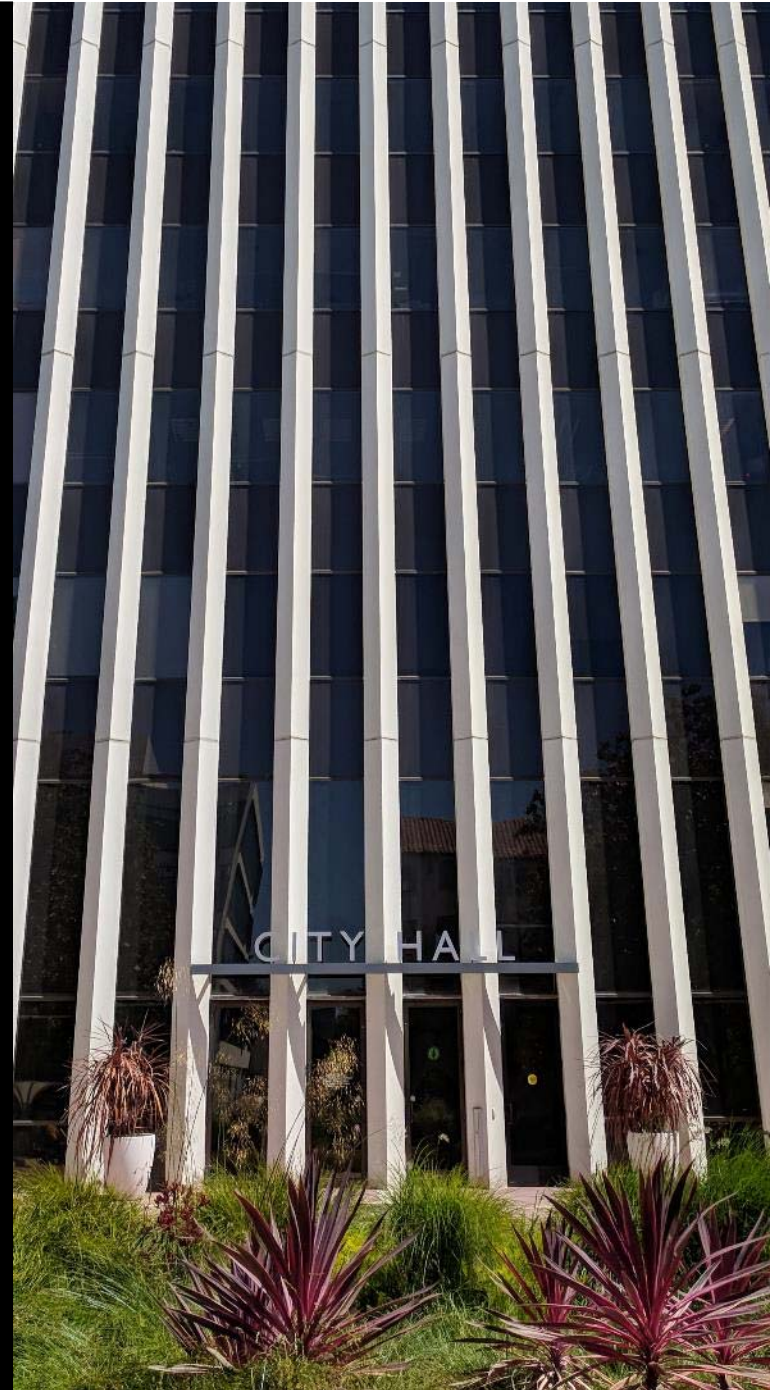




City of Palo Alto
Office of the City Auditor

Policy and Services Committee
December 14, 2021





Agenda

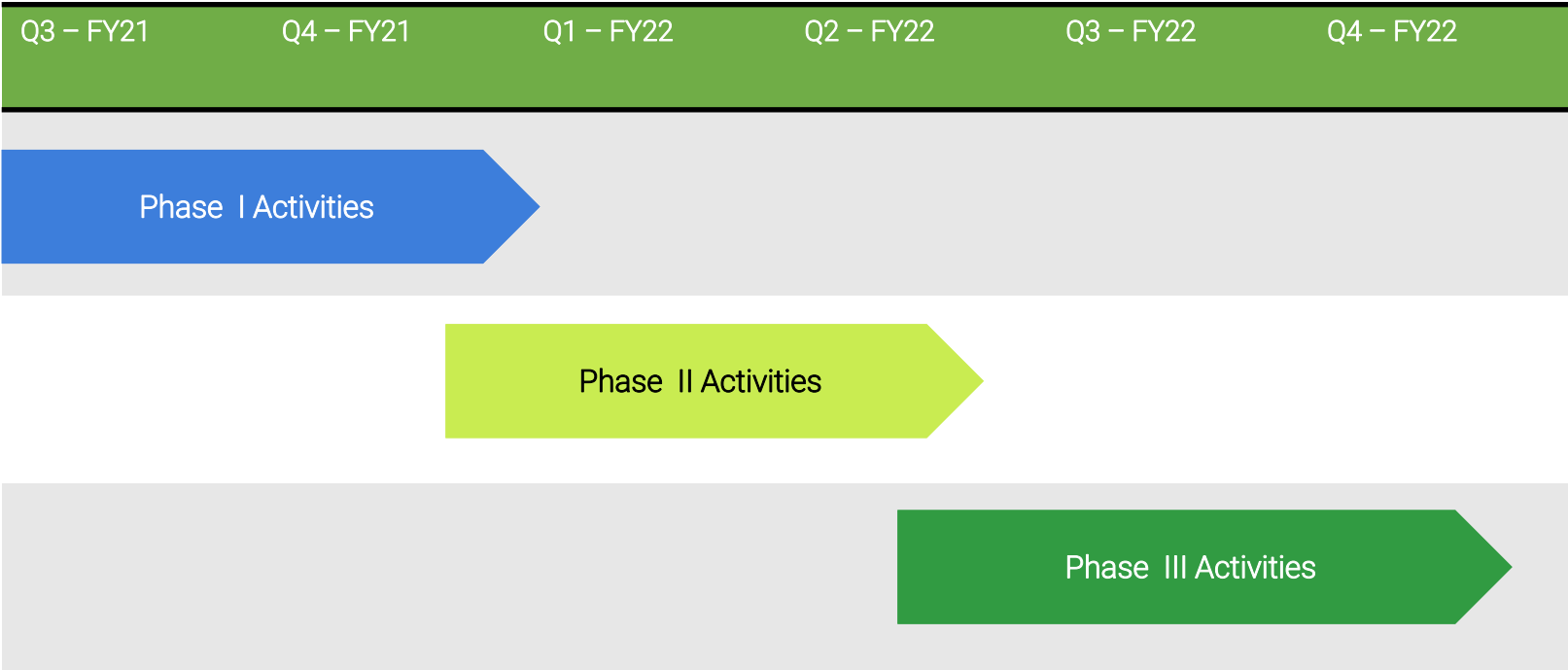
- Review a Task Order for the Office of the City Auditor to Conduct the Wire Payment Process and Controls Review
 - Questions & Discussion
- Review the Initial Public Safety Building Construction Monitoring Report
 - Questions & Discussion

The background of the slide is a collage of night-time photographs of various buildings and courtyards. On the left, there's a modern building with large glass windows. In the center, a black text box contains the title. On the right, a tall, cylindrical building with vertical slats is illuminated. Below it, a courtyard with a staircase and trees is visible. At the bottom, there's a green building with a window and more trees.

Wire Payment Process and Controls Review



Audit plan – overview of phases



Wire Payment Process and Controls Review

The City, as with many local governments, is subject to attempts at wire payment fraud.

Examples include:

- Email impersonation
- Telephone solicitation
- Text messages

This audit activity will be included on the updated Audit Plan, which will be presented for approval at the February P&S meeting. *Given the importance of the topic, Baker Tilly recommends beginning this as soon as possible.*

Audit Activities – Forthcoming Audit Plan

Project Title	Audit Objectives
Wire Payment Process and Controls Review	<ul style="list-style-type: none">• Determine whether adequate controls are in place and working effectively to ensure that all disbursements are valid and properly processed in compliance with City’s policies and procedures• Determine whether end user security awareness training is sufficient to prevent erroneous payments



