



Midpeninsula Regional  
Open Space District

R-25-45  
Meeting 25-11  
April 9, 2025

## **AGENDA ITEM 7**

### **AGENDA ITEM**

Approval of Resolution establishing an Internal Auditor Function to be incorporated into the duties of the Controller

### **BOARD APPOINTEE EVALUATION COMMITTEE'S RECOMMENDATIONS**

At its March 11, 2025 meeting, the Board Appointee Evaluation Committee (BAE) unanimously recommended that the Board of Directors adopt a resolution describing the role of the Internal Auditor and the procedure for performance or operational audits.

### **DISCUSSION**

The Board of Directors at its October 23, 2024 meeting directed the Board Appointee Evaluation Committee (BAE) to formalize the additional job responsibilities added to the Controller's role to include Internal Auditor functions. The Controller prepared a draft Resolution for the BAE outlining the Internal Auditor role and procedure. The BAE revised the original Resolution. The revised draft Resolution was provided to outside counsel to perform a legal review. In addition, outside counsel compared the Resolution to auditor resolutions or procedures adopted by other cities in the Bay Area to determine consistency with other jurisdictions' approaches and best practices for an Internal Auditor function. A series of changes were suggested and those were discussed with the Chair of the BAE and some of the recommendations were incorporated into the final version of the Internal Auditor Resolution which is attached.

On March 11, 2025, the BAE reviewed and unanimously approved recommending the Internal Auditor Resolution for formal adoption by the Board of Directors. The Controller also approved of the text and the approach. The Resolution was then provided to the General Manager and General Counsel who both approved of the Resolution as drafted.

The Internal Auditor Resolution allows the Controller to have unfettered discretion to conduct financial audits. Unlike financial audits, performance or operational audits are performed following authorization of the Board of Directors. Therefore, for purposes of performance or operational audits, the Controller will annually provide the Board of Directors with a list of recommended audits. The Board of Directors will then have the opportunity to determine which audits are appropriate and if needed add them to the audit list. Should the Board of Directors, Controller and/or the General Manager request additional audits, these will be reviewed by the Board of Directors.

Within the confines of confidentiality laws, the Controller will have access to the requisite information to conduct audit(s). The Controller will have the ability to request information,

usually from Department Managers, and utilize additional staff if not unduly burdensome upon their usual duties. With this information, typically the Controller will discuss the issues presented with the relevant Departments. Following this analysis, the Controller will prepare a draft Audit Report. The draft Audit Report will be provided to the General Manager, the Assistant General Manager of the audited function, and the General Counsel for their input, which must be provided within three weeks of receipt of the draft Audit Report. The Controller may either accept their input and incorporate the changes into the audit or instead place the General Manager and/or General Counsel's written input into the audit report verbatim. The final version will then be provided to the Board of Directors on a subsequent agenda for their consideration. Finally, the Controller will prepare an annual report reflecting the status of recommendations made in prior audits. This process closely follows that of other jurisdictions.

### **BOARD COMMITTEE REVIEW**

The attached Resolution has been recommended for Board approval by the BAE.

### **FISCAL IMPACT**

The streamlined approach and procedure described in the attached resolution should reduce staff time required to participate and respond to audit reports and recommendations. However, the Internal Auditor function will require additional staff time for all involved, including the Controller, General Manager, General Counsel, Assistant General Managers/Chief Financial Officer, Department Managers and staff. The goal of the Internal Auditor process is that the recommendations and efficiencies suggested will outweigh the staff time required for the responding to the Internal Auditor during and after the Audit Report drafting process and ultimate approval. The exact costs and savings associated with this process cannot be determined at this time.

### **PUBLIC NOTICE**

All public noticing requirements of the Brown Act have been met. No additional notice is necessary.

### **CEQA COMPLIANCE**

This item is not subject to the California Environmental Quality Act (CEQA).

### **NEXT STEPS**

After approval of the Resolution no additional steps are required.

Attachment:

1. Resolution of the Board of Directors of the Midpeninsula Regional Open Space District Establishing an Internal Auditor Function

Submitted by: Board Appointee Evaluation Committee  
Director Cyr  
Director Riffle, Chair  
Director Gleason

Staff Contact:

Candice Basnight, Human Resources Manager

**RESOLUTION NO. 25-XX****A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
MIDPENINSULA REGIONAL OPEN SPACE DISTRICT ESTABLISHING  
AN INTERNAL AUDITOR FUNCTION**

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**WHEREAS**, the mission of the Internal Auditor is to promote efficient, effective, and transparent District government operations. To fulfill this mission, the Internal Auditor shall conduct financial and performance audits and examinations of any District department, program, service, or activity. The purpose of these audits and examinations is to provide the Board of Directors and District Management with insights regarding the effectiveness and efficiency with which District resources are employed, the adequacy of the system of internal controls, management of risks, and compliance with District policies and procedures and regulatory requirements.

