December 12, 2023

City of Palo Alto

Office of the City Auditor

FY2023 Annual Risk Assessment

Contents

Introduction

Overview

According to City Ordinance of the City of Palo Alto (the City), the mission of the Office of the City Auditor (OCA) is to promote honest, efficient, effective, economical, and fully accountable and transparent city government. To fulfill this mission, the OCA conducts performance audits and performs financial/operational analyses of city departments, programs, services, or activities as approved by the City Council. (Section 2.08.130). In its capacity serving as the City Auditor function, and in accordance with Baker Tilly's agreement with the City (Task #1 of the agreement), Baker Tilly US, LLP (Baker Tilly) conducted the fiscal year(FY) 2023 citywide risk assessment in order to develop the FY2024 annual audit plan (Task #2).

The California Government Code Section 1236 requires all cities that conduct audit activities to conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards (GAO) issued by the Comptroller General of the United States, as appropriate. According to the IIA Standard 2010, the head of internal audit function "must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals" and consider the input of senior management and a governing board.

The purpose of the risk assessment is to develop an internal audit plan that assigns internal audit resources to the activities that add the most value to the City. The risk assessment process involves identifying, measuring, and prioritizing risks associated with the audit universe (list of specific departments, functions, processes, programs, etc. that can be subject to an audit). Risk is defined as "the possibility of an event or condition occurring that will have an impact on the ability of an organization to achieve its objectives."[1]

Our risk assessment involved collaboration with City Council and executive leadership from 14 main departments across the organization. This report summarizes our risk assessment methodology, analysis, and results. The FY2024 annual audit plan is based on the results of this risk assessment.

Through the risk assessment, we observed certain strengths of the City. Key strengths include:

- Commitment to public service
- High value on efficient and effective government
- Focus on long term strategy
- Dedicated and highly professional management and staff
- Demonstrated history of innovation and commitment to sustainability

Risk Assessment Process Considerations

The starting point of the internal auditing is to conduct a risk assessment that is the basis for determining the internal audit activities. However, it is not a one-size-fits-all process. The scope and complexity of risk assessment are affected by various factors such as the maturity level of the internal audit function's products and services, the organization's enterprise risk management efforts, coordination with other monitoring and risk management functions, and the stakeholders' expectations. As every organization is subject to changing environment, the results of the annual risk assessment represent the information considered at the time of the assessment.

In addition to the annual macro-level risk assessment, the internal audit function is required to perform an engagement-level risk assessment when starting each audit listed in the approved audit plan. The IIA Standard 2200 states, "Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement."

[1] Rick A. Wright Jr., CIA, "The Internal Auditor's Guide to Risk Assessment" The Institute of Internal Auditors Research Foundation (IIARF), 2018

Risk Assessment Approach

Baker Tilly's risk assessment approach consisted of four phases as illustrated in the graphic below.

2023 RISK ASSESSMENT PHASES	
Planning	• Prepared risk assessment survey questions and the online survey tool. • Scheduled the interviews with City Council members and Executive Leadership Team (ELT) members.
Information Gathering	• Reviewed the key documents such as City Council Priorities and the progress report, the budget documents, the annual comprehensive financial report, departmental strategic plans, employee turnover, the information on the City's website and other relevant documents. • Distributed a link to the online survey to the selected 51 managers. The survey responses were downloaded in Excel spreadsheet. • Interviewed all City Council Members and ELT members (25 individuals) to identify the events and conditions that may affect the achievement of objectives. • Updated the risk assessment matrix with the information gathered.

Analysis	• Analyzed the survey responses.
	• Scored the auditable units (listed in Appendix A) in the risk assessment matrix based on the likelihood and the impact[2] of potential adverse events.
	  ○ Each of the auditable units received scores for various risk factors related to the likelihood or impact (defined in Appendix B).
	  ○ Risk factor scores were summed to create a single score for the auditable unit.
	• Identified potential internal audit activities for the auditable units with high risk scores.

Reporting	• Summarized the approach and results of the risk assessment

Baker Tilly conducted an initial comprehensive risk assessment in FY2021 by interviewing all Council Members and Executive Leadership Team (ELT) members to create a risk assessment matrix. For the FY2022 risk assessment, surveyed all ELT members and some additional members of management and conducted interviews with available Council Members as well as key ELT members representing areas of perceived high risk (e.g., Information Technology, Human Resources). For the third year risk assessment, all Council Members and ELT members were interviewed, the selected 51 managers were surveyed, and the risk assessment matrix was redeveloped for a comprehensive picture of the risk landscape, which will be continuously improved.

Our risk assessment primarily measured inherent risk (the risk without mitigating controls/factors) for each risk factor although we also considered specific risks based on the City's processes, controls, and other factors we learned through internal audit activities. Using the information gathered, we identified risks and determined the likelihood and impact of the risks.

[2] Likelihood is the possibility that an event will occur. Impact is the extent to which an event might affect an organization.

