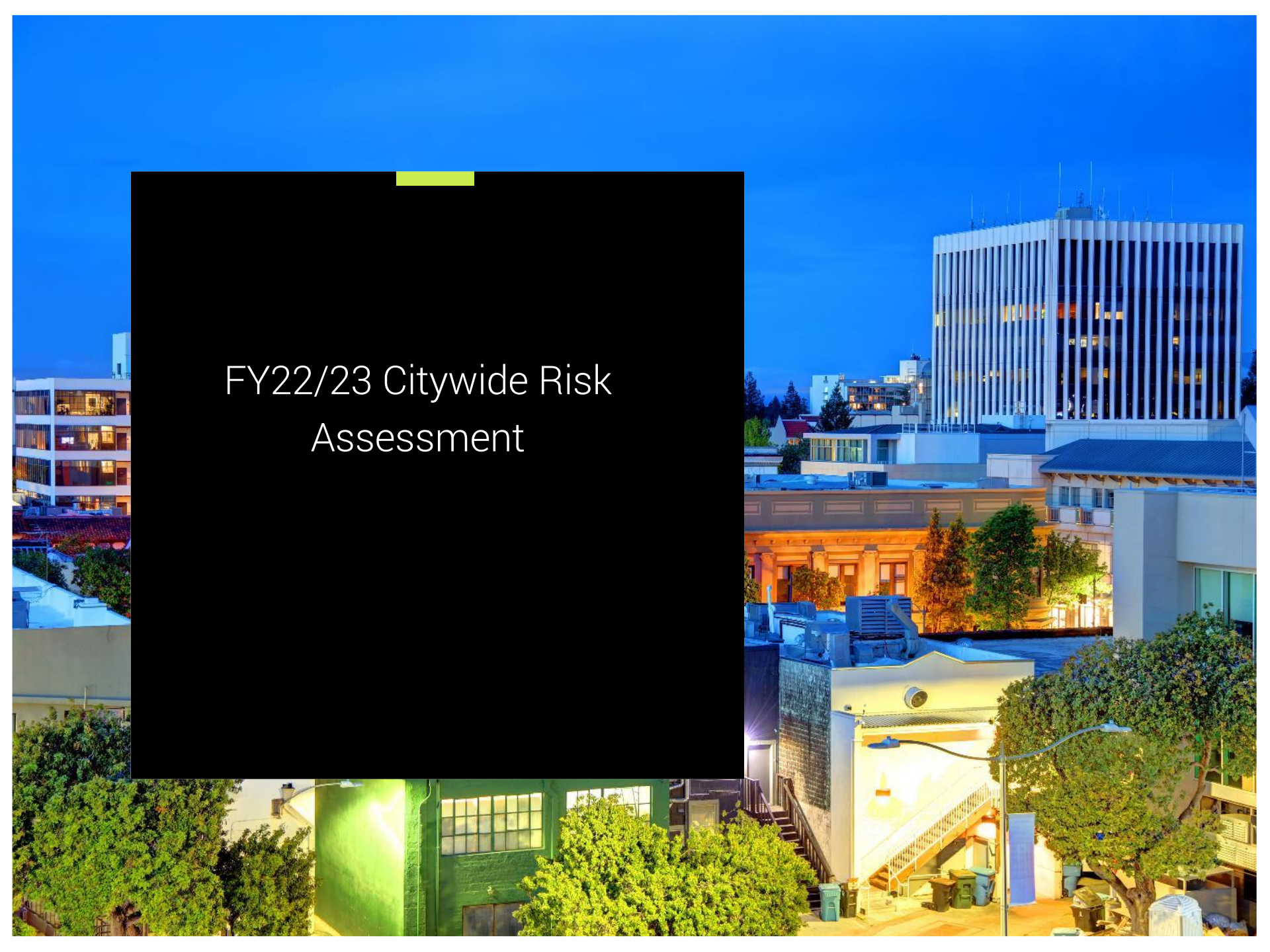


City of Palo Alto
Office of the City Auditor

FY22/23 Risk Assessment Report
and Audit Plan

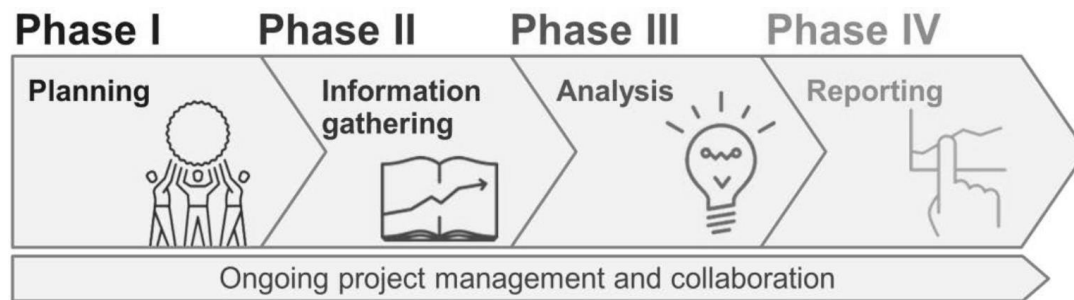
Policy and Services Committee
March 8, 2022





FY22/23 Citywide Risk
Assessment

Citywide risk assessment



Project phases:

1. Planning – workplan finalization, project kick-off activities
2. Information gathering – information review, interviews, **survey**
3. Analysis – document auditable areas and score risks based on likelihood and impact
4. Reporting – draft and finalize risk assessment report

Risk considerations

Risk types:

