



FY 2020-21 Internal Audit Program Reports



**Finance
Committee**

January 13, 2022

1



Background

- The City's internal audit program was initiated in 2020
- Goal to continuously review various areas of City operations with both financial and operational reviews
- Five topics were identified for review in FY 2020-21

No.	Topic	Progress	Task Resource
1	Procurement Operational Review and Internal Controls Testing	Complete	MGO
2	Cash Handling Internal Controls Testing	Expected January 2022	Moss Adams
3	Information Technology Operational Review and Internal Controls Testing	Expected January 2022	Moss Adams
4	Fiscal Policy Inventory and Implementation Plan	Complete	Moss Adams
5	Inventory Management Internal Controls Testing	Complete	City Manager's Office

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2

2



Procurement Review: Goals and Methodology

- The procurement operational review was completed by Macias, Gini, & O'Connell (MGO)
- Objectives included:
 - Soliciting feedback on procurement challenges and opportunities
 - Evaluating the City's procurement and contracting functions relative to best practices and policies in peer agencies
 - Reviewing and recommending performance metrics to evaluate operational effectiveness and efficiency
 - Providing recommendations for improvement opportunities
- MGO reviewed existing policies, procedures, and workflows and conducted interviews with staff throughout the City

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3

3



Procurement Review: Results

- Key findings of the MGO review included identifying a need to:
 - Enhance communication protocols to include consistent and regular communication to departments on process changes and policy updates
 - Provide clear direction on the roles and responsibilities for participants in the procurement process
 - Update procurement and contracting policies and procedures to be consistent with one another as well as reflective of current practices
 - Increase the purchasing thresholds
 - Implement changes to streamline existing procurement processes
- Staff concur with the MGO findings and recommendations and have created a work plan for implementation, prioritized by risk level
 - Policy recommendations will be presented to the Finance Committee for consideration in September 2022

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4

4



Fiscal Policies Review: Goals and Methodology

- The fiscal policies operational review was completed by Moss Adams
- Objectives included:
 - Identifying gaps in the City's financial policies based on best practices
 - Preparation of a prioritized work plan to assist in closing the gaps
- The Moss Adams review:
 - Categorized gaps as full, major, or minor
 - Prioritized gaps as high, moderate, or low risk

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5

5



Fiscal Policies Review Results

- The Moss Adams review categorized the City's policy areas as follows:
 - High Risk – Inventory
 - High Risk – Procurement (separately addressed in the MGO review)
 - High Risk – Revenue and Accounts Receivable
 - Moderate Risk – 6 areas
 - Low Risk – 13 areas
- Staff concur with the Moss Adams findings and recommendations and have developed a work plan to implement the required policy revisions
 - Standardized templates and structure for all policy documents
 - Phased approach over approximately a two-year period to implement recommendations
- It is also important to note that the City does have appropriate internal controls in place relative to the identified high and moderate risk areas

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6

6



Inventory Management Review: Goals and Methodology

- The inventory management operational review was completed by Assistant City Manager Carol Jacobs
- Objectives included:
 - Identifying strengths and weaknesses of the warehouse and auto parts inventory operations
 - Recommending how to maximize efficiencies given current resources
- The internal review:
 - Included interviews with Finance Department staff as well as staff in departments utilizing the warehouse and auto parts inventory
 - Analyzed inventory usage, accounting records, internal controls documentation, and procedures
 - Generated recommendations for improvements in staffing utilization, accounting, inventory management, and fleet management

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7

7



Inventory Management Review: Results

- Key findings of the internal review included:
 - Providing more direct supervision of the central warehouse and auto parts inventory staff
 - Conducting a full inventory of auto parts, reconciling the inventory to the inventory management system, and purging unused or infrequently used parts
 - Evaluating staffing to ensure that resources are best utilized and assigned
 - Evaluating which inventory items are appropriate to stock versus order on demand or have vendors order as part of service and maintenance contracts
 - Improving instructions and forms to streamline the procurement and contracting process.
- Staff concurred with the findings and recommendations and have implemented or are in the process of implementing the recommendations
 - Implementation will be complete within six months

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8

8



Recommendation and Next Steps

- Three reports have been presented to the Finance Committee in today's report
- The Committee may wish to provide feedback to the City Manager regarding these reports
- The two remaining reports from the FY 2020-21 internal audit program will be presented to the Finance Committee at the February meeting
 - Cash Handling Internal Controls Testing
 - IT Operational Review and Internal Controls Testing (limited to the City's financial system)

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9

9



Questions?

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10

10