Survey Results

Baker Tilly team conducted an online risk assessment survey to gather management's insights for all City departments and received 47 responses (92% response rate). The survey questions are listed in Appendix C.

Changes over the past 12 months

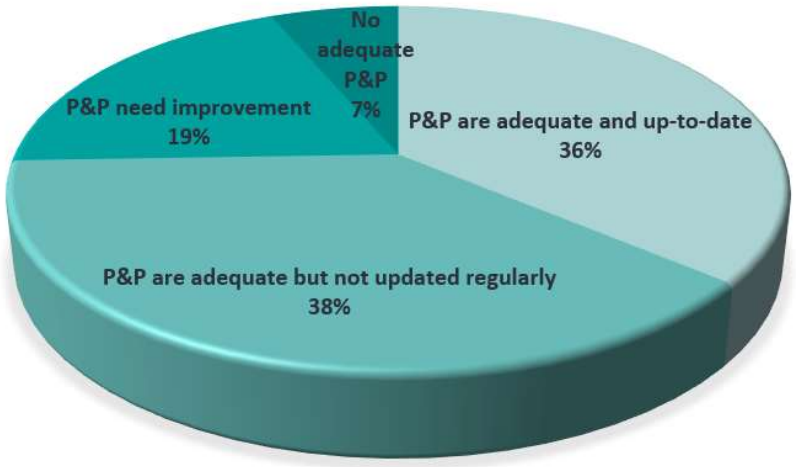
All organizations are subject to changing environments that can influence risk to organizations. The COSO[3] *Internal Control – Integrated Framework*[4] highlights the influence of change in one of the 17 principles. Principle 9 states, "the organization identifies and assesses changes that could significantly impact the system of internal control." The survey participants were asked to select all significant changes for their team or department during last 12 months.

Changes for team or department	# of Response
New/additional staff	33
Unfilled positions	28
Change in workload	23
New software	19
Change in organizational structure	17
New workflows or business processes	13
New or significant changes in information technology systems	13
Change in compliance requirements (due to changes in policies/contracts/laws/regulations)	11
New vendors and contractors	11
Significant changes in processes or controls	7
Workforce reduction	7
Increased undesirable performance or instances (such as injuries/complaints/customer dissatisfaction/etc.)	6
Change in goals/objectives/performance measures	6
Change in culture	3
Other	4

Policies and Procedures

Policies and procedures provide a roadmap for daily operations to ensure compliance with laws and regulations, give guidance for decision-making, and establish the standards and internal controls.

The survey participants were also asked to select the current state of the policies and procedures necessary to perform their job responsibilities.



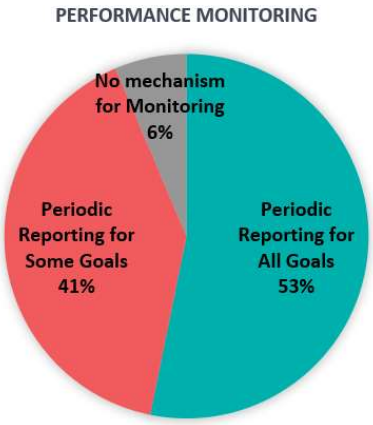
[3] The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is sponsored jointly by five major professional associations headquartered in the United States: the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), Financial Executives International (FEI), the Institute of Internal Auditors (IIA), and Institute of Management Accountants (IMA). https://www.coso.org/

[4] *Internal Control – Integrated Framework* provides principles-based guidance for designing and implementing effective internal controls. This framework has become the most widely used internal control framework in the U.S. https://www.coso.org/guidance-on-ic

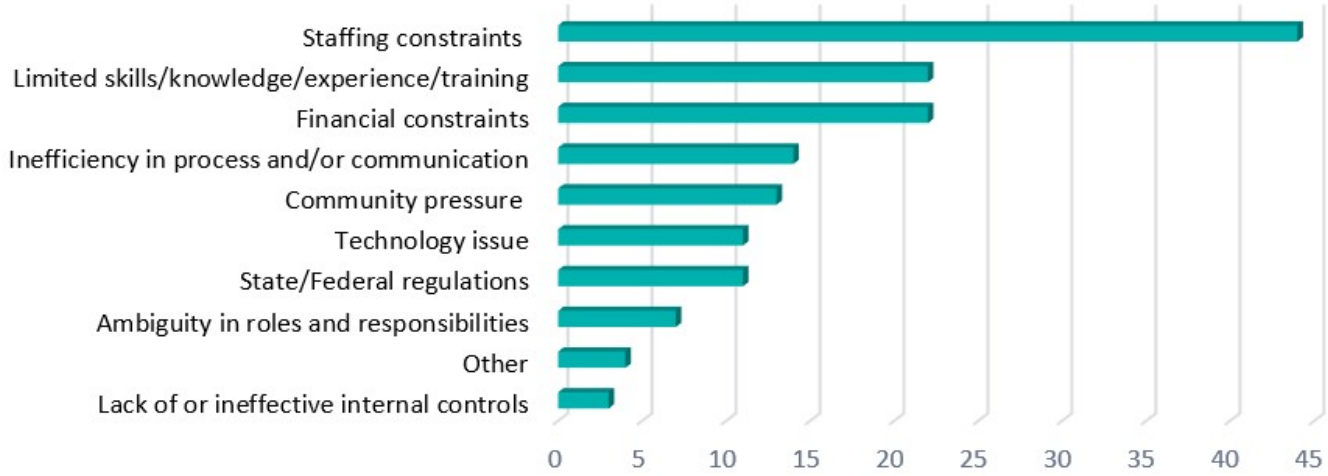
Barriers to meeting goals and objectives in FY2024

