



MEMORANDUM

To: City Council
From: Candace Brown, City Auditor *CB*
CC: John Baumgartner, City Manager
Finance Committee
Date: 9/29/2021
Re: Final FY22 Internal Audit Plan

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 FY22 are calculated to be 2080.

Administrative hours which include items such as: preparing for and attending meetings, budget reviews, continuing professional education, internal training, and general management functions is estimated at 380 hours.

Time-off is estimated at 260 hours which includes total vacation, sick, holidays, and other available absences through September 30, 2022.

This leaves 1,444 hours available for audits, agreed-upon procedures, follow-ups, investigations, advisements, and special projects.

FY22 ANNUAL INTERNAL AUDIT PLAN

Internal Audit Plan Summary

Listed below is the anticipated internal audit plan for FY22. 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 will 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

Wire Transfer Process - Determine if controls are designed properly and operating effectively to ensure the City is protected from fraudulently initiated wire transfers. – 200; Estimated Report Date – March 31, 2022

Hotel Occupancy Tax Revenue - Compliance review of HOT revenue received to ensure that the revenues are being properly collected and submitted to the City. – 300; Estimated Report Date – March 31, 2022

Sales tax revenue – Ensure that sales tax revenue is appropriately being remitted to the City for sales made by League City businesses and for online sales to League City residents with addresses assigned an adjoining city's postal code. – 250; Estimated Report Date – June 30, 2022

Inventory Management Review – Determine if internal controls over supplies and materials inventory are adequate to prevent loss, theft, obsolescence, and damage. – 150; Estimated Report Date – September 30, 2022

FOLLOW-UP AUDITS

Cash Processing and Handling 2nd Follow-up Audit. Estimated Hours Budget -80; Estimated Report Date – September 30, 2022

Fleet Retirement Process Follow-up Audit. Estimated Hours Budget -100; Estimated Report Date – September 30, 2022

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

This section estimated at 90 Hours

SPECIAL PROJECTS

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. – 100

PRIOR YEAR CARRY FORWARD ACTIVITIES FY21 AUDIT PLAN

Fleet Retirement Process Audit –Evaluate the process for and internal controls governing the retirement and disposal of vehicles and equipment. Fieldwork phase is completed and reporting phase has been initiated but not completed. Reporting Phase Estimated Hours Budget -100; Estimated Report Date – December 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 – December 31, 2021

TOTAL AUDIT, FOLLOW-UPS, INVESTIGATIONS, ADVISEMENTS, SPECIAL PROJECTS, RISK ASSESSMENT/ANNUAL AUDIT PLAN HOURS = 1450 HOURS

ADDITIONAL AUDITS TO BE CONSIDERED

Fleet Utilization - Determine whether sound fleet utilization and replacement practices and policies are being exercised. – 400

Small Equipment- Review internal controls over the tracking and monitoring of small equipment inventory – 400

Commercial Vehicle Enforcement Citations and Fines – Determine if violations are being properly cited and adjudicated – 300

Vendor Selection Process – Determine if vendor selection practices ensure vendors are selected in a fair, objective manner, and local preference is given when appropriate. - 300

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. – 60

Ethics Program- Develop proposal for program to promote ethical actions and behaviors and periodically assess the ethical climate of the City. - 150