



## City Council Supplemental Report

CITY OF  
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**From: Kate Murdock, City Auditor**

**Meeting Date: December 16, 2024**

**Item Number: 21**

Report #:2412-3875

### **TITLE**

SUPPLEMENTAL REPORT: Approval of Audit Reports and Task Orders: 1) ADA Compliance Audit and Recruitment & Succession Planning Audit; 2) Annual Risk Assessment and 2025 Audit Plan; 3) Task Order Execution for Remaining FY25 Tasks; and 4) Realignment of FY 2024 and FY 2025 Task Order Budgets with No Fiscal Impact as Reviewed by Policy & Services Committee; CEQA: Not A Project

### **RECOMMENDATION**

The following reflects a revised recommendation in alignment with the Policy & Services Committee actions on December 10, 2024 where the committee unanimously recommended Council approval of these agenda items. Changes from the original staff report have been underlined for convenience.

Policy & Services Committee and City Auditor recommend the City Council:

- 1) Approve the following audit reports:
  - a) ADA Compliance Audit<sup>1</sup> as recommended by the Policy & Services Committee on November 6 2024;
  - b) Recruitment & Succession Planning Audit<sup>2</sup> as recommended by the Policy & Services Committee on December 10, 2024;
  - c) Approve the FY 2024 annual risk assessment and 2025 audit plan as recommended by the Policy & Services Committee on December 10, 2024<sup>3</sup>.

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<sup>1</sup> Policy & Services Committee, November 6, 2024, Agenda Item #2,  
<https://portal.laserfiche.com/Portal/DocView.aspx?id=106161&repo=r-704298fc&searchid=0759e1e3-bc8f-4010-8f4f-d598698c0cc5>

<sup>2</sup> Policy & Services Committee, December 10, 2024, Agenda Item #4,  
<https://cityofpaloalto.primegov.com/meetings/ItemWithTemplateType?id=6263&meetingTemplateType=2&compiledMeetingDocumentId=12450>

<sup>3</sup> Policy & Services Committee, December 10, 2024, Agenda Item #5,  
<https://cityofpaloalto.primegov.com/meetings/ItemWithTemplateType?id=6663&meetingTemplateType=2&compiledMeetingDocumentId=12450>

- 2) Approve execution of the following task orders:
  - a) Approve remaining FY2025 Task orders Attachment A:
    - i) FY25 Risk Assessment, FY25 Annual Audit Plan development, resulting in the FY2026 Annual Audit Plan, FY 2025 External Financial Auditor; and
    - ii) FY 2025 Audit Plan Task Orders Task 4, sub tasks 29-34 as outlined in the audit plan in recommendation 1.c.
  - b) Amend FY2024 and FY2025 Audit Office operating budgets with no fiscal impact to better align with tasks performed recommended by the Policy & Services Committee on December 10, 2024<sup>4</sup>
    - i) Amend FY2024 Task 4: Execute the Annual Audit Plan to realign the authorized budget with a net zero impact overall: Task 4.22: ADA Compliance Audit reduced by \$11,000, Task 4.23: Recruitment & Succession Planning Audit increased by \$3,500, Task 4.25: Emergency Preparedness/Wildfire Audit Increased by \$2,000, Task 4.26: Utility Billing increased by \$3,000, and Task 4.28: Dispatch Center Assessment increased by \$2,500.
    - ii) Amend FY2025 budget to realign the authorized budget with a net zero impact overall: Task 1: Citywide Risk Assessment reduced by \$40,000, and Task 5: Preparation of Quarterly Reports, Annual Status Reports, Provision of the City Hotline and Other Ongoing Administrative Functions increased by \$40,000.
- 3) Direct the City Auditor to consider a Procurement Performance Audit and Customer Service Audit as part of the Fiscal Year 2026 Audit Plan Report, to be reviewed by the Policy & Services Committee.

## ANALYSIS

The Policy & Services Committee reviewed three agenda items included in this consent calendar agenda item #21 on the City Council December 16, 2024 agenda. This supplemental report reflects a revision to the recommendation to:

- Align with the Committee's recommendation that City Council approve these actions.
- Include a recommended referral by the Committee to the City Council for direction on the coming 2026 audit plan.

The Committee held a discussion about the desire to review two topics areas in the 2026 audit work plan including procurement performance and customer service. Ultimately, the committee unanimously agreed to recommend this be referred for the City Auditor's consideration as part of the 2026 work plan development, expected to be brought back to the Committee for review in the Spring 2025.

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<sup>4</sup> Policy & Services Committee, December 10, 2024, Agenda Item #3, <https://cityofpaloalto.primegov.com/meetings/ItemWithTemplateType?id=6541&meetingTemplateType=2&compiledMeetingDocumentId=12450>

*Recommended Task Orders for Approval:*

For clarity and visibility, attached to this supplemental report are the task orders recommended to be executed, in alignment with the FY 2025 Audit Work Plan, FY 2025 annual tasks by the City Auditor (Attachment A).

Task Orders recommended for approval include the following. All task orders for FY 2025 remain in alignment with the contract terms for annual tasks, and financial authority. In total, \$11,050 remain unallocated for unforeseen costs.

| <b>FY 2025 Office of the City Auditor Task Orders</b>                     | <b>FY 2025 Total Cost</b> |
|---|---------------------------|
| FY25-01 Citywide Risk Assessment (recommended reduction of \$40,000)      | \$15,000                  |
| FY25-02 Annual Audit Plan   | \$10,500                  |
| FY25-03 External Financial Auditor  | \$25,000                  |
| FY25-05 Various Reporting & City Hotline (recommend increase of \$40,000) | \$100,000                 |
| FY25-4.29 Purchasing Card Program   | \$95,670                  |
| FY25-4.30 Building Permit and Inspection Fees                             | \$95,670                  |
| FY25-4.31 Junior Museum and Zoo   | \$89,900                  |
| FY25-4.32 CSD Equipment and Materials Inventory Management                | 89,900                    |
| FY25-4.33 Public Safety Staffing  | \$95,670                  |
| FY25-4.34 Follow-Up Audit Activities                                      | \$59,390                  |
| <b>Subtotal, Recommend Approval Task Orders</b>                           | <b>\$676,700</b>          |
| FY25-06 Evaluation & Benchmarking (previously approved)                   | 21,000                    |
| Unassigned  | \$11,050                  |
| <b>Total City Auditor Services (Baker Tilly) Contract</b>                 | <b>\$708,750</b>          |

FY 2024 Task Order Net Zero Realignment. These adjustments reflect a reconciliation of the actual costs to complete these audits and recommended realignment of the budget with no impact to the total cost of the FY 2024 Annual Audit Plan. The details of the task orders can be found in the December 10, 2024 Policy and Services Committee item.

| <b>FY 2024 Task Order</b>                          | <b>Financial</b> |
|--|------------------|
| Task 4.22: ADA Compliance Audit                    | - \$11,000       |
| Task 4.23: Recruitment & Succession Planning Audit | +\$3,500         |
| Task 4.25: Emergency Preparedness/Wildfire Audit   | +\$2,000         |
| Task 4.26: Utility Billing                         | +\$3,000         |
| Task 4.28: Dispatch Center Assessment              | +\$2,500         |
| <b>Total FY 2024 Cost Adjustment</b>               | <b>\$0</b>       |

**ATTACHMENTS:**

Attachment A: FY 2025 Task Orders

**APPROVED BY:** Kate Murdock, City Auditor