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1 NOW, THEREFORE, the City Council of the City of Culver City, California,
2 DOES RESOLVE as follows:


3 1. The City Council hereby adopts an updated City Council Policy Statement
4 No. 4210 entitled *Fraud, Waste and Abuse of City Resources*, including the related *Internal*
5 *Audit Framework*, which Policy is attached hereto as Exhibit A to this Resolution, and will
6 supersede and replace the existing Council Policy Statement No. 4210 *Fraud Prevention*.

7
8 2. The City Clerk shall include the adopted Policy with other adopted policies.

9 3. The City Manager shall distribute the attached City Council Policy to
10 interested parties, which include, but are not limited to, City Staff.

11 4. This Resolution, and accompanying Exhibit A, shall take effect
12 immediately upon its adoption.

13
14 APPROVED and ADOPTED this 22nd day of March, 2021.

15
16 
17 _____
18 ALEX FISCH, Mayor
19 City of Culver City, California

20 ATTEST:

21 
22 _____
23 JEREMY GREEN, City Clerk

24 A21-00035

25 APPROVED AS TO FORM:

26 
27 _____
28 for CAROL A. SCHWAB, City Attorney

EXHIBIT A

CITY OF CULVER CITY COUNCIL POLICY STATEMENT

Policy Number: 4210

General Subject: Employees and City Officials

Date Issued: 03/22/2021

Specific Subject: Fraud, Waste and Abuse
of City Resources

Effective Date: 03/22/2021

Resolution No: 2021-R023

I. PURPOSE:

The objective of the Fraud, Waste, and Abuse (FWA) of City Resources Policy is to provide a means for City of Culver City employees, residents, vendors, and others to confidentially report any activity or conduct in which instances of fraud, waste, or abuse are suspected, and establish a procedure to account for missing funds, restitution and/or recoveries. This Policy will also address the City's FWA Hotline that may be used to report FWA or suggestions to improve the efficiency and effectiveness of the City's operations.

II. POLICY SCOPE:

- The City of Culver City ("City") is committed to protecting its assets against the risk of loss or misuse. Accordingly, it is the policy of the City to identify and promptly investigate any possibility of fraudulent or related dishonest activities against the City and, when appropriate, to pursue legal remedies available under the law.
- This policy applies to any irregularity, or suspected irregularity, involving City employees as well as consultants, vendors, contractors, outside agencies doing business with the City, employees of such agencies, and/or any other parties with a business relationship with the City.
- Any investigative activity required will be conducted in an objective and impartial manner without regard to the suspected wrongdoer's length of service, position, title, or relationship to the City.
- All Council Members and employees are responsible for the detection, reporting and prevention of fraud, misappropriations, and other irregularities.

III. BENEFITS OF FRAUD, WASTE AND ABUSE PROGRAM:

- Identification and termination of occurrences of fraud, waste, and abuse
- Recovery of funds as a result of investigations
- Deterrence of inappropriate behavior by increasing awareness of these actions
- A safe mechanism for employees and the public to voice concerns and report suspected inappropriate activity
- Commitment to the City's core values through the promotion of the program
- Improvement in the City's internal control processes

IV. TERMS AND DEFINITIONS:

| Violation | Definition |
|-------------------|---|
| Abuse | The intentional, wrongful, or improper use or destruction of City resources, or improper practice that does not involve prosecutable fraud. Abuse can include the excessive or improper use of an employee or official's position in a manner other than its rightful or legal use. |
| Bribery | The corrupt payment, receipt, or solicitation of a private favor or payment for official action. |
| Coercion | Compulsion by physical force or threat of physical force; threat of taking or withholding official action or causing an official to take or withhold an action. |
| Conversion | The wrongful possession of or interference with the City's property as if it were one's own. |
| Corruption | The impairment of a public official's duties, such as by bribery. |
| Fraud | A dishonest and deliberate course of action that results in obtaining money, property, or an advantage to which City employees or officials committing the action would not normally be entitled. Fraud also encompasses intentional misleading or deceitful conduct that deprives the City of its resources or rights. |
| Fraudulent claims | A misrepresentation of facts in a claim to receive compensation. |
| Gross misconduct | An indifference to, and a blatant violation of, a legal duty with respect to the rights of others. |
| Malfeasance | Wrongdoing or misconduct by a City official. |