The COSO *Enterprise Risk Management—Integrating with Strategy and Performance*[5] provides insight into the links between strategy, risk, and performance through 20 principles. Principle 10 states, "the organization identifies risk that impacts the performance of strategy and business objectives."

The survey participants were asked about their team/department's periodic reporting on significant goals and compliance requirements to monitor the performance. The pie chart shows the results.



The survey participants were also asked what can possibly prevent their team/department from meeting its goals and objectives in 2024. The results are summarized below.



Top risk areas selected by the survey participants

Rank	Risk Area
1	Citizen Demands
2	Succession Planning
3	Economy
4	Human Capital Management
5	Human Resources
6	Procurement/Sourcing
7	Security
8	Regulatory
9	Reputation
10	Resource Allocation
11	Efficiency
12	Document Retention
13	Leadership and Authority
14	Technologies
15	Strategic Change

The survey participants were asked to select and rank the top five risk areas from 31 risk areas listed in the survey. Based on the number of selection and the ranking given by them, the top 15 risk areas were identified.

For the risks they selected:

- 59.6% of the participants think the City management is aware of the risk, but more efforts are needed to help mitigate the risks.
- 34.0% of the participants think the City management is aware of the risks and has implemented activities to help mitigate the risks.
- 6.4% of the participants think the City management is either not aware of the risks or have not developed sufficient activities to help mitigate the risks.

[5] *Enterprise Risk Management—Integrating with Strategy and Performance* addresses the need for organizations to improve their approach to managing risk to meet the demands of an evolving business environment. https://www.coso.org/guidance-erm

Risk Assessment Results

Department Descriptions and Key Risk Areas

When identifying risk areas throughout the City, Baker Tilly considered each department and associated risks. Based on the concerns described by interviewees and survey respondents, departments' functions, and their inherent risks, Baker Tilly identified the auditable risk areas for each department. Below is an overview of the City's departments and their key risk areas.

Administrative Services

The Administrative Services Department provides financial and analytical support to the City. Departmental functions include finance and accounting, purchasing, administration, budget, real estate, and others.

Key Risk Areas

- Purchasing card program
- Vendor master file
- Property management
- Grant management

City Attorney's Office

The City Attorney's Office provides legal services to the City, including providing legal advice and training to City leaders, negotiating on behalf of the City, drafting contracts and other legal documents, investigating claims, and defending the City in litigation

Key Risk Areas

- Identification of legal risks
- Contracts and legal documents

City Clerk's Office

The City Clerk serves as a liaison between the public and City Council. Office functions include Public Records Act requests, public hearings, local elections, board and commission recruitments, record management, and others.

Key Risk Areas

- Election administration
- Record management
- Council meeting management

City Manager's Office

The City Manager's Office provides leadership to the City departments and is responsible for facilitating City Council legislative actions, managing special interdepartmental projects, and more. The Communications Office is housed under the City Manager's Office and is the primary correspondent between the City and the public.

Key Risk Areas

- Citywide risk management
- Economic development

Office of Transportation

The Office of Transportation works to enhance quality of life and improve the safety of the users of all modes of transportation. The Office is responsible for sustainable transportation systems, manage parking, and oversees the City's traffic and transportation capital improvement projects.

Key Risk Areas

- Intersection safety improvements
- Federal Railroad Administration (FRA) Quiet Zone
- Parking permit revenue

Community Services Department

The Community Services Departments offers a variety of services administered through the following three divisions and the Office of Human Services: Arts and Sciences; Open Spaces, Parks, and Golf; and Recreation.

Key Risk Areas

- Human Services Resource Allocation Process (HSRAP)
- Junior Museum and Zoo (JMZ) Operation
- Contract management

Fire

The Fire Department oversees emergency response such as ambulance transports and fire response/rescue, emergency protection services such as fire prevention, and hazardous materials planning. The department highlights safeguarding the community and compassionate care.

Key Risk Areas
- Emergency Preparedness (Foothills Fire Master Plan)
- Safety and Wellness

Human Resources

The Human Resources Department is responsible for recruiting, developing, and retaining a well-qualified and professional workforce. The Department ensures compliance with relevant labor laws, adheres to record keeping practices, and serves as a strategic partner for executive decision making.

Key Risk Areas
- Recruitment
- Succession Planning
- HR Strategy & Risk Management
- Workplace Safety

Information Technology

The Information Technology Department's provides innovative technology solutions that support City departments. The department oversees IT project management, operations, enterprise systems, and security services.

