plan for five years. The purpose of the internal audit function's risk assessment is to develop an audit plan that assigns internal audit resources to the activities that add the most value to the City of Santa Clara (the City). The risk assessment process involves identifying and measuring risks associated with the audit universe (a list of specific departments, functions, processes, programs, etc. that can be subject to an audit, i.e. auditable units). Risk is defined as "the possibility of an event or condition occurring that will have an impact on the ability of an organization to achieve its objectives."[1]

Audit Planning

This report summarizes Baker Tilly's risk assessment methodology, analysis, and results. The 2023–2024 audit plan proposed in this report is based on the results of this risk assessment. The risk assessment involved collaboration with City Council and executive management from 14 main departments across the organization.

In conducting the 2022 risk assessment, we performed the following:

- Developed an understanding of the City's environment, businesses, and objectives
- Met with members of City Council and the Executive Management Team representing the major operations and administrative functions of the City
- Reviewed key documentation such as the City Council Priority Matrix, the annual budget documents, financial statements, departmental strategic plans, and prior audit reports
- Evaluated the results of interviews and documentation reviews and considered industry factors to identify areas of risk to the City

In developing the 2023–2024 Audit Plan, we considered the following:

- Risk assessment – Internal audit activities to target high and moderate risk areas based on the results of the risk assessment
- Adding value – Internal audit activities to add value through independent and objective analysis
- City Council – The CAO reports to the City Council and seeks input on audit priorities
- Coverage and other audits – Consideration of prior and other audits as well as pervasiveness of the process or control to ensure audit coverage and to avoid duplication of efforts
- Scheduling – Consideration of the timing of an audit and other on-going initiatives in order to avoid putting an undue burden on City staff that may exacerbate the risk at hand or other interrelated risks

[1] Rick A, Wright Jr., CIA, "The Internal Auditor's Guide to Risk Assessment" The Institute of Internal Auditors Research Foundation (IIARF), 2018

Organizational Strengths

Through the risk assessment, we observed certain strengths of the City. Key strengths include:

- Dedication to the citizens and business community
- High value on financial stability and public safety
- Focus on excellence and affordability
- Highly professional and dedicated management and staff

Risk Assessment Process Considerations

The starting point of the internal auditing is to conduct a risk assessment that is the basis for determining the internal audit activities. However, it is not a one-size-fits-all process. The scope and complexity of risk assessment are affected by various factors such as the maturity level of the internal audit function's products and services, the organization's enterprise risk management (ERM) efforts, coordination with other monitoring and risk management functions, and the stakeholders' expectations. The best practice is to focus on risks related to the achievement of the organization's strategies and objectives. The internal audit risk assessment needs to be conducted at least annually, and internal auditors should monitor the environment for changes and emerging risks.

In addition to the annual macro-level risk assessment, the internal audit function is required to perform an engagement-level risk assessment when starting each audit listed in the approved audit plan. The IIA Standard 2200 states, "Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement."

Risk assessment can also be conducted as part of risk management as one of the essential elements of organizational governance. ERM is defined as "the culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value."[2] ERM is more than having a list of all the risks for an organization. The COSO's ERM principles covering governance to monitoring (including defining risk appetite and implementing risk responses), apply to all levels and functions of an organization although management has overall responsibility for managing risks and a governing body has an oversight role. The internal audit function may leverage ERM information, if available, for efficiency and quality of its risk assessment.

[2] "COSO Enterprise Risk Management-Integrating with Strategy and Performance", The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2017

Risk Assessment Approach

Baker Tilly's risk assessment approach consisted of four phases as illustrated in the graphic below.

2022 RISK ASSESSMENT PHASES	
Planning	• Worked with the CAO to determine the appropriate approach to plan and perform the risk assessment • Scheduled the interviews with City Council members and Executive Management Team (EMT) members
Information Gathering	• Reviewed the key documents such as Council Priority Matrix, the biennial budget documents, the annual comprehensive financial report, departmental strategic plans, audit reports, the information on the City's website and other relevant documents. • Interviewed over 30 individuals to identify the events and conditions that may affect the achievement of objectives • Distributed a questionnaire to the EMT members- to gather additional information on each auditable unit

Analysis	• Obtained and considered the financial data, budget data, employee turnover data, application inventory, and claims information
	• Scored the auditable units in the risk matrix based on the likelihood and the impact[3] of potential adverse events
	  ○ Each of the auditable units received scores for various risk factors related to the likelihood or impact (defined in Appendix A)
	  ○ Risk factor scores were summed to create a single score for the auditable unit
	• Identified potential internal audit activities for the auditable units with high risk scores

Reporting	• Summarized the approach and results of the risk assessment

Baker Tilly conducted the first risk assessment by interviewing all City Council members and EMT members and reviewing the key documents and data. Our risk assessment process primarily measured inherent risk (the risk before mitigating controls/factors are applied) in the City's current environment.