| | |
|----------------------------------|---|
| Malicious prosecution | Intentionally (and maliciously) instituting and pursuing (or causing to be instituted or pursued) a legal action that is brought without probable cause and dismissed in favor of the victim that caused damages. |
| Misuse of government property | The wrongful waste of the City's property. |
| Theft of government property | Unauthorized taking into one's possession of property owned by the City. |
| Waste | The needless, careless, or extravagant expenditure of City funds; incurring of unnecessary expenses; or mismanagement of City resources or property. Waste does not necessarily involve private use or personal gain, but it almost always signifies poor management decisions, practices, or controls. |
| Willful omission to perform duty | Intentional failure to act required by law or contract. |

Third-Party Provider

- The Internal Audit Manager utilizes a third-party web-based application, to allow City employees and the public to make confidential reports of alleged improper activity or offer suggestions to improve operations.
- The contact information of Third-Party Provider and the various options of submitting the report confidentially are available in the attachment.

Case Management System

The Third-Party provider's system allows the Internal Audit Manager to document and manage all cases in a single, centralized system.

Fraud Hotline Reports

Information received from the caller, such as when the alleged incident occurred and where, is documented by Third-Party. This information is organized into a report. These reports are disseminated to the designated recipients which are City Attorney, Director of Administrative Services, Chief Financial Officer, and Internal Audit Manager (Senior Management Analyst). Information received by the Internal Audit Manager in person, by telephone, email, or by written correspondence are also entered into the report.

Resolution

The resolution to a complaint describes the results of the investigation, and action taken based on the investigation of the Fraud Hotline complaint.

V. PROCESSING OF FWA HOTLINE COMPLAINTS:

Receipt and Control of Complaints

- City employees and the general public can access the FWA hotline to enter specific information about an alleged improper activity on the City's webpage. Information from such online reports is recorded on an FWA Hotline report.
- In order to process a complaint/concern, the following information is generally required:
 1. The alleged misconduct involves a City of Culver City employee, a contractor, or a vendor that has been or is currently doing business with the City of Culver City in the last five years;
 2. Name(s) of the individual(s) involved, if known;
 3. Specific information regarding the alleged misconduct;
 4. When the alleged misconduct occurred; and
 5. Where, or in what department, the alleged misconduct occurred;
 6. Circumstances surrounding how the alleged misconduct occurred; and
 7. Any supporting documentation.
- Upon completion of a complainant's call or online report, the Internal Audit Manager is notified of the complaint and designated recipients of the report makes the determination of how the complaint will be investigated. At the time of the call, in the instance where the complainant has identified him/herself, the Third-Party Provider system will prompt the reporting party whether the Internal Audit Manager may share his/her identity with persons outside of the Internal Audit Division of the Finance Department. The Internal Audit Manager will contact the complainant to verify if his/her identity may be shared. Identities of complainants will not be shared outside of the Office of the Internal Audit Manager without such permission, in writing, and will be in compliance with California Government Code §53087.6.

Escalation Procedures for FWA Reports

Immediate Response: When a report is received that is considered a high risk/threat situation, it may be designated for escalation by the Internal Audit Manager.

- These situations include, but are not limited to, workplace violence or threats, substance abuse, retaliation of whistleblowers, misappropriation of the City's assets, false reporting, misuse of City assets or an event likely to happen within 24 hours or time sensitive in nature.