- Financial
- Operational
- Technology
- Fraud
- Strategic
- Compliance
- Reputation

Risk scoring:

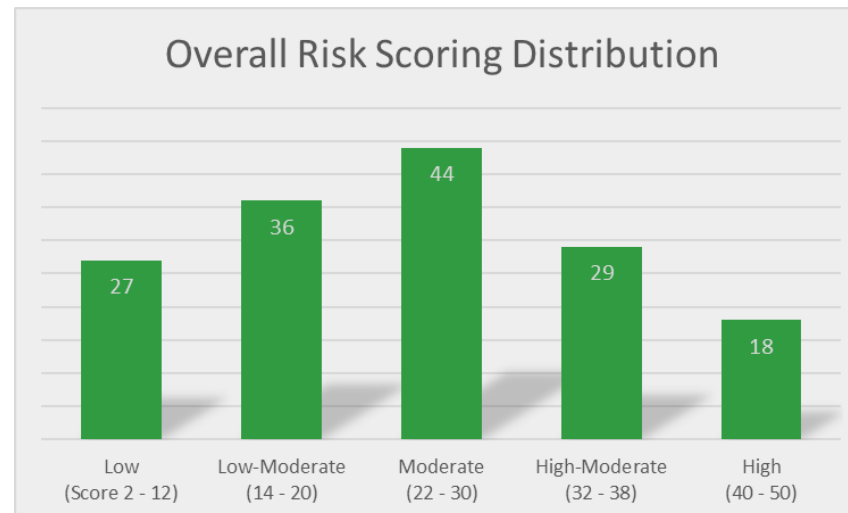
- Likelihood – probability of an adverse event occurring
- Impact – financial or other impact of an adverse event occurring
- Overall scoring is ‘right-sized’ to Palo Alto

Key considerations

- Overall note – we are *not* drawing conclusions, but rather assessing areas of risk to inform the audit plan; we have not performed activities that would enable us to document findings or make recommendations.
- Risk categorization:
 - Environment, Strategy, and Governance
 - Major Projects and Initiatives
 - Function Specific Risks

Results overview

- Identified 154 auditable areas
- Primary purpose is to inform the Audit Plan





FY22/23 Audit Plan

Audit plan considerations

- Citywide risk assessment
- Ability to add value
- City Council direction
- Audit coverage
- Prior audits
- “Ripeness” and on-going internal initiatives
- Scheduling

Audit plan orientation

- Requirement of the City Auditor to develop an Annual Plan
 - In this case, we have a tentative plan through the end of FY23; audits are grouped into three phases
 - Risk assessment is an annual activity
 - Ability to be agile
- 'Audit Activity' refers to any project
- Task order approval

Audit plan – overview of phases



Audit Activities – Phase II

	Project Title	Audit Objectives
X	Remote and Flexible Work Study	<ul style="list-style-type: none"> Assess employee and management perspectives for long-term remote and flexible work viability and associated challenges Evaluate positive outcomes and challenges for managing a mixed location workforce Identify policies, processes, management practices and work culture improvements that may improve the City's ability to manage a remote workforce
X	Cybersecurity Assessment	<ul style="list-style-type: none"> Map current state security capabilities to the NIST Cybersecurity Framework 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
X	Wastewater Treatment Plant Agreement Audit	<ul style="list-style-type: none"> Evaluate whether direct and indirect costs incurred by the City are properly allocated to the operation of the Wastewater Treatment Plant. Review whether costs are properly allocated to the various parties to the Wastewater Treatment Plant Agreement.


Audit Activities – Phase III

Project Title	Audit Objectives
Contract Management - ALPR Technology	<ul style="list-style-type: none"> • Determine whether policies and procedures are implemented effectively to protect the privacy of personal information gathered using ALPR technology for the City's parking management. • Determine whether the City monitors the vendor's performance to ensure the compliance with contract terms and applicable laws and regulations related to data privacy.
Investment Management	<ul style="list-style-type: none"> • Determine whether adequate controls are in place and operating effectively to ensure that investments are managed in accordance with the investment management and other relevant policies. • Assess the organizational structure and operations of the investment portfolio management function against best practice.
Disaster Recovery Preparedness	<ul style="list-style-type: none"> • Determine whether a formal disaster recovery plan exists and aligns with the City's needs for business continuity • Determine whether a disaster recovery plan is periodically tested and updated to ensure a successful recovery
Procurement Process	<ul style="list-style-type: none"> • Determine whether adequate controls are in place and working effectively to ensure that the appropriate vendors are selected properly to achieve desired objectives • Identify the opportunities to improve the efficiency and effectiveness of the procurement process
Long Range Planning	<ul style="list-style-type: none"> • Review progress against intended goals and identify any gaps • Determine whether an effective control environment exists for the Long Range Planning group to maintain City's Comprehensive Plan
ADA Compliance	<ul style="list-style-type: none"> • Determine whether adequate controls are in place and working effectively for data analyses • Determine whether improvements have been made to make facilities, programs, and services accessible in accordance with the Transition Plan and Self-Evaluation Final Study to ensure compliance with the Americans with Disabilities Act (ADA) OF 1990

Policy & Services Committee Action

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

- Review the Fiscal Year 2022/23 Risk Assessment Report and Recommend City Council Approval
- Review the Fiscal Year 2022/23 Audit Plan Report and Recommend City Council Approval
- Review the following Task Orders identified in the Audit Plan Report and Recommend City Council Approval
 - Remote and Flexible Work Study
 - Cybersecurity Assessment
 - Wastewater Treatment Plant Agreement Audit



Questions & discussion





Thank you!

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