

INTERNAL AUDIT PROGRAM UPDATE

Finance Committee Meeting – January 15, 2026



BACKGROUND

- In March 2025, an enterprise risk assessment was presented to the Finance Committee, identifying 12 focus areas for future reviews.
- Three of the focus areas were audited and those audits were completed in Fall 2025.
- The remaining nine focus areas will be audited over the next several years.

Current Progress on 2025 Internal Audit Workplan

	Key Control	Progress	Task Resource
1	Long-Term Funding Strategies & Cost Recovery	Complete	Eide Bailly
2	Risk Management	Complete	Eide Bailly
3	Grant Management	Complete	The Pun Group
4	Cash & Investments		
5	Special District Administration		
6	Post-Issuance Debt Compliance		
7	Disbursement Cycle		
8	Payroll		
9	Inventory Management		
10	Financial Reporting		
11	Billing & Collections		
12	Budget Administration		



INTERNAL AUDIT PROGRAM FINDINGS

Long-Term Funding Strategies & Cost Recovery

- City staff retained Eide Bailly to assess the City's long-term funding strategies and cost recovery practices, including how financial needs are identified, whether actions align with adopted policies, and the extent to which those practices reflect public financial management best practices.
- The assessment recommended presenting the full 40-year Facilities Finance Plan to support longer-term financial planning and periodically analyzing equipment maintenance rates to ensure they reflect actual operating costs and remain equitable for user departments.



INTERNAL AUDIT PROGRAM FINDINGS

Risk Management

- City staff retained Eide Bailly to assess the City's risk management program, examining claims handling, insurance coverage and renewals, reserve adequacy, and cost recovery, supported by staff interviews and a review of policies, procedures, and related documentation.
- The assessment recommended strengthening written claims administration procedures, increasing the frequency of damage recovery collection efforts, expanding annual claims analysis to include historical trends for management purposes, and conducting a review of factors contributing to higher general liability claim costs.



INTERNAL AUDIT PROGRAM FINDINGS

Grant Management

- City Staff engaged The Pun Group to review and assess grant-related policies, procedures, and systems, including reimbursement and expenditure tracking, subrecipient monitoring, and financial and performance reviews, through interviews, documentation review, and internal control testing.
- The assessment resulted in recommendations to strengthen grant management, including enhancing departmental expenditure review and coordination with Finance, formalizing subrecipient monitoring procedures in Policy F-25, and implementing a grant management training program for all departmental administrators.





QUESTIONS?