- The Internal Audit Manager will refer high risk complaints to the appropriate authority for a response after conferring with designated recipients of the report.
 - When a report is received that involves a City employee which is considered a time sensitive/high risk situation or needs immediate attention, it will be referred to the City Manager or Human Resources Director as soon as practicable.

Referral: Based on the nature and circumstances of the complaint, reports may be referred to outside agencies. These situations include, but are not limited to:

- Alleged violations of the Political Reform Act of 1974 (The Act) will be referred to the California Fair Political Practices Commission, 1102 Q Street, Suite 3000, Sacramento, CA 95811. In summary, The Act regulates campaign finance, lobbying activity, and conflicts of interest.
- A personal emergency such as a life-threatening situation or child abuse.
- Non-audit issues as it related to agencies outside the City (i.e. request for a phone number to the County Courthouse, etc.)
- In such instances, the caller will be notified of the referral if the caller requests.
- The report will be closed upon referral, or it may remain open until the final resolution as deemed necessary by the Internal Audit Manager and designated recipients of the report.

Annual Internal Audit Framework: Calls that indicate the need for process redesign or modification to the City's internal controls for consideration as an area of focus for the Annual Internal Audit Framework. (See attached Exhibit A)

Follow-up: Calls that requires additional information before appropriate action can be determined.

- Incomplete reports will result in a request for more information via the third-party provider's case management system.

Closed as received: These situations include, but are not limited to:

- Call/Report is incomplete
- Caller did not provide sufficient information to determine the appropriate action and caller has not elected for two-way anonymous communication
- Incomplete reports will be closed if the necessary details are not provided within 30 days after the request is made in writing through the third-party provider's case management system.

Investigations by Other City Departments

Based on the nature of the allegation made in the complaint, the Internal Audit Manager may determine that the complaint should be investigated by one of the following departments or divisions. The City Attorney's office should be consulted where warranted.

- Sworn Public Safety Employees – Police and Fire
 - When information obtained through FWA Hotline investigation indicates that criminal acts may have occurred, may be occurring, or may occur in the future:
 - The appropriate law enforcement agency to be contacted for consultation may include but is not limited to: The Culver City Police Department, the County of Los Angeles District Attorney's Office, and State or Federal law enforcement agencies.
 - Notice to the City's management of the ongoing criminal investigation will be made in accordance with the wishes of the law enforcement agency based on the need to maintain the integrity of the criminal investigation, or other determination by the law enforcement agency.
 - Once a referral is made to a law enforcement agency, no investigative contacts by the Internal Audit Manager will be made without the full concurrence of the law enforcement agency to which the matter has been referred.
 - Fraud Hotline investigation reports and other information provided to law enforcement by the Internal Audit Manager are subject to the confidentiality provisions of applicable City, State, and Federal statutes, rules, and regulations.
 - Complaints against sworn police officers will be forwarded directly to the Culver City Police Department Professional Standards Unit and handled under the California Penal Code provisions, California Public Safety Officers Procedural Bill of Rights Act and Culver City Police Officer Association or Culver City Police Management Agreements.
 - Complaints against firefighters will be handled in accordance with the Firefighters Procedural Bill of Rights Act and Culver City Firefighters Local 1927 AFL-CIO or Culver City Fire Management agreements.
- Director of Administrative Services
 - Complaints received by the FWA Hotline that allege certain labor/management issues or unprofessional conduct (e.g. discrimination, sexual harassment, substance abuse, and workplace violence/threats) are generally forwarded to the Director of Administrative Services for review with no further action by the Internal Audit Manager. The complete facts of each case will determine the disposition, in consultation with Human Resources and relevant agencies, as necessary.
 - A standardized department referral email is sent to the Director of Administrative Services, along with the attached Fraud Hotline report generally, within two business days of receiving the complaint. The email advises of the filing of the complaint and requests a resolution in 30 days, if possible. Under guidance of the City Manager, the Internal Audit Manager can grant extensions on a case-by-case basis. The email also advises that the response should be provided by a level of management that is at least one level above those allegedly involved, and the response should not be provided by any of the individuals named in the complaint.