Key Risk Areas
- PCI/DSS Compliance
- AMI Implementation
- ERP Upgrade

Library

The Library Department operates five libraries throughout the City, each offering unique resources. The Library provides educational programming, multi-cultural events, and large and diverse book, information and technology resources.

Key Risk Areas
- Operations
- Events and Programming

Office of Emergency Services

The Office of Emergency Services is designed to prevent, prepare for, and recover from various hazards. The Office is responsible for overseeing various risk management programs.

Key Risk Areas
- Emergency preparedness (Foothills Fire Mitigation Program)

Planning and Development Services

The Planning Department supports the City in land use development, planning, transportation, housing and environmental policies, and plans and programs that “maintain and enhance the City as a safe, vital, and attractive community”.

Key Risk Areas
- Building Permit & Inspection
- Zoning Ordinance
- Code Enforcement
- Long Range Planning

Police

Palo Alto’s Police Department oversees technical services such as dispatch and record management, field services such as patrol and emergency response, and animal control. The Police Department also places a high value on community relations.

Key Risk Areas
- Crime Reduction
- Psychiatric Emergency Response Team (PERT) Program
- Safety and Wellness
- Training

Public Works

The Public Works Department is broken into four divisions: Engineering, Airport, Public Services, and Environmental Services. The Divisions are responsible for a variety of tasks

Key Risk Areas
- Wastewater treatment capital program

including design and implementation of capital projects, maintenance of City-owned and leased structures, and management of the solid waste programs.

- The Americans with Disabilities Act (ADA) compliance
- Flood protection capital project
- Airport Operations

Utilities

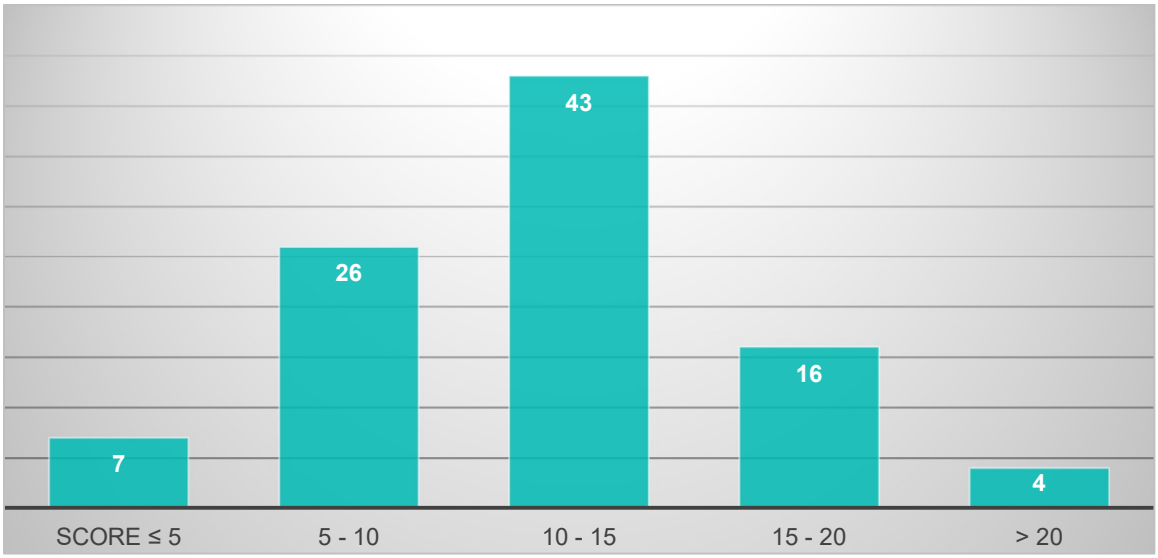
The Utilities Department owns and operates electric, gas, water, wastewater and fiber optic services to the City. The City purchases all their power from external sources. The mission of the Department is to "provide safe, reliable, environmentally sustainable and cost effective services."

Key Risk Areas

- Power Purchase Agreements
- Utility Billing
- Rate Setting and Adjustment
- Utility Asset Management

Overall Risk Scoring Distribution

Baker Tilly structured the audit universe based on the department/division/program from the budget document and management's feedback, which resulted in 96 auditable units (Appendix A). We scored them based on the information gathered for each risk factor related to the likelihood, impact, or fraud. Appendix B lists the risk factors, definitions, and scoring method. The maximum score for an auditable unit is 30. The following chart shows the distribution of overall risk scoring.



Baker Tilly rated the auditable units as follows:

- High Risk – Scores 14 and above
- Moderate Risk – Scores more than 9 and less than 14
- Low Risk – Scores below 9

Listed in the following page are the auditable units with a score over 13 (out of 30) based on our scoring. The list includes 27 functions rated as high risk (with a score between 14 and 30) and 13 functions rated as moderate risk (with a score between 13 and 14). In determining the audit activities to be performed in FY2024, we further review specific risks and functional areas and consider risk-based priorities as well as other factors such as requirements by law or regulation, timing of activities, special projects, and requests from City Council and management. The proposed audit plan will be included in a separate FY2024 Annual Audit Plan Report.

