



City of Bowling Green

Internal Auditor's Office Fiscal Year 2018/2019 Annual Audit Plan

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Internal Auditor's Office
City Wide Risk Assessment and Audit Plan
Fiscal Year 2018/2019

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Introduction

Enclosed is the Fiscal Year 2018/2019 Audit Plan for the Internal Auditor's Office. Professional internal audit standards, as well as the Internal Auditor's Office Charter, requires the preparation and presentation of this type of plan to the Audit Committee. This plan is updated annually and is intended to be flexible and will be amended if additional projects of high priority are identified during the course of the fiscal year.

Principles for the Risk Assessment and Audit Plan Development

In order to provide practical guidance and authoritative framework for the development of the risk assessment model and resulting audit plan, the following principles are utilized:

- Consideration is given to unique situations and circumstances which would supersede scheduled audits with higher risk scores.
- The approach to developing an audit plan recognizes that audit resources of personnel and dollars are limited, which prohibits 100% audit coverage each year. This limiting factor is inherent in the concept of utilizing a risk assessment model to help prioritize audits.
- The audit plan takes into consideration work performed by other auditors. These audits may be mandated by grant provisions, State and Federal agencies or special audits.
- The risk assessment criteria used for ranking the audit plan places an emphasis on perceived or actual knowledge of the City of Bowling Green's system of internal controls.
- The audit plan has been developed with awareness that there are inherent risks and limitations associated with any method or system of prioritizing audits. The risk factors and scoring process will be periodically evaluated and modified, if necessary, in order to improve the audit plan.

Audit Prioritization and Selection

The *objective* of a risk assessment is to identify and prioritize audits posing the greatest potential for risk and liability to the City. This process provides a tool to assign priority for the purpose of reducing the risk and liability exposure through observations, testing, analysis and recommendations. In developing the risk assessment model and audit plan, risk is defined as the potential for loss to a division due to error, fraud, inefficiency, failure to comply with statutory requirements or actions which may have a negative effect on the City.

A systematic risk assessment approach was performed. This approach separates risk into individual *risk factors*, which were assessed individually, then combined into an overall score reflecting a Division's risk potential. For each of the individual risk factors, the Internal Auditor's Office evaluated the associated risk and ranked them in one of several risk levels. This

process attempts to account for a relative measure of importance between each of the risk factors and the resulting impact on the overall risk score for each division by weighting each individual risk factor. A “weighting” factor was derived by performing a comparison of each specific risk factor, with all the other risk factors on a “more important than” basis. The result of this analysis is summarized in Attachment #1.

The following risk factors and weights were chosen for the Fiscal Year 2018/2019 risk assessment:

- Changes in Procedures/Personnel – 11%
- Budgeted Expenditures – 10%
- Liquidity and Negotiability of Assets – 15%
- Management – 8%
- External Influences – 2%
- Nature of Transactions – 8%
- Quality of Internal Controls – 25%
- Composition of Personnel – 3%
- Time Since Last Audit – 8%
- Revenue Materiality – 10%

Based on the selected risk factors, interviews were performed with key management which focused on the control environment, risk assessment, control activities, information and communication, and monitoring for each division. The following individuals were interviewed to discuss their specific departmental risks and operations:

City Manager Department

Jeff Meisel – City Manager
Katie Schaller-Ward – Assistant City Manager/City Clerk

Human Resources Department

Mike Grubbs – Director

Public Works Department

Greg Meredith – Public Works Director
Kris Crowe – Fleet Manager

Legal Department

Gene Harmon – City Attorney

Neighborhood & Community Services

Brent Childers – Director

Fire Department

Jason Colson – Fire Chief

Finance Department

Jeff Meisel – City Manager/Acting CFO
David Lyne – Occupation License Manager

Information Technology Department

Lynn Hartley – Chief Information Officer

Parks and Recreation Department

Brent Belcher – Director

Police Department

Doug Hawkins – Police Chief

The Fiscal Year 2018/2019 Audit Plan

The recommended Audit Plan for Fiscal Year 2018/2019 includes:

- BOLT Implementation Review (outsourced with Information Technology Department Funds, carryover due to software implementation issues)
- Fitness Division Audit (in progress)
- Parks Various Sports Contracts Audit Follow-Up
- License Division Audit Follow-Up
- Fleet Technician Efficiency Audit Follow-Up
- Legal Department Audit

The Fiscal Year 2018/2019 Audit Plan includes time to conduct unannounced cash counts and administer the Employee Ethics Hotline, while being responsive to special requests and advisory needs of management. There is continued concern about the audit coverage that can be provided as a one person audit shop, but will continue to search for ways to add greater value to the City based on the resources available. Additional staff or dedicated budgetary funds for co-sourcing audits would greatly improve the division's ability to respond to the needs of the organization.