The email states that no attempt should be made to determine the identity of an anonymous complainant.

- o The Internal Audit Manager may also send a copy of the standardized department referral email to the City Manager or other Appointing Authority, as appropriate.
- o The resolution completed by the Director of Administrative Services will be reviewed by the Internal Audit Manager to determine if the investigative actions and disposition are sufficient. The Internal Audit Manager through the City Manager can request additional information or clarification to resolutions.

Department Investigation

- Department directors and any other personnel involved in the investigation of an FWA Hotline complaint referred by the Internal Audit Manager or designated recipients of the report for resolution shall not share the substance of a complaint with anyone except those individuals who are directly involved in and are essential to conducting the investigation. Any personnel provided with this information are required to hold and maintain all information obtained as confidential.
- The department/division head and those conducting the investigation will disclose the nature of the allegation(s) only to the extent necessary to receive information sought. Such a disclosure may be made by providing only a summary of the allegation(s). However, care should be taken to provide no information that would compromise the complainant's or any witness' identity or otherwise violate applicable confidentiality restrictions. No attempt should be made to determine the identity of an anonymous complainant. Sharing allegation(s) outside of the Internal Audit Manager's review process may be a violation of California State law, and/or the policies and procedures of the City and may constitute cause for a legal claim of defamation, slander, invasion of privacy or other possible legal claims.
- Any breaches of confidentiality may result in disciplinary action.
- If a complaint involves a department head that includes but is not limited to issues such as employee relations, customer relations, labor/management issues and personnel related complaints, it may be forwarded to the City Manager for investigation and review or investigated by the Internal Audit Manager.
- If the Internal Audit Manager and Chief Financial Officer or other recipients of the report determines that the resolution is sufficient, the case will be closed. A closing email will be sent to the appropriate director indicating that the case has been closed and no further action is necessary.
- If the Internal Audit Manager determines that the response inadequately addresses the allegation(s) raised in the complaint, the Internal Audit Manager will communicate their concerns or questions to the appropriate director and request that the director address the concerns. The division or department head

will be provided with an opportunity to provide further clarification, which may include any internal investigative reports.

Internal Audit Manager Investigations

- The Internal Audit Manager or its designee will investigate any allegations of improper financial activity and fraud, waste, or abuse. The scope of the investigation will be to determine if the accusations made are valid, and to determine if there are any potential internal control weaknesses that need to be corrected that allowed fraud, waste, or abuse to occur.
- For each fraud, waste, or abuse allegation that is determined to be credible, preliminary evidence will be gathered, such as reviewing the information provided via the hotline, reviewing other pertinent records, and interviewing appropriate witnesses to assess if the allegation appears to be valid. The Internal Audit Manager will notify and consult with the appropriate law enforcement agency for any allegations that appear to involve criminal activity. Once a referral is made to a law enforcement agency, no investigative contacts will be made by the Internal Audit Manager without the full concurrence of the law enforcement agency to which the matter has been referred.
- When the Internal Audit Manager receives an FWA Hotline matter that is the subject of pending City litigation, investigation, or other legal proceeding, the Internal Audit Manager, in consultation with the City Attorney, will evaluate the impact of an investigation on the legal proceeding, prior to pursuing its own investigation. In some cases, it may be appropriate for the Internal Audit Manager to cooperate with or conduct concurrent investigations; in other cases, the Internal Audit Manager should withdraw from the investigation to avoid interfering with the legal proceeding.
- Investigative procedures will continue for each significant allegation, unless based on the facts, circumstances, after consultation with the City Manager and City Attorney, a reasonable case is made for a referral to an appropriate agency to further investigate the allegation.
- The order that cases are worked on often depends on the importance of the cases. Important high priority cases may include safety concerns, criminal activity, significant losses to the City, high-level staff involvement, collusion of multiple wrongdoers, a major department-wide issue, or need for immediate action to stop a potential major issue. Based on the discretion of the Internal Audit Manager, addressing these items could take priority over other investigations and audits.
- Investigative procedures will generally include, but are not limited to:
 - Documenting the allegation in writing.
 - Interviewing potential witnesses and documenting the information gathered by the Internal Audit Manager or Third-Party Investigator.
 - Identifying facts or circumstances or indicators of fraud related to the allegation.