The next risk assessment will include an update to this risk assessment in accordance with the contract. For the second-year risk assessment, Baker Tilly will interview the EMT members and also conduct a risk assessment survey to obtain input from other members of management. For the third and fifth year, the existing audit plan will be evaluated based on interviews with City audit staff and amended if necessary. For the fourth year, a full risk assessment and a survey will be conducted.

[3] Likelihood is the possibility that an event will occur. Impact is the extent to which an event might affect an organization.

Risk Assessment Results

Citywide Key Risk Areas

Baker Tilly performed interviews with members of City Council and the Executive Management Team. During these interviews, Baker Tilly asked them to describe the areas they view to be the top five risks facing the City overall, regardless as to whether it is specific to their area of focus/department or not. The following is a list of risk themes identified in those interviews:

- Strategic Workforce Planning
- Budget and Financial Performance
- Compliance and Legal Risks
- Organizational Governance
- Information Technology & Cybersecurity

Strategic Workforce Planning

- *Employee Recruitment & Retention* – Attracting and retaining high-performing employees is a complex challenge facing the City. Recent legislation such as the Public Employee Pension Reform Act of 2013 (PEPRA) made public employment less attractive in the State of California as retirement benefits became less generous. In addition, the City's high cost of living limits the applicant pool as many employees and prospective employees commute long distances to work for the City.

- *Employee Turnover* – The City faces potential risk of employee turnover in a variety of critical positions due to retirement eligibility, perceived or actual lack of upward mobility, and competitiveness of compensation and benefits in comparison to the cost of living. Employee turnover for any reason creates gaps in institutional knowledge. Succession planning, documenting standard operating procedures and cross training are key considerations for entities facing this dynamic.

Financial

- *Revenue Generation* – Although the City has many sources of revenue, some of which are healthy and stable, the City also relies on economically sensitive revenues such as sales tax and transient occupancy tax. The City has been a hub for the world's top technology firms and owns Levi's Stadium and Convention Center, which bring in visitors to hotels, restaurants, and retail. These visitors and daytime population help feed the sales and transient occupancy taxes. The COVID-19 pandemic has highlighted weaknesses in the reliability of this revenue structure.

- *Funding* – The City faces difficult budget reductions necessary to bring the budget into balance. As a result, some essential accounts, programs, and capital projects remain unfunded.

Compliance/Legal

- *Compliance with Laws, Regulations, and Contracts* – The City has a complex regulatory compliance environment, in which the City must comply with numerous laws and regulations, local ordinances, contracts and grant agreements, and policies and procedures. Failure to track and update relevant laws and regulations may lead to external audit findings, fines, reputational harm and other negative outcomes.

- *Litigation – The City has been involved in multiple lawsuits and settlements in recent years.*

Governance

- *Leadership* – Effective local government governing body and officers must think and act strategically and collaborate with a network of community entities and institutions at the national, state, and local level. Operating in an environment where there are numerous stakeholders and key partners can strain the governance system and impair the ability to meet citizens' needs and organizational objectives.

Information Technology

- *Cybersecurity* – Ransomware and malware attacks are growing threats facing all municipal governments. These cyberattacks may result in significant financial losses, costly service disruption, and loss of information. The City faces similar threats on a daily basis and seeks to ensure that its information security practices and controls mitigate these risks.

Department Descriptions and Key Risk Areas

When identifying risks for the City, Baker Tilly considered each department and associated risks. The concerns listed by the interviewees included limited staffing and succession planning, specific accounts or programs with limited or no funding, aged infrastructure, lawsuits, and drought. Based on these concerns, departments' functions, and their inherent risks, Baker Tilly identified the auditable risk areas for each department. Below is an overview of the City's departments and their key risk areas.

City Attorney's Office

The City Attorney's Office provides hearing and trial counsel services and other legal advisory services such as review/negotiation of contracts, preparation of resolutions and ordinances, attendance to all meetings of the City Council, and response to legal inquiries.

