



MEMORANDUM

To: City Council
From: Candace Brown, City Auditor *CB*
CC: John Baumgartner, City Manager
Finance Committee
Date: 2/23/2021
Re: FY21 Internal Audit Plan (Remainder)

BASIS FOR PLAN

The basis for the plan comes from auditor observations, inquiries with management, consideration for follow-up audits, monitoring of industry periodicals and changes in people, processes, and systems.

Additionally, the available resources to complete audits were examined. The hours required to perform the identified audits are estimated hours. After considering hours that are unavailable for audits due to total potential paid time off, administrative duties, required training, meetings, and other time off, the net available hours for audits are determined.

Combining available hours and audits yielded the annual audit plan.

Total workday hours for the remainder of FY21 (February – September 2021) are calculated to be 1360.

Administrative hours which include items such as: preparing for and attending meetings, budget reviews, continuing professional education, internal training, and general management functions are estimated at 250 hours.

Time-off is estimated at 280 hours which includes total vacation, sick, holidays, and other available absences through September 30, 2021.

This leaves 830 hours available for audits, agreed-upon procedures, follow-ups, investigations, advisements, and special projects.

FY21 ANNUAL INTERNAL AUDIT PLAN

Internal Audit Plan Summary

Listed below is the anticipated internal audit plan for the remainder of FY21. Details of each audit engagement are included in the following pages. Actual time allocated to the individual projects will be based on approved project scopes. The internal audit plan is subject to revision, depending on changes to priorities and needs of the organization over time. As such, a portion of the audit plan is typically listed as 'discretionary'. For this audit plan no such discretionary time is budgeted. Any changes to the plan requiring re-allocation of scheduled hours will be subject to the approval of the Council. Should there be time available to take on additional work, it be up to the City Auditor to select an engagement from the "Additional Audits to be Considered" or "Additional Special Projects to be Considered" sections (see below) with input from the Finance Committee taken into consideration.

AUDITS

Fleet Retirement Process Audit – Evaluate the process for and internal controls governing the retirement and disposal of vehicles and equipment. Estimated Hours Budget -300; Estimated Report Date – July 31, 2021

Internal Control and Risk Assessment Surveys - Develop and administer surveys to management and staff to obtain information on internal control and risk management activities within the City. Estimated Hours Budget -100; Estimated Report Date – August 31, 2021

Scrap Materials Handling Process Review - Determine if internal controls are designed properly and operating effectively for the sale and handling of scrap materials. Estimated Hours Budget-80; Estimated Report Date – September 30, 2021.

FOLLOW-UP AUDITS

Cash Processing and Handling Follow-up Audit. Estimated Hours Budget -100, Estimated Draft Report Date – March 30, 2021

INVESTIGATIONS, ADVISEMENTS, RISK ASSESSMENT/ANNUAL AUDIT PLAN, ANNUAL REPORTS

This section estimated at 90 Hours

SPECIAL PROJECTS

Internal Audit Manual – Time budgeted to begin development of an Internal Audit Policies & Procedures manual to comply with professional standards. - 100

Update Internal Audit Ordinance – Identify potential changes to the ordinance regarding the internal audit function and/or the Finance Committee's involvement/responsibilities for the internal audit function for recommendation. - 60

TOTAL AUDIT, FOLLOW-UPS, INVESTIGATIONS, ADVISEMENTS, SPECIAL PROJECTS, RISK ASSESSMENT/ANNUAL AUDIT PLAN HOURS = 830 HOURS

ADDITIONAL AUDITS TO BE CONSIDERED

Wire Transfer Process - Determine if controls are designed properly and operating effectively to ensure that the City is protected from fraudulently initiated wire transfers. – 200

Utility Billing Process – Review utility billing process to ensure customers are being properly billed. – 300

Cross Departmental Citizen Issue Resolution - Review process and internal controls for handling citizen issues involving multiple departments. – 200

ADDITIONAL SPECIAL PROJECTS TO BE CONSIDERED

Internal Audit Charter -To comply with professional standards, an Internal Audit Charter should be developed that aligns with the governing ordinance. – 40

Fraud, Waste & Abuse Hotline Review - Evaluate the current fraud, waste, and abuse program to determine effectiveness for citizens and employees to report allegations of impropriety and misconduct. – 150

Fraud Waste and Abuse Policy- Update policy draft and obtain approval. – 40