Department	Function	Risk Area	Total Risk Score
Planning and Development Services	Building	Building Permit & Inspection Process	22.8
Public Works	Wastewater Treatment	Wasterwater Treatment Capital Program	22.4
Planning and Development Services	Development Services	Building Permit & Inspection Process	20.5
Public Works	Structures and Grounds	ADA Compliance / Flood protection capital project	20.0
Administrative Services	Purchasing	Purchasing Card Program / Vendor Master File	18.6
Police	Field Services	Psychiatric Emergency Response Team (PERT) Program	18.2
Utilities	Electric Administration	Power Purchase Agreement	18.2
Community Services	Administration and Human Services	Human Services Resource Allocation Process (HSRAP)	18.0
Community Services	Arts and Sciences	Junior Museum and Zoo (JMZ) Operation	18.0
Community Services	Recreation and Cubberley	Contract Management	18.0
Police	Technical Services	911 Operations	17.2
Community Services	Animal Shelter	Contract Management	16.9
Fire	Emergency Response	Emergency Preparedness (Foothills Fire Master Plan)	15.8
City Manager	Administration and City Management	Citywide Risk Management	15.6
Fire	Administration	Safety and Wellness	15.6
Planning and Development Services	Planning and Transportation	Code Enforcement	15.4
Office of Transportation	Programs	Intersection safety improvements	15.4
Utilities	Electric Engineering (Operating)	Utility Asset Management	15.3
Public Works	Airport	Airport Operations	15.1
Human Resources	Administration, Employee Org Development and HR Systems	HR Strategy / Succession Planning	15.1
Police	Police Personnel Selection	Recruitment and retention	14.9
Administrative Services	Treasury / Revenue Collection / Warehouse	Investment Management	14.9
Administrative Services	Real Estate	Property Management	14.7
Public Works	Engineering Services	Animal Shelter Renovation	14.3
Community Services	Open Space, Parks and Golf	Emergency Preparedness (Foothills Fire Master Plan)	14.1
Information Technology	Operations	PCI/DSS Compliance	14.1
Administrative Services	Accounting	Grant Management	14.0
Office of Emergency Services	Emergency Services	Emergency preparedness (Foothills Fire Mitigation Program)	13.9
Utilities	Electric Customer Service	Utility Billing	13.9
Information Technology	Project Services	AMI Implementation	13.8
Library	Administration	Business Operations (Donations and grants; Inventory Management; Fines, Purchasing, etc.)	13.8
Human Resources	Risk Mgmt., Safety, Workers' Compensation	HR Risk Management / Workplace Safety	13.8
Police	Law Enforcement Services	Evidence	13.8
Utilities	Water Customer Service	Utility Billing	13.6
City Manager	Economic Development	Economic Development	13.4
Human Resources	Recruitment	Recruitment Process	13.3
Utilities	Electric Resource Management	Rate setting and adjustments	13.2
Public Works	Administration	Safety and Wellness	13.0
Utilities	Gas Customer Service	Utility Billing	13.0
Utilities	Fiber Optics Customer Service	Utility Billing	13.0

Appendices

Appendix A: Audit Universe

City Attorney's Office
- Administration
- Consultation and Advisory
- Litigation and Dispute Resolution
- Official and Administration Duties

City Clerk's Office
- Administration
- Administrative Citations
- Council Support Services
- Election/Conflict of Interest
- Legislative Records Management

City Manager's Office
- Administration and City Management
- Economic Development
- Public Communication

Administrative Services Department
- Accounting
- Administration
- Office of Management and Budget
- Printing and Mailing
- Purchasing
- Real Estate
- Treasury/Revenue Collection/Warehouse

Community Services Department
- Administration and Human Services
- Animal Shelter
- Aquatics
- Arts and Sciences
- Open Space, Parks and Golf
- Recreation and Cubberley

Fire Department
- Administration
- Emergency Response
- Environmental Safety Management
- Records and Information Management
- Training and Personnel

Human Resources Department
- Administration, Employee Org Development and HR Systems
- Benefits and Compensation
- Employee and Labor Relations
- Recruitment
- Risk Management, Safety, Workers' Compensation

Information Technology Department
- Enterprise Systems
- Office of the CIO
- Operations
- Project Services

Library Department
- Administration
- Collection and Technical Services
- Public Services

Office of Emergency Services
- Emergency Services

Office of Transportation
- Administration
- Parking Districts
- Programs
- Special Revenue Funds

Planning and Development Services Department
- Administration

- Building
- Development Services
- Planning and Transportation
- Special Districts

Police Department
- Administration
- Animal Control
- Field Services
- Investigations and Crime Prevention Services
- Law Enforcement Services
- Parking Services
- Police Personnel Selection
- Technical Services
- Traffic Services