Key Risk Areas

- Case management
- Conflict of interest monitoring

City Clerk's Office

The Elected City Clerk administers City elections. The Assistant City Clerk is responsible for various day-to-day operations, including attending and maintaining records of City Council and public meetings; complying with Records Retention Schedule; responding to Public Records Act requests, and administering campaign and disclosure laws.

Key Risk Areas

- Public Records Act compliance
- Records retention program

City Manager's Office

The City Manager's Office supports the City Council with policy decision making, provides direction and support to all City departments, and is responsible for strategic planning, citywide emergency preparedness, economic development, community outreach and engagement, property management, special projects, and implementation of Council direction. It also provides general administration for citywide programs, citywide strategic programs and initiatives (such as sustainability), convention center, and stadium operations.

Key Risk Areas

- Property management
- Convention center operation
- Stadium operation
- Business continuity plan for the City departments

Community Development Department

The Community Development Department's primary objectives are maintenance of the General Plan, proactive land use planning to meet the future needs of the community, delivery of professional services such as development review and permitting and inspection services, and administration of programs related to affordable housing.

Key Risk Areas

- Building permitting & inspection
- Housing inspection
- Development projects review
- Code enforcement
- Affordable housing program

Electronic Utility Department

The Electric Utility Department (Silicon Valley Power, or SVP) owns power generation facilities, has investments in joint ventures that produce electric power, and trades power on the

Key Risk Areas

- Power Purchase Agreements
- Renewable energy programs

open market. SVP delivers electricity to the residents and businesses and provides diverse services such as dispatch services to all City departments, outdoor Wi-Fi services, dark fiber leasing service, and energy efficiency programs.

- Procurement and contract management
- Work Order and Asset Management
- Cybersecurity
- Construction project controls

Finance Department

The Finance Department administers the City's financial affairs. Departmental functions include budget; general accounting; financial reporting; collection of taxes, fees, special assessments, and utility charges; investment; procurement; the City Warehouse operations; and debt management.

Key Risk Areas

- Procurement Card Administration
- Vendor master file
- Timesheet processing
- Utility billing and collection process
- Investment management
- Warehouse/inventory management

Fire Department

The Fire Department provides fire and emergency services and organized into Administration and six divisions: Field Operations (first responders providing immediate services); Emergency Medical Services (first responder medical services); Community Risk Reduction (fire prevention activities and hazardous materials regulation by providing plan review and inspection services); Training (State and Federal certification programs); Administrative (grant management, payroll processing, budget development, etc.); Office of Emergency Services (emergency preparedness activities and disaster management plans).

Key Risk Areas

- Overtime
- Field inspection services
- Training
- Emergency medical services

Human Resources Department

The Human Resources Department is responsible for Benefits, Compensation, Recruitment, Testing, Classification, Employee and Labor Relations, Equal Employment Opportunity, Workers Compensation/Safety, and Employee development. The department also negotiates the Memorandum of Understanding agreements with bargaining units.

Key Risk Areas

- Staff development and succession planning for the City departments
- Workers' Compensation and Safety
- Employee records management

Information Technology Department

The Information Technology Department's IT service provider provides most IT services including enterprise computing (City data centers and network), service desk, end-user support, application management, configuration and maintenance of over 150 applications, and security services (including security incident and event management). The City IT employees are responsible for IT governance and budget.

Key Risk Areas

- Cybersecurity Assessment
- Managed Service Provider (MSP) contract management
- Application portfolio management
- Data management

Library Department

The Library Department has three libraries throughout the City and also provides Bookmobile service. It offers physical and digital collection of books/movies/music, technology and information access, literacy instruction, and programming such as young adults activities. The Library Department establishes

Key Risk Areas

- Memorandum of Understanding with the Santa Clara Library Foundation & Friends
- Fee collection
- Purchasing

partnerships with community organizations to leverage resources.

Parks and Recreation Department

The Parks and Recreation Department consists of the Parks Division (planning, development, operation, maintenance and rehabilitation of City parks); the Recreation Division (classes and programs); the Cemetery Division (maintaining 33,000 interment sites), and the Senior Nutrition Program Division (a meals program). The Department offers the public with facility rentals, community services, cultural programs, and special events.

Key Risk Areas

- Park infrastructure
- Park revenue

Police Department

The Police Department is broken down into four divisions. The Field Operations Division is comprised of uniformed personnel that respond to calls for service and initiate proactive contacts. The Investigations Division, which includes the Records Unit, handle follow-up investigations and bring cases forth for criminal prosecution. The Special Operations Division oversees law enforcement services for any major event within the city, including Levi's Stadium. The Administrative Services Division encompasses the department's Training Unit, School and Community Services, and 911-Comunucations Center.