- Notifying and consulting with the Culver City Police Department and City Attorney, as appropriate.
- Developing an investigative plan and determining the type of evidence to pursue.
- Gathering evidence and performing analysis as is appropriate, such as:
 - Reviewing accounting records, payroll records, bank records, canceled checks, and credit card records.
 - Downloading and analyzing electronic data.
 - Reviewing emails and written correspondence.
- When an investigation by the Internal Audit Manager substantiates that fraud, waste, or abuse may have occurred, a draft confidential report will be issued to the appropriate City management with statements of facts and evidence supporting the conclusion that the allegation is substantiated so that the appropriate corrective action can be taken. Once the appropriate City management staff has reviewed the facts in the draft report, and provides the Internal Audit Manager with a response, the confidential report will be finalized and issued to the appropriate City management. A public FWA Hotline investigation report will also be issued for all significant cases, or if the Internal Audit Manager and designated recipients of the report deems the information is necessary to serve the interests of the public.
- The Internal Audit Manager will maintain the appropriate level of confidentiality regarding all complaints and the information provided. Any Hotline investigative report issued to the public will not include any details of confidential information that cannot be disclosed under applicable laws, such as personnel issues. In accordance with California Government Code §53087.6, the identities of individual or individuals reporting the improper government activity, and the subject employee or employees shall be kept confidential, and their identities will not be included in any public reports.
- Any significant internal control weaknesses that are identified and substantiated or appear to be substantiated during any investigation of Hotline complaints will be addressed in a Hotline report to management. The Hotline report will include recommendations to management to correct the internal control weaknesses identified. The Chief Finance Officer and the external auditor will also be informed of the identified internal control weaknesses.
- If the subject of the complaint is a supervisor/manager at any level, the complaint will be forwarded to, and should be resolved by, a level of management that is at least one level above those allegedly involved, and the response should not be provided by any of the individuals named in the complaint.
- When an investigation substantiates an allegation of City employee wrongdoing, a detailed confidential hotline report describing the evidence obtained will be issued to management staff. The report will generally include a recommendation for management to review the information and conduct an independent fact-finding investigation in order to take any corrective and/or disciplinary action that is appropriate. The Internal Audit Manager will be given an opportunity to present

the evidence obtained to the City staff conducting the fact-finding investigation panel.

- Complaints alleging criminal activity (e.g. theft) will be referred to the appropriate law enforcement agency for investigation as soon as the Internal Audit Manager or Third-Party Investigator develops firm indications that criminal activity has occurred.
- The Internal Audit Manager will make recommendations to the City Manager for the prevention of future similar occurrences.

Complaints against Elected Officials

When the Internal Auditor receives an FWA Hotline complaint against the Mayor, Vice Mayor or City Council Members, it initially will be discussed with the City Manager and City Attorney. They will review the nature of the complaint to determine if a third-party investigator should be hired to investigate the complaint, and/or whether the matter should be referred to another governmental agency, as appropriate.

Employee Responsibilities

All employees are responsible for the detection, reporting and prevention of fraud, misappropriations, and other irregularities, and the full cooperation with any investigation relating thereto.

VI. FRAUD, WASTE AND ABUSE POLICY OUTREACH:

The Internal Audit Manager conducts fraud awareness training to New and Existing Employees. The purpose of these trainings is to promote the Fraud, Waste, and Abuse Program to City employees, who are a valuable source of information for discovering potential fraud.