**WHEREAS**, it shall be the duty of the Internal Auditor to (1) enhance compliance with written policies and procedures by District departments and employees, (2) assist District management in accomplishing its objectives by evaluating and suggesting improvements in the effectiveness of District internal controls, risk management, and business processes, (3) conduct internal audits of fiscal transactions of the District, including examining and analyzing fiscal procedures, and evaluating, checking, and verifying accounts and expenditures, (4) provide other analyses of financial and operating data as directed by the Board of Directors, and (5) perform other such duties as the Board of Directors may direct; and,

**WHEREAS**, the Internal Auditor shall work under the direction of the Board of Directors.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Midpeninsula Regional Open Space District as follows:

1. The Internal Auditor shall conduct internal audits in accordance with a schedule approved by the Board of Directors and may conduct unscheduled audits, outside of his role as Controller, from time-to-time following approval of the Board of Directors.
2. The results of these audits shall be reported in writing to the General Manager and Board of Directors.
3. The audits shall be conducted in accordance with relevant standards, such as Government Audit Standards, as established by the United States General Accounting Office, and the Standards for the Professional Practice of Internal Auditing, established by the Institute of Internal Auditors.
4. Prior to the beginning of each fiscal year, the Internal Auditor shall submit an annual plan, after obtaining preliminary input, if any, from the Board of Directors and the General Manager. The plan shall identify the preliminary objectives of each audit to be performed, reflecting the purpose of the audit with a preliminary description of the areas that may be addressed, and an expected timeline. The General Manager shall identify areas where the District will benefit from operational and financial audits. The Internal Auditor will review the plan with

and seek advice of the General Counsel prior to submitting the annual plan to the Board of Directors for their direction and approval. The Internal Auditor will issue quarterly reports to the Board of Directors describing the status and progress towards completing the audits, and an annual written report to the Board of Directors. The annual audit plan may be amended as appropriate during the year with the approval of the Board of Directors.

5. Upon completion of the final draft of an audit report, the Internal Auditor shall transmit a copy of the draft report to the General Manager, the Assistant General Manager of the function under audit, and the General Counsel (for legal advice relating to disclosure of information contained in the report).

6. Within three weeks after receiving the draft report or later if required by the nature of the request and audit, the General Manager or Assistant General Manager of the audited function, and the General Counsel, will prepare an official written response to the findings and recommendations contained within the report, including a timeline for implementing any agreed upon corrective actions, and transmit the response to the Internal Auditor.

7. The final report will be issued to the Board of Directors by the Internal Auditor including the official written response verbatim in the audit report issued to the Board of Directors within three weeks of receipt of the official response. Concurrently the audit report will be placed on the agenda of the next Board meeting, unless scheduling as determined by the General Manager requires an additional delay, not later than four weeks after the audit report is issued to the Board of Directors.

8. If a response is not received within the established three weeks, as described above, the audit report will be issued to the Board of Directors and placed on the agenda within the timelines previously described without a management response.

9. The Internal Auditor will prepare and issue an annual report describing the status of recommendations made in prior audits. The report will reflect the status as reported by the General Manager or Assistant General Manager of the audited function. The report will be issued in the first quarter of each fiscal year for review by the Board of Directors. Further follow-up audits will be conducted as determined and recommended by the Internal Auditor and approved by the Board of Directors.

10. The Internal Auditor will have unrestricted access to all sources of information, property, and personnel, within the reasonable confines of the employee's other job duties if relevant to the performance of the Board of Directors-approved audit, unless prohibited by law. As required by Government Code Section 7927.700, confidential personnel documents shall not be provided to the Internal Auditor. Documents and information will be handled with the same prudence exercised by those normally accountable for them and consistent with relevant standards. To the maximum extent possible, the Internal Auditor will accommodate an area's daily responsibilities when scheduling and conducting audits. Nothing in this section shall authorize access to documents, records, and information related in any way to the office of any elected official or otherwise deemed confidential by law.

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PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on April 9, 2025, at a regular meeting thereof, by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

**ATTEST:**

**APPROVED:**

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Zoe Kersteen-Tucker, Secretary  
Board of Directors

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Jed Cyr, President  
Board of Directors

**APPROVED AS TO FORM:**

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Hilary Stevenson, General Counsel

I, the District Clerk of the Midpeninsula Regional Open Space District, hereby certify that the above is a true and correct copy of a resolution duly adopted by the Board of Directors of the Midpeninsula Regional Open Space District by the above vote at a meeting thereof duly held and called on the above day.

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Maria Soria, District Clerk