Key Risk Areas

- Overtime
- Body-worn camera
- Use of force policies
- Evidence processing and storage
- Case management

Department of Public Works

The Department of Public Works is responsible for design, construction, and maintenance of the City infrastructure. The five divisions for engineering services are Administration, Traffic, Design, Land and Property Development, and Field services divisions. Operation and maintenance is provided by Facilities Services, Streets, and Feet Management divisions.

Key Risk Areas

- Construction project controls
- The Americans with Disabilities Act (ADA) compliance
- Maintenance service requests
- Grant management

Water and Sewer Utilities Department

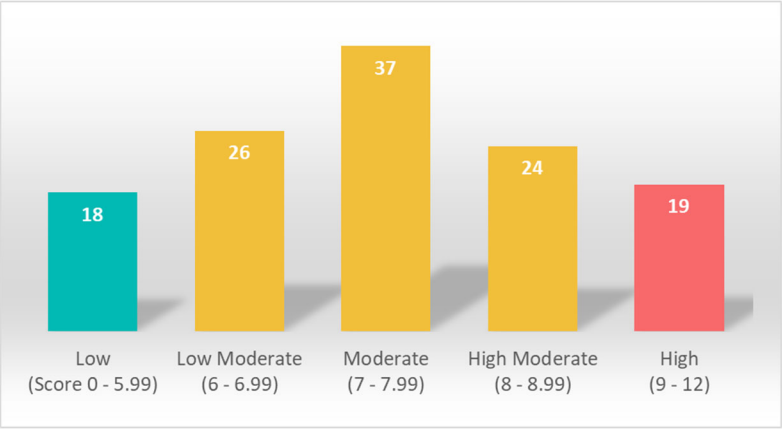
The Water and Sewer Utilities Department provides planning, design, construction, maintenance, and operation of the City's water distribution system, sewer collection system, and recycled water system. The City jointly owns the San Jose-Santa Clara Regional Wastewater Facility.

Key Risk Areas

- Construction project controls
- Water conservation and sustainability programs
- Rate setting practices
- Work order and asset management

Overall Risk Scoring Distribution

Baker Tilly structured the audit universe based on the department/division/program from the budget document and management's feedback, which resulted in 124 auditable units (Appendix B). We scored them based on the information gathered for each risk factor related to the likelihood, impact, or fraud. Appendix A lists the risk factors, definitions, and scoring method. The maximum score for an auditable unit is 12. The following chart shows the distribution of overall risk scoring.



City Department Risk Heat Map

A risk heat map is a common tool to plot risks or auditable units in order to measure their relative risks in terms of impact and likelihood. The risk heat map for the City below illustrates the City's departments based only on the highest risk division/program within each department, and therefore, it represents only 14 out of 124 auditable units. The departments toward the upper right corner of the heat map represent those with higher possibilities of greater effect. The size of a bubble indicates the fraud risk factor score.

Illustration of the departments based on the highest risk division/program within each department

Proposed 2023 - 2024 Audit Plan

Summary

The proposed audits and CAO projects for 2023 through 2024 are listed in the next page. The projects were selected from the auditable units that were rated as High or Moderate as a results of the risk assessment. The selection was made based on some factors such as risk rating, the pervasiveness of the process or control, the audit coverage, the timing of projects, and the value-adding activities that help the City enhance the ability to manage risks, strengthen accountability, and improve efficiency and effectiveness. The proposed projects include the following:

- Efficiency improvement: Building Permitting Process Review
- Capital assets: Construction Project Control Assessment; Work Order Process and Asset Management
- Compliance: Overtime Review; Power Purchase Agreement Review
- Operations: Park Operation Review
- Finance: Procurement Card Administration Review
- IT-related audits: Cybersecurity Assessment; Service Provider Contract Management
- Citywide processes: Succession Planning & Staff Development Review; Record Management and Retention
- CAO project: Risk and Control Matrix

The proposed audit plan consists of a variety of projects for a 24-month period to provide flexibility to adjust the timing of audits. It also incorporates time for an ad hoc project to address a request from the City management, if necessary. The audit plan will be updated based on the results of an annual risk assessment. However, amendments to the approved audit plan may be proposed during a year in response to changes in the City's environment such as organizational structure, operations, risks, systems, and controls.