Fraud awareness training offers several benefits. First, well-trained employees can identify, and report suspect activity. This emphasizes the City's commitment to high ethical standards and promotes compliance with regulations and standards. Second, when employees feel confident their concerns are heard and taken seriously, morale improves and productivity increases.

Lastly, per the Association of Certified Fraud Examiners, fraud, waste, and abuse hotline tips are the most common method for the detection of fraud. Organizations with a hotline have a 46% likelihood of detecting fraud from a tip, compared to 30% in organizations without one. The Internal Audit Manager, through the Finance Department, will also promote the program through social media and marketing venues, presentations to City Council, Council Committees, and various Culver City community groups.

VII. REPORT OF FINDINGS:

The Internal Audit Manager will report its findings quarterly. This report can be found on the City of Culver City website. The report shall detail how many cases were received in the quarter and the percentage of cases that are still pending, open, or closed. The report will detail the type of issues that were received without disclosing the confidential nature of the case and how the reports came into the office of the Internal Audit Manager. All other fraud, waste, and abuse activity will be summarized in the report.

VIII. CONFIDENTIALITY:

The Internal Audit Manager will prominently mark all complaints, associated reports, emails, working papers and other documents, in both hard copy and electronic formats, concerning the review or investigation of complaints as "Confidential." The Internal Audit Manager and departments will maintain strict confidentiality throughout the processing of all complaints and through disposition of the investigation and thereafter. The Internal Audit Manager shall comply with the California Government Code §53087.6 that governs the confidentiality of hotline whistleblower complaints filed with municipal governments.

In connection with complaints and investigations under the FWA Hotline, the confidentiality of such investigations and results shall be strictly protected by all City employees and officers in accordance with California Government Code §53087.6. Any breaches of the confidentiality provisions of this manual or applicable laws may result in disciplinary action. In the event any subsequent California or local laws or regulations relating to municipal whistleblower hotlines are enacted, all City Officers and employees shall comply with such later enacted applicable laws or regulations.

The Internal Audit Manager shall maintain custody of complaints, associated reports, working papers, emails, and all other pertinent information regarding any investigations of complaints. Other parties involved in the investigation shall also retain their own documentation. All such documents shall be retained and or disposed of in accordance with applicable document retention policies of the City.

IX. ADDITIONAL CONTACTS:

- General City Services, information & complaints: (310) 253-6000
- Non-Emergency Police Service: (310) 837-1221
- Workers Compensation Fraud: (310) 253-5640 or (833) 370-0033

****This Policy supersedes Policy No. 4210 issued on June 28, 2010 by Resolution No. 2010-R049.***



City of Culver City Finance Department

Internal Audit Framework

Introduction

The City of Culver City (City) maintains an Internal Audit Division that reports to the City Manager through the Chief Financial Officer with responsibility to report its activities to the City Manager and City Council through the Audit, Financial Planning and Budget Subcommittee (Audit Subcommittee). This Framework formalizes the responsibilities, reporting lines, and protocols of Internal Audit Division within the structure of the City. It establishes Internal Audit's objectives and provides for uninhibited and complete authority to fulfill its objectives. This Framework defines the mission, scope, commitment to quality, authority and accountability, independence and responsibility of the City's Internal Audit Division.

Mission

The City's Internal Audit Division provides highly reliable, independent, objective assurance and consulting services designed to add value and improve City operations. The Internal Audit Division accomplishes this by bringing a systematic, disciplined approach to evaluating and recommending improvements to the effectiveness of risk management, controls and governance processes.

