

## M E M O R A N D U M

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**DATE:** June 28, 2002  
**TO:** Council Members  
**FROM:** Gary Mumford  
**RE:** **List of Possible Outsourced Internal Audit Assignment**

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With the adoption of the biennial budget in June 2001, the Council decided to outsource the internal audit function. The Council eliminated two vacant positions in the Office of Internal Audit and funded the other two positions until December 2001. The Council created a new revenue auditor position within the Department of Management Services for conducting audits of City revenue.

With approval of the Council, the contract with the Council's financial auditors, Deloitte & Touche, included the option of additional studies or internal audits at predetermined hourly rates with written approval of the Council containing a specific not-to-exceed dollar amount for each audit. This CPA firm has a separate division that specializes in providing internal audit services. The Council Office encumbered \$100,000 under the Deloitte & Touche contract for special studies and audits. The Council's budget for fiscal year 2002-2003 included an additional \$200,000 for outsourced internal audits.

Individual Council Members have expressed interest in conducting independent assessments relative to the performance of particular programs. Some issues of concern were noted during consideration of the budget. To the end, Council staff prepared the attached list of possible audit assignments along with a brief scope description. In addition to the performance audits, the list also includes some areas of general high-risk areas that are traditionally audited by internal auditors. The list includes approximate cost estimates, but the Council may wish to request that the auditors complete an audit survey (\$1000 per survey) prior to the Council subcommittee's actions to finalize the scope, audit objectives, and set a maximum not-to-exceed cost. Council staff also attached a list of legislative intent statements and legislative action items since any of these items could also be considered for audit. The Council may wish to designate some audit assignments from these lists or from other items that may be suggested during the Council's discussion.

The Council may also wish to designate a subcommittee to oversee audit assignments. The primary functions of the Council's audit subcommittee could include:

- Recommend audit priorities to the full Council
- Set the scope for each audit
- Establish a budget for each audit
- Review draft reports of audits and provide critical input before the final report and recommendations are issued
- Receive follow-up reports on audit recommendations to determine whether appropriate action has been taken