The preliminary audit objectives are described for each audit listed. These objectives and scope of each audit activity will be further defined based on the result of an audit planning risk assessment process performed at the beginning of each activity.

Also listed in the proposed audit plan are the estimated hours to complete each audit. The budgeted hours should be determined once audit objectives and scope are finalized during the audit planning phase. The current CAO resources are two full-time employees (Internal Audit Manager and a staff member), and their total available hours would be over 3,000 hours per year. However, the CAO's capacity to execute the audit plan is very limited due to the following reasons:

1. The staff member will not be available to execute the internal audit activities due to the responsibility to "audit and approve all bills, invoices, payrolls, demands or charges against the City government before payment", which is required by the Santa Clara City Code Sec. 909 City Auditor[4].
2. The approval before payment is a control activity in the operational/transactional process. According to Standard 1130 of the IIA Standards[5], it would be an impairment to organizational independence and individual objectivity if the staff member performs an audit of the processes related to her approvals.
3. The Internal Audit Manager who supervises the internal audit staff also performs the same tasks whenever the staff member cannot perform the approval and other related duties.

It is recommended that the City evaluate the current roles and responsibilities of the CAO and take the appropriate action(s) to ensure that the CAO will achieve its mission and help the City improve the effectiveness of risk management, control, and governance processes.

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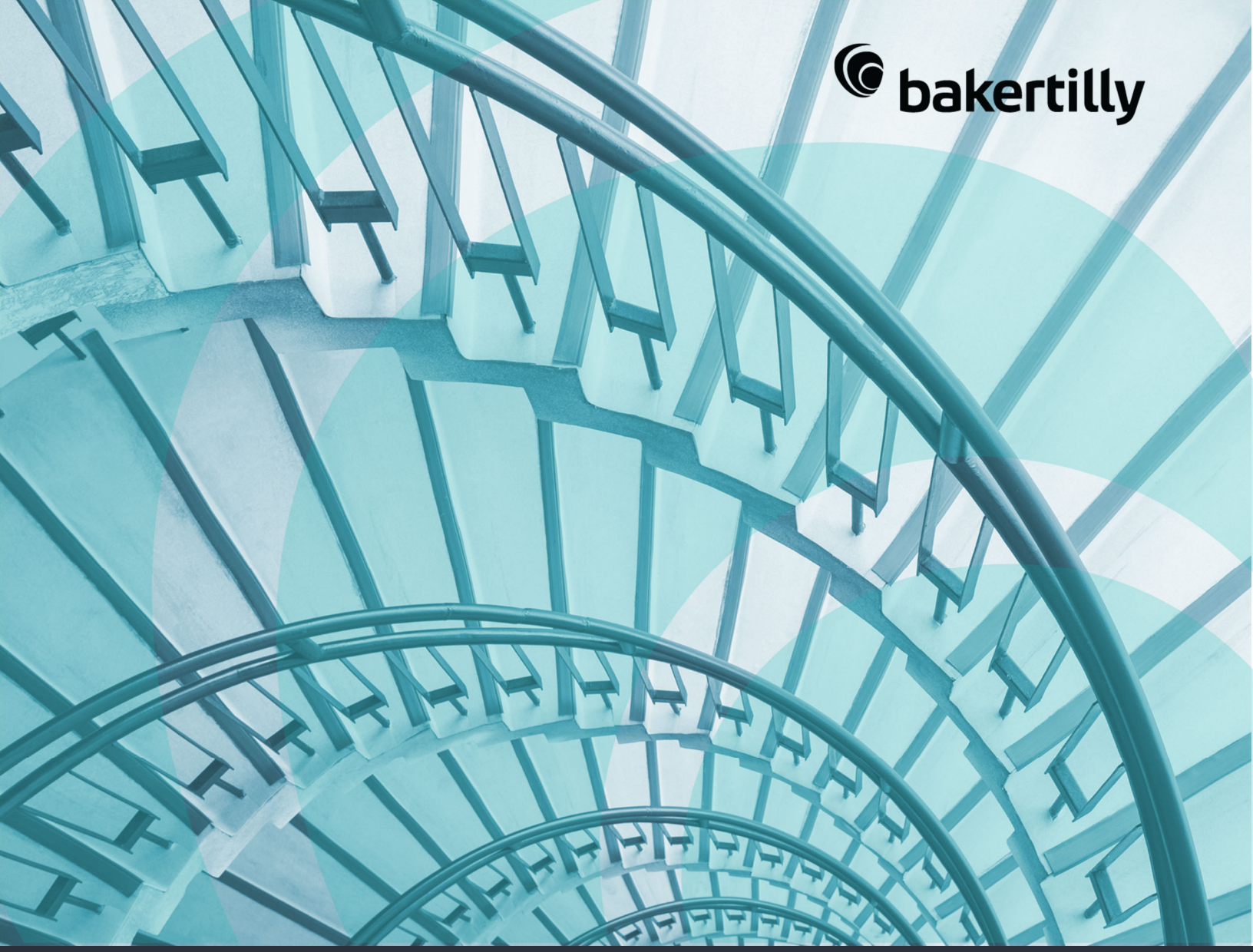
[4] The Charter of the City of Santa Clara Article IX Officers and Employees, Sec. 909 City Auditor (CHARTER OF THE CITY OF SANTA CLARA (codepublishing.com))