ATTACHMENT #1

Data Entry Cells

Criteria Legend:

- | | | | |
|---|---|---|--|
| A | Changes in Procedures/Personnel | F | Nature of Transactions |
| B | Budgeted Expenditures | G | Quality of Internal Controls |
| C | Liquidity and Negotiability of Assets | H | Composition of Personnel |
| D | Management | I | Time Since Last Audit |
| E | External Influences | J | Revenue Materiality |

| Department | Criteria | | | | | | | | | | Gross Score | Weighted Score | Risk |
|------------------------------------|-----------------------------|-----|-----|----|----|----|-----|----|----|-----|-------------|----------------|--------|
| | A | B | C | D | E | F | G | H | I | J | | | |
| | Maximum Points per Criteria | | | | | | | | | | | | |
| | 27 | 9 | 18 | 18 | 16 | 18 | 18 | 18 | 7 | 9 | | | |
| | Weights | | | | | | | | | | | | |
| | 11% | 10% | 15% | 8% | 2% | 8% | 25% | 3% | 8% | 10% | | | |
| Legislative | | | | | | | | | | | | | |
| Mayor and Commissioners | 2 | 3 | 2 | 2 | 11 | 2 | 5 | 1 | 10 | 1 | 39 | 3.54 | LOW |
| City Manager | | | | | | | | | | | | | |
| City Manager | 7 | 3 | 2 | 4 | 6 | 8 | 8 | 1 | 10 | 1 | 50 | 5.38 | MEDIUM |
| City Clerk | 2 | 3 | 2 | 8 | 5 | 11 | 2 | 1 | 10 | 3 | 47 | 4.07 | LOW |
| Purchasing | 2 | 1 | 10 | 8 | 10 | 11 | 5 | 1 | 7 | 1 | 56 | 5.48 | MEDIUM |
| Public Information | 2 | 3 | 6 | 6 | 4 | 5 | 2 | 1 | 10 | 1 | 40 | 3.81 | LOW |
| Records Management | 5 | 1 | 6 | 6 | 5 | 8 | 5 | 1 | 10 | 1 | 48 | 4.95 | LOW |
| Internal Auditor | 2 | 3 | 2 | 8 | 7 | 10 | 5 | 1 | 10 | 1 | 49 | 4.58 | LOW |
| Finance | | | | | | | | | | | | | |
| Treasury | 2 | 3 | 10 | 8 | 11 | 11 | 5 | 1 | 10 | 9 | 70 | 6.74 | MEDIUM |
| Chief Financial Officer | 7 | 3 | 2 | 4 | 9 | 13 | 5 | 1 | 10 | 9 | 63 | 5.89 | MEDIUM |
| License | 13 | 3 | 10 | 8 | 14 | 16 | 11 | 2 | 5 | 9 | 91 | 9.54 | HIGH |
| Accounting/Accounts Payable | 7 | 3 | 2 | 8 | 10 | 8 | 5 | 2 | 10 | 3 | 58 | 5.26 | MEDIUM |
| Payroll | 2 | 1 | 2 | 8 | 12 | 11 | 5 | 1 | 1 | 1 | 44 | 3.84 | LOW |
| Human Resources | | | | | | | | | | | | | |
| Human Resources Management | 2 | 5 | 2 | 4 | 12 | 8 | 8 | 2 | 10 | 1 | 54 | 5.18 | MEDIUM |
| Benefits and Insurance | 2 | 9 | 2 | 6 | 12 | 11 | 11 | 1 | 10 | 1 | 65 | 6.7 | MEDIUM |
| Safety and Training | 2 | 7 | 6 | 6 | 12 | 8 | 11 | 1 | 10 | 1 | 64 | 6.86 | MEDIUM |
| Law | | | | | | | | | | | | | |
| | 10 | 3 | 6 | 12 | 12 | 13 | 13 | 1 | 10 | 3 | 83 | 8.92 | HIGH |
| Information Technology | | | | | | | | | | | | | |
| | 2 | 7 | 10 | 6 | 7 | 13 | 13 | 1 | 7 | 1 | 67 | 8.02 | HIGH |
| Police | | | | | | | | | | | | | |
| Administration | 7 | 7 | 4 | 6 | 9 | 5 | 8 | 1 | 7 | 3 | 57 | 6.02 | MEDIUM |
| Records | 10 | 3 | 6 | 8 | 5 | 2 | 2 | 1 | 7 | 3 | 47 | 4.59 | LOW |
| Criminal Investigations | 2 | 7 | 6 | 6 | 14 | 13 | 8 | 3 | 7 | 1 | 67 | 6.37 | MEDIUM |
| Traffic and Patrol | 5 | 9 | 10 | 6 | 16 | 11 | 8 | 9 | 7 | 1 | 82 | 7.56 | HIGH |
| Communications | 14 | 7 | 6 | 8 | 14 | 13 | 2 | 4 | 1 | 1 | 70 | 5.9 | MEDIUM |
| Evidence | 2 | 3 | 14 | 8 | 8 | 8 | 5 | 1 | 7 | 3 | 59 | 6.2 | MEDIUM |
| Other (Cadets and Crossing Guards) | 5 | 1 | 2 | 8 | 2 | 2 | 2 | 7 | 7 | 1 | 37 | 3.16 | LOW |
| Fire | | | | | | | | | | | | | |
| Administration | 2 | 7 | 4 | 6 | 7 | 2 | 8 | 1 | 7 | 1 | 45 | 4.99 | LOW |
| Suppression | 5 | 9 | 6 | 6 | 16 | 13 | 5 | 9 | 7 | 1 | 77 | 6.37 | MEDIUM |
| Prevention | 2 | 5 | 6 | 10 | 7 | 5 | 8 | 2 | 7 | 1 | 53 | 5.68 | MEDIUM |
| Training | 2 | 3 | 6 | 8 | 7 | 2 | 8 | 1 | 7 | 1 | 45 | 5.05 | MEDIUM |
| Public Works | | | | | | | | | | | | | |
| Facilities Management | 5 | 7 | 6 | 4 | 2 | 11 | 8 | 2 | 10 | 1 | 56 | 6.35 | MEDIUM |
| Administration | 2 | 5 | 2 | 4 | 7 | 8 | 8 | 1 | 10 | 1 | 48 | 5.05 | MEDIUM |
| Planning and Design | 2 | 7 | 6 | 6 | 14 | 13 | 5 | 1 | 10 | 1 | 65 | 5.8 | MEDIUM |
| Environmental Compliance | 2 | 5 | 6 | 8 | 12 | 11 | 5 | 2 | 10 | 1 | 62 | 5.59 | MEDIUM |
| Fleet Management | 9 | 7 | 10 | 8 | 7 | 8 | 5 | 2 | 3 | 3 | 62 | 6.46 | MEDIUM |
| Operations | 2 | 9 | 10 | 8 | 7 | 8 | 5 | 5 | 10 | 1 | 65 | 6.34 | MEDIUM |