Department of Public Works
- Administration
- Airport
- Engineering Services
- Refuse
- Storm Drainage
- Streets
- Structures and Grounds
- Sustainability
- Trees
- Vehicle Replacement and Maintenance
- Wastewater Treatment

Utilities Department
- Electric Administration
- Electric Customer Service
- Electric Demand Side Management
- Electric Engineering (Operating)
- Electric Operations and Maintenance
- Electric Resource Management
- Fiber Optics Administration
- Fiber Optics Customer Service
- Fiber Optic Operations and Maintenance
- Gas Administration
- Gas Customer Service
- Gas Demand Side Management
- Gas Engineering (Operating)
- Gas Operations and Maintenance
- Gas Resource Management
- Wastewater Collection Administration
- Wastewater Collection Customer Service
- Wastewater Collection Engineering (Operating)
- Wastewater Collection Operations and Maintenance
- Water Administration
- Water Customer Service
- Water Engineering (Operating)
- Water Operations and Maintenance
- Water Resource Management

Appendix B: Risk Factor Definition

Factor	Definition	Weight
Impact Factors (the effect on the organization)		
Magnitude	A measure of materiality based on pervasiveness or volume of dollars or transactions; Scores based on the budgeted expenditure amount Extreme - 5: $50M or more Material - 4: $10M or more; Less than $50M Significant - 3: $3M or more; Less than $10M Moderate - 2: $1M or more; Less than 3M	30%
Customer / Resident Experience	Negative experience by customers and residents, such as perceived or actual safety concerns and unsatisfactory services, impacts negatively on the reputation / credibility of the organization Extreme - 5: Direct impact on health and safety Material - 4: Direct impact on transparency Significant - 3: Direct impact on customer satisfaction/City's reputation Moderate - 2: Indirect impact on customer satisfaction/City's reputation Inconsequential - 1: Immaterial impact on reputation / credibility	35%
Achievement of Organizational Goals	The greater the effect that a department or process has on the organization meeting strategic objectives and goals, the greater the related risks Extreme - 5: Directly relates to the City Council Priorities Material - 4: Supports the function/process directly related to the City Council Priorities Significant - 3: Has performance/workload measures related to City Council Priorities Moderate - 2: Somewhat relates to the City Council Priorities	35%
	HIGHEST TOTAL SCORE FOR IMPACT: 5	100%
Likelihood Factors (the probability of the risk occurring)		
Complexity	A measure of the difficulty in performing a process or function. As a process or function becomes more complex, the greater the opportunity for errors 5 - Very high complexity 4 - High complexity 3 - Medium complexity 2 - Low complexity 1 - Very low complexity	25%
Policies and Procedures	Policies and Procedures are a complete set of written instructions that guide personnel in the successful execution of their duties and the duties of the office for which they work. If the policies and procedures are adequate and up-to-date, a risk is lower 5 - No or little written P&P 4 - Some written P&P 3 - Basic P&P requiring improvements 2 - Adequate but outdated P&P	10%
Regulatory Compliance	Measures the existence of and potential noncompliance with, government regulations and other applicable laws, standards, and policies/procedures 5 - Requirements to meet more than a few laws/regulations and professional standards specific to the division's responsibilities	25%
Monitoring	Consider the existence of monitoring activities, including the results of last audits by Internal Auditor, External Auditor, Regulators, etc. and other known deficiencies 5 - Overall, there is no mechanism to monitor the status of performance goals/compliance requirements 3 - For only some of significant performance goals/compliance requirements, there is a periodic reporting process to ensure performance goals/compliance requirements are met 1 - For all significant performance goals/compliance requirements, there is a periodic reporting process to ensure performance goals/compliance requirements are met	10%
Specific Risks	Consider the existence of specific risk events/conditions and their significance 5 - Identified risk event(s)/condition(s) seem to significantly affect the likelihood 3 - Identified risk event(s)/condition(s) seem to have some impact on the likelihood 1 - No or very minor risk event(s)/condition(s) have been identified	30%
	HIGHEST TOTAL SCORE FOR LIKELIHOOD: 5	100%
Other Risk Factor		
Fraud Schemes	Consider the susceptibility to fraud, which is the opportunity for employees/vendors/customers/fraudsters to misappropriate resources or defraud the organization* 5 - High Risk 3 - Moderate Risk 1 - Low Risk	100%
	HIGHEST TOTAL SCORE FOR OTHER: 5	100%
	HIGHEST TOTAL SCORE 30	

* Considered fraud schemes listed in the Fraud Tree provided in the “Occupational Fraud 2022: A report to the Nations” by Association of Certified Fraud Examiners. Also considered are cyber fraud schemes.

Appendix C: Survey Questions

The Office of City Auditor is conducting the 2023 Risk Assessment to identify and prioritize risks in order to update the annual audit plan. As part of our 2023 Risk Assessment, we are conducting a survey. This survey is used primarily to collect information related to changes in operations, emerging issues and risks the City faces, and to gather your perspective on key risks faced by your department. Your candid responses would be greatly appreciated to assess the risks that prevent the City of Palo Alto from achieving its mission, goals, and objectives.

