



CITY COUNCIL AGENDA REPORT

MEETING DATE: JULY 17, 2012

ITEM NUMBER:

SUBJECT: COUNCIL DIRECTION FOR ANNUAL PERFORMANCE AUDIT WORK PLAN

DATE: JULY 6, 2012

FROM: CHIEF EXECUTIVE OFFICE

PRESENTATION BY: RICK FRANCIS, ASSISTANT CEO

FOR FURTHER INFORMATION CONTACT: DAN BAKER (714) 754-5156

RECOMMENDATION:

Staff recommends that the City Council provide direction regarding the development of a Fiscal Year 2012-13 work plan which will designate specific City services or functions deemed appropriate by City Council for performance auditing services.

BACKGROUND/DISCUSSION:

On April 17, 2012, the City Council authorized staff to move forward with a detailed implementation plan regarding performance auditing services. Since that time, staff has begun implementing steps to begin this process. Staff has prepared and will soon release a Request for Qualifications that will attempt to designate appropriate local firms qualified in performance auditing services. Once selected, the auditing firm(s) will work with the CEO to create a scope of work specific to the systems and or functions the Council agrees to designate in its annual work plan.

Examples of areas that may benefit from a performance audit might include an analysis regarding the efficiency and capacity of certain divisions or work units; an examination of policies, practices and procedures in sensitive areas dealing with cash, property and evidence; or, the levels of customer service in key departments with substantial public interface.

The above mentioned examples are for reference only. Staff is seeking direction regarding specific City systems and or functions that Council wishes to have evaluated to ensure efficiency and innovation.

Members of the Council were supplied with a worksheet to assist in evaluations as well as the option to send concerns directly to staff regarding specific areas for examination.

FISCAL IMPACT:

There is no anticipated fiscal impact with the creation of the Annual Performance audit work plan.

LEGAL REVIEW:

No legal review is necessary.

CONCLUSION:

Staff recommends that the City Council provide direction regarding the development of a Fiscal Year 2012-13 work plan which will designate specific areas relative to City systems and or functions deemed necessary by City Council for performance auditing services.



RICK FRANCIS
Assistant CEO



DANIEL K. BAKER
Management Analyst

ATTACHMENT: 1. Weighted Risk Assessment

Weighted Risk Assessment for Proposed Engagement: [Identify Area to be Examined]

Risk Component	Risk Description	Weighted Value A	Risk Assessment (Low=1, Med=2, High=3) B	Calculated Risk (A * B)
Financial risks	The risk that financial reporting and analyses is inaccurate, incomplete, or untimely due to a variety of factors, including errors, changes in accounting standards, or the pressure on management to meet financial obligations.	10%		
Operational risks	The risk of direct or indirect loss resulting from inadequate or failed internal processes, people, or systems, or from external events.	10%		
Criticality to City	The importance of the organizational unit to the City's ability to continue to function and carry out its primary mission.	13%		
Legal or Compliance risks	The risk of direct or indirect funding loss from failure to follow regulations and directives, including losses resulting from litigation.	10%		
Technology risks	This risk considers the level of use, sophistication, complexity, robustness, ease of use, and speed or accuracy of recovery/replacement systems or applications.	10%		
Fraud risks	The risk of loss due to intentional misappropriation of assets or intentional misstatement of financial reports.	13%		
Public/Political Sensitivity	The sensitivity of the function to public exposure of any internal issues and the level of public embarrassment that could be caused to the City as a whole.	13%		
Strategic risks	The risk that objectives will not be achieved because business strategies are poorly defined and communicated or the organization is unable to execute these strategies due to inadequate organizational structure, infrastructure, poor management decisions, or a lack of accountability.	13%		
Opportunity for Improvement/Cost Savings	The probability that addressing the issue will lead to real and timely process improvements, costs savings, or revenue enhancement	8%		
SUM TOTAL		100%		