Scope

The scope of work performed by the City's Internal Audit Division is to determine whether the City's network of risk management, control and governance processes as designed and represented by management, is adequate and functioning to ensure:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- The process to acquire resources is economical, resources are used efficiently, and are adequately protected;
- Programs, plans, and projects are operated within the fiduciary standards and regulatory requirements, are compliant with City policies and stated objectives are achieved;
- Quality service and continuous improvement are fostered within the City's control process;
- Significant legislative or regulatory issues impacting the City are recognized, addressed appropriately, and interaction with governance groups occurs;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Contractors are meeting contract requirements in conformance with applicable laws, regulations, policies, procedures, and best practices;
- Existing policies and procedures are appropriate, updated and being followed; and
- Opportunities for improving management control, streamlining processes, and improving public perception are implemented.

Commitment to Quality

The City's Internal Audit Division commits to providing world-class service through timely, unbiased, value-added assurance and consulting services. The Internal Audit Division will work as a team with City employees to improve processes and meet strategic goals and objectives. The Division will enhance the services we provide by continuously improving our audit activities.

California Government Code Section 1236 states that all city, county, city and county and district employees that conduct audits or that conduct audit activities of those respective agencies shall



Internal Audit Framework

conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate. As a government entity that must comply with this Government Code Section, the City will adopt the Institute of Internal Auditors' IPPF Standards for its internal audits. The City's Internal Audit group will adhere to the following professional standards and codes:

- City of Culver City Employee Code of Conduct and Ethics
- The Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing (Standards) produced by the IIA and published in the *International Professional Practices Framework (IPPF)*;
- The professional and ethical standards issued by the American Institute of Certified Public Accountants (AICPA) for attestation engagements.
- The professional and ethical standards issued by ISACA and published as the Information Systems Auditing Standards

Authority and Accountability

The City's Internal Audit Division reviews all departments, programs, functions, systems, contracts and activities for the City based on the approved audit plan or specific requests approved by the City Manager and/or City Council.

The Internal Audit Division is authorized to:

- Have full, free and unrestricted access to all relevant information, functions, operations, systems, property, personnel and other relevant materials necessary to accomplish its work. All employees will cooperate fully in making available material or information requested by Internal Audit or any external auditors managed by the Internal Audit Division. Access to contracted third parties will be handled in accordance with contractual terms. The Internal Audit Division will maintain confidentiality of all information provided subject to legal requirements. Documents provided to the Internal Audit Division will be handled in the same prudent manner as by those employees normally accountable for them;
- Allocate Internal Audit resources, set audit frequencies, select audit subjects, determine scope of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in functions where audits are being performed, as well as other specialized services from external consultants.

The Internal Audit Division is not authorized to:

- Initiate or approve accounting transactions external to Internal Audit; or
- Direct the activities of any employee not part of Internal Audit except to the extent such employees have been appropriately assigned to auditing teams.

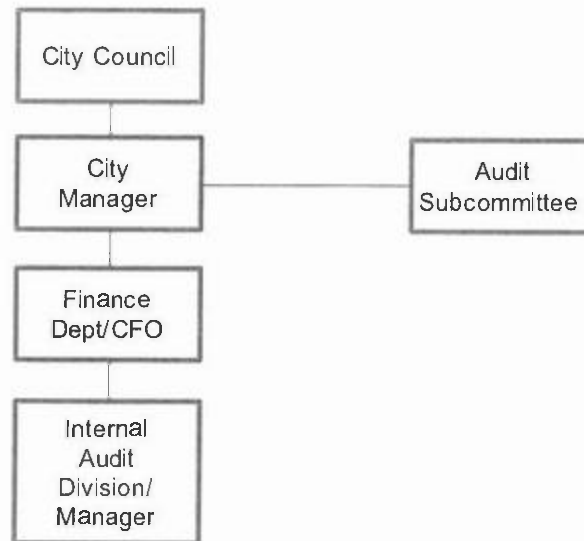
The Internal Audit Division, in the discharge of duties, is accountable to the City Manager through the Chief Financial Officer and the City Council through the Audit Subcommittee to:



Internal Audit Framework

- Report significant issues related to the processes for controlling the activities, including potential improvements to those processes, and periodically provide information concerning such issues until the issue is fully resolved; and
- Provide periodic information on the status and results of the annual audit plan, the progress of management action plans on open audit recommendations, and a summary of status on issues reported through the Fraud, Waste and Abuse Hotline.