[5] Standard 1130.A1 states. "Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year."

Proposed Audit Plan for 2023 and 2024

Department	Project Title	Preliminary Audit Objectives	Estimated Hours
Electric Utility Department Information Technology Department	Cybersecurity assessment	• Map current state security capabilities to the NIST Cybersecurity Framework and/or other industry specific frameworks and evaluate the maturity of current security processes • Identify current risks related to weaknesses in the City's cybersecurity program • Identify target state objectives utilizing the Capability Maturity Model (CMMI) and develop recommendation to meet the objectives	650
Finance Department	Procurement card administration	• Determine whether procurement cards are administered to ensure that only the authorized users can make purchases in accordance with the requirements and guidelines. • Determine whether internal controls over procurement card transactions are in place and working effectively to prevent and detect errors and irregularities, including duplicate, unauthorized, or improper transactions.	330
Community Development Department	Building permitting process	Assess the efficiency and effectiveness of the building permitting process	360
Library Department	Memorandum of Understanding (MOU) with the Santa Clara Library Foundation & Friends	Determine whether the internal controls to monitor the compliance with the MOU requirements are in place and working effectively	240
Department of Public Works	Construction project control assessment	Determine whether internal controls over construction projects are adequate and working effectively	300
CAO project / Citywide	Risk and control matrix	Create a risk and control matrix for each department to be utilizied for future discussion and review of the City's control environment	840
TBD	Ad Hoc Requests	TBD	200
		Sub Total - 2023	**2,920**
Information Technology Department	Managed Service Provider (MSP) contract management	Determine whether the City proactively manages its cybersecurity risk and collaborates with its MSP to jointly reduce the risk by defining roles/responsibilities and expectations such as security controls and incident response plans and by monitoring of MSP's access and activities.	400
Police Department Fire Department	Public safety personnel overtime	• Determine whether adequate policies and procedures are in place to ensure the appropriate usage of overtime for the public safety personel. • Determine whether the overtime practice and reporting comply with the City's policies and procedures.	300
Electric Utility Department	Power purchase agreements	• Assess the process for evaluating and entering into power purchase agreements. • Assess the effectiveness of the internal controls in overseeing the power purchase agreements	370
Parks & Recreation Department	Park operation	• Determine whether the internal controls over the maintenance of parks are working effectively. • Determine whether the internal controls over fee collection are working effectively.	380
City Manager's Office	Property management	Evaluate the efficiency and effectiveness of the City's property management	240
Water and Sewer Utilities Department	Work order process and asset management	Determine whether the internal controls over the work order process are adequate and working effectively.	420
City Clerk's Office	Record management and retention program	• Determine whether citywide record management and retention policies and procedures are properly established in accordance with laws and regulations • Determine whether internal controls are working effectively to ensure compliance with the record management and retention policies and procedures	300
Human Resources / Citywide	Citywide succession planning and staff development	• Determine whether adequate policies and procedures are in place to development and maintain succession plans to ensure continuity in key positions for all departments • Determine whether coaching and development programs are in place to ensure that the successors are prepared to assume positions when necessary	300
TBD	Ad Hoc Requests	TBD	200
		Sub Total - 2024	**2,910**
		TOTAL - 2023 & 2024	**5,830**