Questions 1-7 remain the same for both options.

1. **Please provide your name, title, department, and email address:**
   - Name
   - Title
   - Department
     - City Council
     - City Attorney
     - City Manager's Office – Other than Transportation
     - City Manager's Office – Transportation
     - Administrative Services
     - City Clerk's Office
     - Community Services
     - Emergency Services
     - Fire
     - Human Resources
     - Information Technology
     - Library
     - Planning
     - Police
     - Public works
     - Utilities
   - Email address

2. **Describe any significant changes for your team or department during last 12 months. Select all that apply.**
   - New software
   - New workflows or business processes
   - Significant changes in processes or controls
   - New or significant changes in information technology systems
   - Change in organizational structure
   - Change in culture
   - Workforce reduction
   - Unfilled positions
   - New/additional staff
   - New vendors and contractors
   - Change in workload
   - Change in compliance requirements (due to changes in policies, contracts, laws, or regulations)
   - Change in goals, objectives, or performance measures
   - Increased undesirable performance or instances (such as injuries, complaints, customer dissatisfaction, etc.)
   - Change in any risks previously identified for your team/department

- Other (please specify)

3. **Describe the complexity of the key processes in your team or department:**
   Complexity is a measure of the difficulty in performing a process or function. As a process or function becomes more complex, the greater the opportunity for errors.
   - Very high complexity
   - High complexity
   - Medium complexity
   - Low complexity
   - Very low complexity

   Please provide any comment related to complexity, if any.

4. **Are there adequate and up-to-date documented policies and procedures to perform your job responsibilities?**
   - Yes, documented policies and procedures are adequate and up-to-date
   - Documented policies and procedures are adequate but not updated regularly
   - Documented policies and procedures need improvement

     No – Please describe how the responsibilities and requirements are communicated in a clear and consistent manner.

5. **Please select the compliance requirements with applicable Federal/State/Local laws and regulations and professional standards (e.g. CEQA, NERC, OSHA, EMT licensure/certification) for each of divisions/functions of your department listed below:**
   - More than a few laws/regulations and/or professional standards specific to the division's responsibilities need to be met
   - One or two laws/regulations and/or professional standards specific to the division's responsibilities need to be met
   - No requirement to meet any laws/regulations or professional standards specific to the division's responsibilities

6. **Describe what can possibly prevent your team/department from meeting its goals and objectives in 2024. Select all that apply.**
   - Financial constraints
   - Staffing constraints
   - Limited skills, knowledge, experience, training
   - Technology issue
   - Inefficiency in process and/or communication
   - Ambiguity in roles and responsibilities
   - Lack of, or ineffective, internal controls
   - Community pressure
   - State/Federal regulations
   - Other (please specify)

7. **Describe the activities to monitor the achievement of the goals in your team or department:**
   Example – Periodic reporting, periodic meetings, spot checks by management, periodic audits by external organizations such as consultants and the Federal government, etc.
   - For all significant performance goals/compliance requirements, there is a periodic reporting process to ensure performance goals/compliance requirements are met
   - For only some of significant performance goals/compliance requirements, there is a periodic reporting process to ensure performance goals/compliance requirements are met
   - Overall, there is no mechanism to monitor the status of performance goals/compliance requirements

Please provide comments related to monitoring the achievement of your department's goals, if any.

To help us identify potential risks, please list your team/department's Strengths, Weaknesses, Opportunities, and Threats (SWOT) for achieving its missions, goals, and objectives. Typically, strengths and weaknesses are internal aspects of team/department/organization, while opportunities and threats are found externally.

8. **Describe up to three STRENGTHS of your team or department:**
   Strengths refer to the resources or capabilities that help the team/department accomplish its mission and serve the public. These can be things like competitive advantages, available resources, engaged community, strong balance sheet, utilized technology and so on.

9. **Describe up to three WEAKNESSES of your team or department:**
   Weaknesses refer to the areas where the team/department needs to improve to accomplish its mission. These can include things like deficiencies in resources and capabilities, inefficient use of available technologies, barriers or inability to collaborate among different departments, lack of effective communication, mission or direction, high levels of debt, financial or human resources constraints and so on.

10. **Describe up to three OPPORTUNITIES for your team or department:**
    Opportunities are any area where the team/department can grow. They are often related to the organization's strengths. Outside factors that affect the organization in a favorable way can include things like; offering more products or services to citizens, lower costs through new technology and so on.

11. **Describe up to three THREATS for your team or department:**
    Threats include the local or national economy, laws and regulations and any other external issue that can harm or affect the team/department successfully meeting goals. Common threats include things like rising costs for housing/living, increasing competition, tight labor supply, billing rates and so on.

12. Using the bulleted list within the risk framework below, please select what you consider to be the top five enterprise risks to the City of Palo Alto.