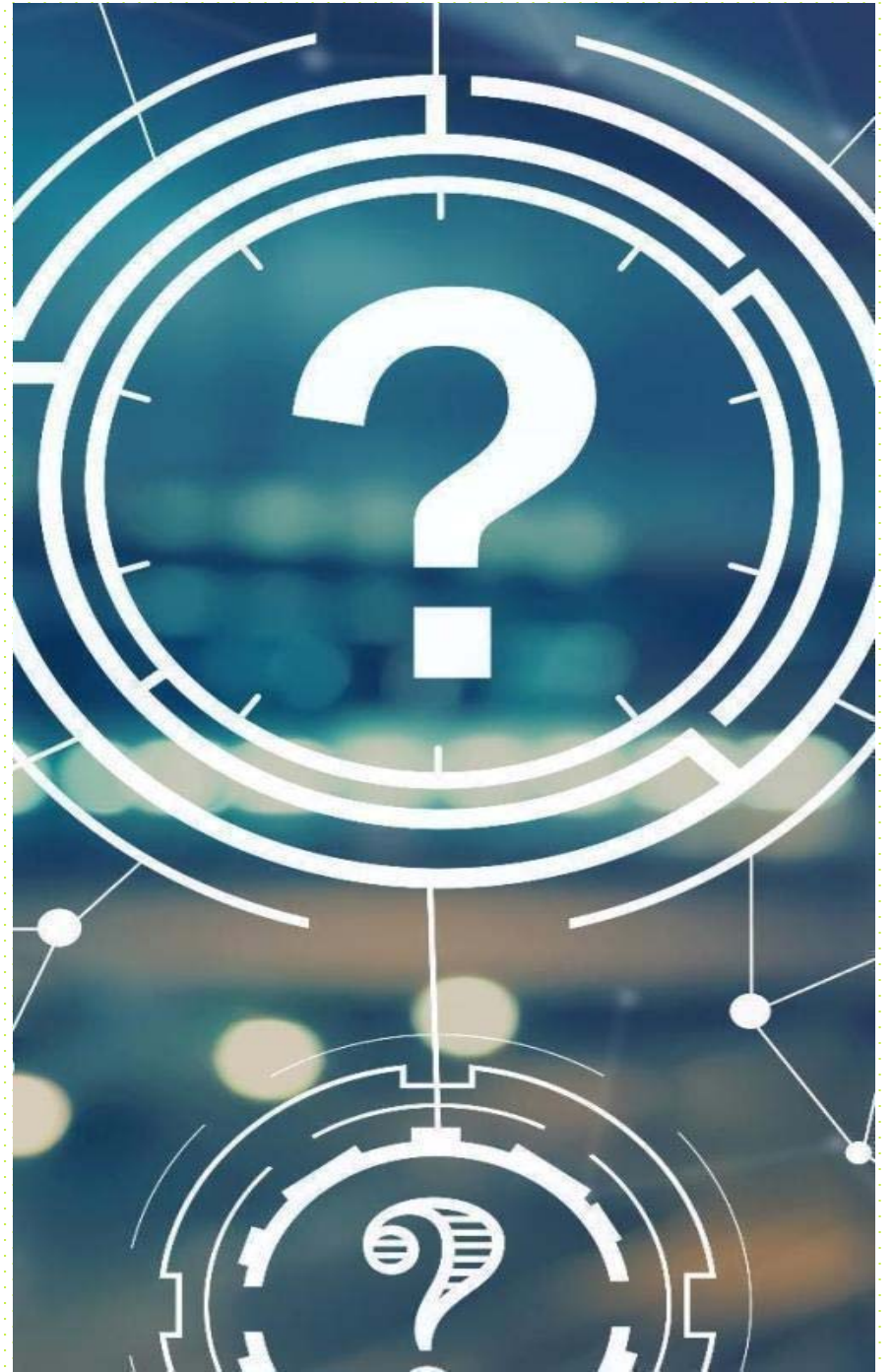
Policy & Services Committee Action

The City Auditor recommends that the Policy & Services Committee take the following action:

- Review and Approve the Task Order for the Office of the City Auditor to Conduct the Wire Payment Process and Controls Review.



Questions & discussion





Public Safety Building
Construction Monitoring

Public Safety Building Construction Monitoring

- Project objectives
- Existing control environment (Public Works)
- Orientation to the memo
- Results
- Questions & discussion

*The CAO thanks the Public Works Department of their on-going work on this audit activity – **THANK YOU!***

Project Objectives & Scope

Objectives for the audit activity include:

- Ensure compliance with contractual audit requirements for the Architect, Inspector of Record, Construction Manager, Contractor and Waterproofing Inspector.
- Verify that project expenditures billed to City of Palo Alto are adequately supported, verifiable, and appropriately allocated to the project

Information Gathering

The OCA requested and reviewed all invoices for the Architect, Inspector of Record, Construction Manager, and Inspector.

Analysis and Testing

The OCA reviewed invoices, pay applications, and change orders for each vendor for mathematical accuracy and compliance.

Reporting

The OCA reported results, through this memo, to management.

Existing Control Environment

Each invoice/change order is reviewed for:

- Validity of change order request as extra work
- Accuracy and scope of work
- Arithmetic errors
- Allowable billing rates per contract
- Bid item quantities

Construction Contract Invoices	Construction Change Orders
1. Construction Manager	1. Construction Manager
2. Project Engineer	2. Project Engineer
3. Project Manager	3. Project Manager
4. Management Analyst	4. Assistant Director Public Works
5. Accounts Payable	5. Director of Public Works (if over \$10,000)

Memo Orientation

Section	Overview
Status Update (Packet Page 18/19)	General overview on status
Audit Issue Log (Packet Page 20)	Lists various audit 'issues' including a description of the issue identified, the status of the item, and the result (which is management's response to the issue).
Request for Information Log (Packet Page 21/22)	Contains a running list of the monitoring activities performed by the City Auditor. This list does not represent findings/ observations/ issues, but rather is a mechanism to track on-going monitoring activities. An 'open' item simply indicates that a request for information has been made by the City Auditor.