Appendices

Appendix A: Risk Factor Definitions

Factor	Definition	Weight
Impact Factors (the effect on the organization)		
Magnitude	A measure of materiality based on pervasiveness or volume of dollars or transactions; Scores based on the budgeted expenditure amount Extreme - 5: $50M or more Material - 4: $10M or more; Less than $50M Significant - 3: $3M or more; Less than $10M Moderate - 2: $1M or more; Less than 3M Inconsequential - 1: Less than $1M Added 1 to the magnitude of the Information Technology Department due to the pervasive nature of its work	30%
Customer / Resident Experience	Negative experience by customers and residents, such as perceived or actual safety concerns and unsatisfactory services, impacts negatively on the reputation / credibility of the organization Extreme - 5: Direct impact on health and safety Material - 4: Direct impact on transparency Significant - 3: Direct impact on customer satisfaction/City's reputation Moderate - 2: Indirect impact on customer satisfaction/City's reputation Inconsequential - 1: Immaterial impact on reputation / credibility	35%
Achievement of Organizational Goals	The greater the effect that a department or process has on the organization meeting strategic objectives and goals, the greater the related risks Extreme - 5: Directly relates to the City Council Priorities Material - 4: Supports the function/process directly related to the City Council Priorities Significant - 3: Has performance/workload measures related to Strategic Pillars Moderate - 2: Somewhat relates to the organizational goals Inconsequential - 1: Does not relate to City's priorities and goals	35%
	HIGHEST TOTAL SCORE FOR IMPACT: 5	100%
Likelihood Factors (the probability of the risk occurring)		
Complexity	A measure of the difficulty in performing a process or function. As a process or function becomes more complex, the greater the opportunity for errors 5 - Very high complexity 4 - High complexity 3 - Medium complexity 2 - Low complexity 1 - Very low complexity	25%
Policies and Procedures	Policies and Procedures are a complete set of written instructions that guide personnel in the successful execution of their duties and the duties of the office for which they work. If the policies and procedures are adequate and up-to-date, a risk is lower 5 - No or little written P&P 4 - Some written P&P 3 - Basic P&P requiring improvements 2 - Adequate but outdated P&P 1 - Adequate and up-to-date P&P or Not Applicable	10%
Regulatory Compliance	Measures the existence of and potential noncompliance with, government regulations and other applicable laws, standards, and policies/procedures 5 - Requirements to meet more than a few laws/regulations and professional standards specific to the division's responsibilities 3 - Requirements to meet one or two laws/regulations and professional standards specific to he division's responsibilities 1 - No requirement to meet any laws/regulations or professional standards specific to he division's responsibilities	25%
Monitoring	Consider the existence of monitoring activities, including the results of last audits by Internal Auditor, External Auditor, Regulators, etc. and other known deficiencies 5 - Overall, there is no mechanism to monitor the status of performance goals/compliance requirements 4 - For only some significant performance goals/compliance requirements, there is an annual or semi-annual reporting, management review process and/or audits by an external party to identify the status of performance goals/compliance requirements 3 -For all significant performance goals/compliance requirements, there is an annual or semi-annual reporting, management review process and/or audits by an external party to identify the status of performance goals/compliance requirements 2 - For only some of significant performance goals/compliance requirements, there is a periodic (weekly/monthly/quarterly) reporting process to ensure performance goals/compliance requirements are met 1 - For all significant performance goals/compliance requirements, there is a periodic (weekly/monthly/quarterly) reporting process to ensure performance goals/compliance requirements are met	10%
Specific Risks	Consider the existence of specific risk events/conditions and their significance 5 - Identified risk event(s)/condition(s) seem to significantly affect the liklihood 3 - Identified risk event(s)/condition(s) seem to have some impact on the liklihood 1 - No or very minor risk event(s)/condition(s) have been identified	30%
	HIGHEST TOTAL SCORE FOR LIKELIHOOD: 5	100%
Other Risk Factor		
Fraud Schemes	Consider tthe susceptibility to fraud, which is the opportunity for employees/vendors/customers/fraudsters to misappropriate resources or defraud the organization* 5 - High Risk 3 - Moderate Risk 1 - Low Risk	40%
	HIGHEST TOTAL SCORE FOR OTHER: 2	40%
		HIGHEST TOTAL SCORE 12

* Considered fraud schemes listed in the Fraud Tree provided in the “Occupational Fraud 2022: A report to the Nations” by Association of Certified Fraud Examiners. Also considered are cyber fraud schemes.