Organization Structure of Internal Audit Division



Independence

The City's Internal Audit Division is independent of the activities it reviews. Specifically, Internal Auditors may not review for a minimum of one year, areas where they were responsible for the design or operation of an area. Internal Auditors are responsible for maintaining their independence and integrity in all services they provide.

All Internal Audit activities shall remain free from interference relative to matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity. The Internal Audit Manager shall report any impairment to independence, or unjustified restriction or limitation to audit selection, scope, procedures, frequency, timing or report content promptly to Chief Financial officer, the City Manager and City Council through the Audit Subcommittee.

As a means of ensuring independence, the Internal Audit Manager will report to the City Manager through the Chief Financial Officer. This structure permits the rendering of impartial and unbiased judgment essential to the proper conduct of audits.



Internal Audit Framework

Responsibilities

The Internal Audit Division is responsible for:

- Developing and executing a flexible risk based audit plan including any risks and control concerns identified by management and/or City Council; and submitting that plan to the City Manager and City Council for review and approval;
- Preparing or updating the annual agency-wide risk assessment and incorporating the results into the annual audit plan;
- Implementing the annual audit plan, as approved, including as appropriate, any special tasks or projects requested by management;
- Reporting significant audit findings to the City Manager, and the City Council through the Audit Subcommittee;
- Providing management with adequate time to respond to audit findings and include management's response in the audit report;
- Following up on audits to ensure agreed-upon corrective actions have been implemented and provide periodic follow up reports;
- Presenting quarterly reports to the City Manager and Audit Subcommittee highlighting progress on the Audit Plan;
- Maintaining a professional audit division with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Framework;
- Conducting objective and constructive assurance services;
- Consulting services, which are advisory in nature, can be provided as long as the services do not impair Internal Audit's independence and fall within the scope outlined in the Framework;
- Exercising due professional care in all of Internal Audit's work products;
- Conducting all work in a professional manner;
- Coordinating external audits of the City of Culver City;
- Considering external auditors and regulators' scopes of work, as appropriate, for the purpose of providing optimal audit coverage at a reasonable overall cost; and
- Coordinating the investigation with the City Attorney's Office, Department of Administrative Services, other City Departments and/or outside agencies for all issues reported through the Fraud, Waste and Abuse Hotline in compliance with City of Culver City Fraud Prevention, Reporting and Investigation Policy. Summarizing and reporting to the City Manager and City Council the resolution of all issues received through the Fraud, Waste and Abuse Hotline.

Management is responsible for:

- Maintaining an effective system of internal controls, documenting policy and procedures, and ensuring information is accurate, timely and reliable;
- Complying with policies and procedures;
- Co-operating fully with auditors during discharge of their duties including prompt reply to the Internal Audit Division's requests and recommendations; and
- Providing a response to audit findings and recommendations.
- Assuring timely implementation of agreed-upon corrective actions to audit recommendations.



City of Culver City
Finance Department

Internal Audit Framework

In the future, when changes are made to this document, the changes must be ratified by the City Manager and the Audit Subcommittee.

APPROVED:

City of Culver City

City Manager

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Certification of Resolution No. 2021-R023

I, Jeremy Green, City Clerk of the City of Culver City, do hereby certify that the foregoing Resolution was duly passed, approved, and adopted at a regular meeting of the City Council, which was held on the 22nd day of March 2021, at the Mike Balkman Council Chambers by the following vote:


AYES: Eriksson, McMorris, Vera, Lee, Fisch

NOES: None

ABSENT: None

ABSTAIN: None

Certified on this 22nd day of March 2021, at the City of Culver City.


Jeremy Green, CMG, City Clerk
Ex-Officio Clerk of the City Council
City of Culver City, State of California