Environmental (factors external to the organization)
• Reputation - The opinions and perceptions of the public and customers toward the organization.
• Regulatory - Laws and standards, which the organization must comply with in its operations.
• Citizen Demands - The effect that current citizens demands have on the decisions made by management for aligning tactical plans with the business strategy and the allocation of resources.
• Economy - The effect that current external conditions have on the decisions made by management for aligning tactical plans with the business strategy and the allocation of resources.
• Legal - The potential for an unforeseen event to cause civil or criminal litigation for the organization or its elected leaders, directors, officers, and employees.
• Technologies - The evolution of technology both within and outside of the organization's industry.
Strategy (planning and decision-making)
• Strategic Change - The ability of the organization to modify its processes in order to either align with its current strategy and business model or to achieve a different strategic goal.
• Investments - The portfolio of both intangible and tangible investments held by the organization, and the implications of these assets on the resources, financial viability, and operations of the organization. The effect on liquidity the ability of current assets to meet current liabilities when due.
• Planning and Budgeting - Details of the organization's goals and the financial management necessary to achieving those goals.
• Financial - The goals of the organization in terms of the structure of its assets and liabilities, including the financing capability based on its credit worthiness, the ability to receive credit and the use of credit lines to achieve its business objectives.
• Inter-government Relations - The relationship of the organization with other government agencies that have regulatory and oversight responsibilities and shared services or citizens.

- Compliance Management - The continuous monitoring of the organization's ability to operate within regulatory requirements and community standards.
- Resource Allocation – The process for assigning and managing assets that support the organizations strategic goals.

Organization (attributes of departments)

- Governance - The role, composition, and major activities of the governing body of the organization in providing direction and oversight for the organization
- Empowerment and Values - The ability of senior members of the organization to effectively delegate power or authority to other members of the organization.
- Communication - The methods of communication commonly used in the organization and the effectiveness of this communication on the operations of the organization.
- Ethics and Code of Conduct - The set of rules outlining the ethical practices expected of management and employees of the organization.
- Leadership and Authority - The members of the organization who hold power and their ability to exercise this power effectively.
- Organizational Structure - The configuration of units and workflows to align the behavior of the units to the higher-level goals of the organization.
- Succession Planning - The planning and processes to ensure that there are highly qualified people in key leadership positions today and in the future.
- Human Capital Management - The set of practices an organization uses for recruiting, managing, developing, and optimizing employees, including performance management (The process of creating expectations for performance, monitoring progress, and measuring the results) and training (The ability for employees to gain and develop necessary tools to ensure effective operations).
- Safety - The organization strives to provide a safe working environment by effectively mitigating the risks to the safety of its employees.

Process and Operations (functional effectiveness and policies and procedures) Externa

- Contracts - Contracts are adequately structured to address and mitigate risks.
- Efficiency - Processes are up-to-date and efficient, resulting in efficient operations and output.
- Accounting - The timely and accurate tracking of the financial position of the organization.
- Payroll - The policies, processes, and systems in place to ensure that employee compensation is reliable, timely, and accurate.
- Fraud - The organization uses internal controls to prevent and/or detect fraud.
- Procurement/Sourcing – The ability to acquire the necessary goods and services for operation and the process of vetting, selecting and managing supplier, vendors and contractors.
- Human Resources - The knowledge, skills and experiences, and resources among personnel, which allow for the execution of the organization's business plan and achievement of its critical success factors.
- Information Systems - The facilities, systems, and connectivity in place to support data processing.
- Vendor Management - The need for the organization to continuously monitor the quality and reliability of vendors it uses in the course of its business.
- Change Management - Management adapts appropriately to the evolution of the processes and operations of the organization.

Information (data governance)

- Data Integrity - Data used for making management decisions, recording information, and reporting financial activity is accurate, complete, and reliable.
- Access - The right to view or manipulate data is carefully granted and monitored to prevent the mishandling of data
- Retention - The policies used by the organization to determine document retention in terms of the form of documents, how these documents are stored, and for how long these should be maintained.
- Availability - Relevant critical information is available when needed in order to maintain the organization's critical operations and processes, including when a disaster or unplanned disruption occurs
- Privacy - Organization policies are in place to ensure the correct treatment of sensitive information held by the organization.
- Security – Any event that could result in the compromise of organizational data. (I.e. unauthorized use, loss, damage, disclosure or modification of organizational data).

13. Please use the click and drag feature to rank the five enterprise risks that you selected into a priority order, with #1 being the highest.

14. Please describe why you selected them as the top five risks.

15. How well does the City of Palo Alto manage activities to mitigate these risks?

- Well – the City management is aware of the risk and has implemented activities to help mitigate this risk
- Somewhat well – the City management is aware of this risk, but more effort/activities are needed to help mitigate this risk
- Not well – the City management is either not aware of this risk or hasn't developed sufficient activities to help mitigate this risk

16. Are there any other risks that could affect operations that were not included in the risk framework?

17. Please list any potential internal audit activities you recommend based on the risks you identified. The projects can be consultative/advisory in nature, or provide assurance:

- Internal Audit – an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization.
- Advisory and related client service activities, the nature and scope of which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.