Appendix B: Audit Universe

City Attorney's Office
- Administration
- Litigation

City Clerk's Office
- Assistant City Clerk - Council/Administration Support
- Assistant City Clerk - Public Information/Legislation Records Management
- Assistant City Clerk - Political Reform Act
- Elected City Clerk - Election

City Manager's Office
- City Council Support - Policy Support for Decision Making
- City Council Support - Intergovernmental Relations & Advocacy
- Leadership and Management Services - Day to Day Operations
- Leadership and Management Services - Strategic Planning
- Leadership and Management Services - Community Outreach & Engagement
- Citywide Programs
- Stadium Operations
- Citywide Strategic Programs & Initiative
- Convention Center

Community Development Department
- Planning- Development Review
- Planning- Advanced Planning
- Planning- Historical Preservation
- Planning- Code Enforcement
- Building - Plan Review
- Building - Permit Services
- Building - Field Inspection
- Building - Code Enforcement
- Housing Inspection
- Housing and Community Services - Federal State Grant
- Housing and Community Services - Neighborhood Conservation and Improvement Program
- Housing and Community Services - Tenant Based Rental Assistance Program (Funded by HUD HOME)
- Housing and Community Services - Below Market Rate Rental Program (BMR)
- Housing and Community Services - Below Market Rate Purchase Program (BMP)
- Housing and Community Services - Community Development Housing Successor Fund
- Housing and Community Services - Housing Development Lending (Various Funds)

Electronic Utility Department
- Business Services - Rates and Budget
- Business Services - Electric Compliance
- Business Services - Risk Management
- Customer Develop. & Project Man. - Key Accounts
- Customer Develop. & Project Man. - Fiber Program
- Customer Develop. & Project Man. - SVP Engineering
- Resource Planning & Engagement - Public Benefits
- Resource Planning & Engagement - SVP Electric Vehicle Program
- Resource Planning & Engagement - Greenhouse Gas Program
- Resource Planning & Engagement - Resource Management
- Utility Operations - SVP Systems Support
- Utility Operations - Power System Controls
- Utility Operations - Communications & Meter Technical Support
- Utility Operations - Substation Maintenance
- Utility Operations - Transmission & Distribution
- Utility Operations - Generation

Finance Department
- General Accounting
- Citywide Fiscal Planning & Administration
- Budget & Financial Analysis
- Municipal Services - Utility Billing Services
- Municipal Services - Revenue Receipt-Cashiering
- Municipal Services - Business Certificate
- Municipal Services - Field Service

Municipal Services – Administration
Municipal Services - Contact Center/Communication
Purchasing
Purchasing - Warehouse

Fire Department
Administration
Community Risk Reduction - Prevention and Hazardous Materials
Community Risk Reduction - Certified United Program Agency (CUPA)
Emergency Medical Services
Field Operations
Office of Emergency Services
Training

Human Resources Department
Employee Benefits and Records – Compensation
Employee Benefits and Records - Workers' Compensation & Safety
Recruitment, Classification and Staff Development - Selection and Classification
Recruitment, Classification and Staff Development - Labor Relations

Information Technology Department
Enterprise Services - Application Services
Enterprise Services - IT Web Services
Enterprise Services - GIS Services
Infrastructure and Support
Contract Services
Telecommunication Services

Library Department
Administration
Adult Services
Branch Services - Mission Library
Branch Services - Northside Branch
Branch Services - Bookmobile & Mobile Library Services
Customer Services
Technical and Technology Services
Youth Services

Parks and Recreation Department
Administration
Parks
Recreation
Cemetery

Police Department
Administrative Services - Administration
Administrative Services - Professional Standards
Administrative Services - Departmental Support
Administrative Services - Community Services
Administrative Services - 911 Dispatch/Communications
Field Operations - General Patrol
Field Operations – Traffic
Field Operations - Emergency Response/Temporary Holding Facility
Investigations - General Investigation
Investigations - Special Enforcement Team
Investigations – Records
Special Operations – General
Special Operations - Specialized Teams
Special Operations - Reserves

Department of Public Works
Engineering – Traffic
Engineering – Design
Engineering - Land and Property Development
Engineering - Field Services
Facility Services
Fleet Management
Streets

Water and Sewer Utilities Department

Recycled Water Program - System Maintenance
Recycled Water Program - Storm Pump Maintenance
Sewer - System Administration
Sewer - System Maintenance
Sewer – Operations
Sewer - San Jose-Santa Clara Water Pollution Control Plant
Sewer - Storm Pump Maintenance
Solar Utility - System Maintenance
Water Engineering - Admin Design
Water Engineering - Water Quality
Water Engineering - Water Resources
Water Construction, Maintenance, Operations - Water System Maintenance
Water Construction, Maintenance, Operations - Water Construction
Water Construction, Maintenance, Operations - Water System Operations