Key Considerations

- The OCA has tested all invoices to the date of the memo, including roughly \$22.5M in costs.
- The OCA will continue to perform monthly monitoring procedures in accordance with the approved task order and routinely bring forward status updates.

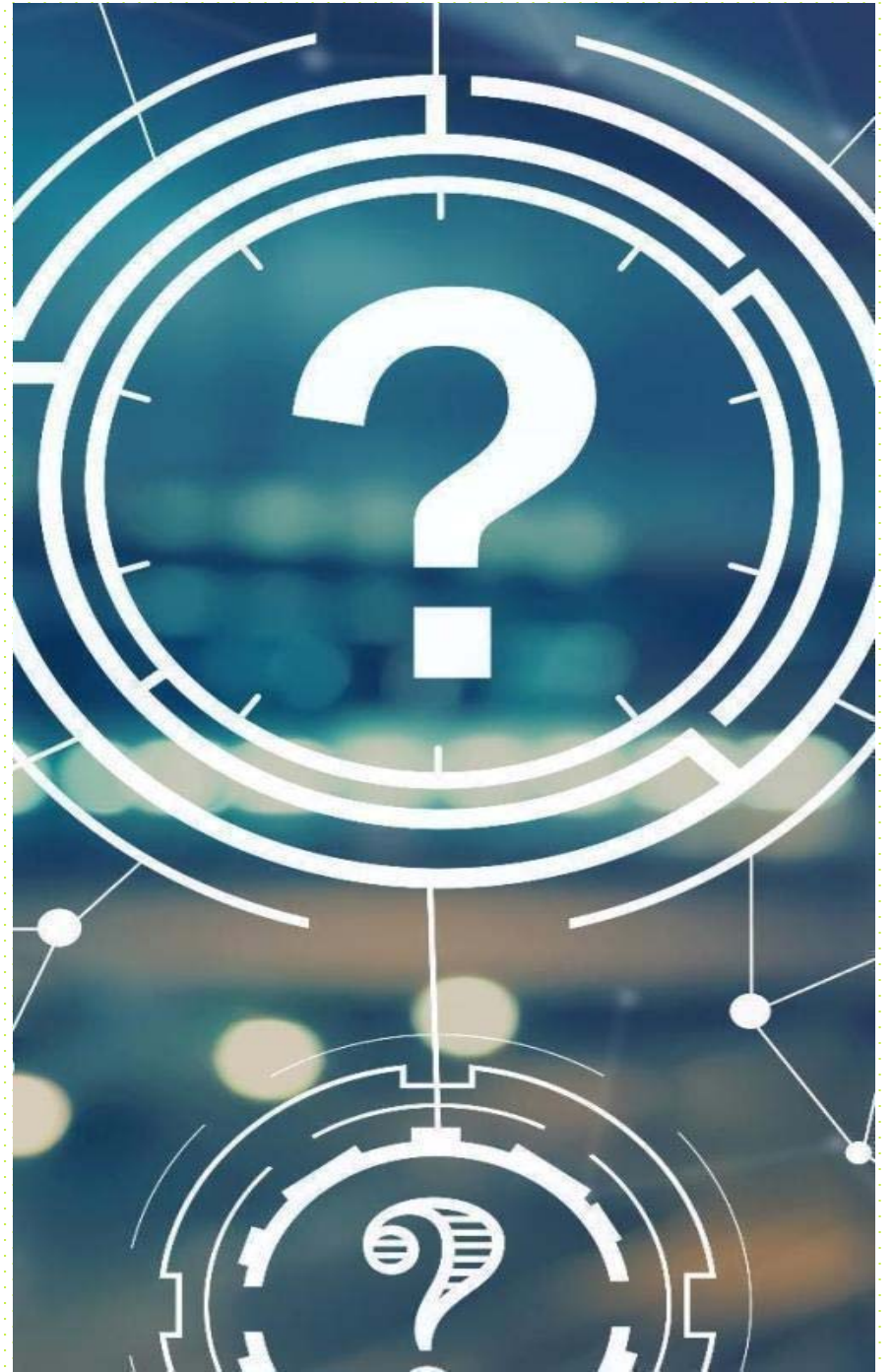
Policy & Services Committee Action

The City Auditor recommends that the Policy & Services Committee take the following action:

- Review the Initial Monthly Public Safety Building Construction Monitoring report (monthly) and recommend that the City Council accept the report.



Questions & discussion





Thank you!

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