Parks and Recreation

| | | | | | | | | | | | | | |
|--------------------|----|---|----|---|----|---|---|----|----|---|----|------|--------|
| Administration | 2 | 5 | 6 | 4 | 6 | 8 | 5 | 2 | 10 | 9 | 57 | 5.71 | MEDIUM |
| Maintenance | 5 | 7 | 10 | 8 | 4 | 8 | 8 | 6 | 5 | 1 | 62 | 6.79 | MEDIUM |
| Athletics | 5 | 5 | 10 | 8 | 9 | 5 | 8 | 10 | 3 | 9 | 72 | 7.21 | MEDIUM |
| Aquatics | 9 | 5 | 16 | 8 | 12 | 8 | 8 | 10 | 7 | 9 | 92 | 9.17 | HIGH |
| Recreation/Fitness | 5 | 5 | 10 | 8 | 9 | 8 | 8 | 10 | 10 | 9 | 82 | 8.01 | HIGH |
| Golf Courses | 5 | 7 | 16 | 4 | 9 | 5 | 8 | 10 | 7 | 9 | 80 | 8.31 | HIGH |
| Cemetery | 10 | 5 | 12 | 6 | 7 | 8 | 8 | 2 | 3 | 9 | 70 | 7.86 | HIGH |
| Community Centers | 5 | 5 | 10 | 8 | 4 | 8 | 5 | 10 | 10 | 5 | 70 | 6.76 | MEDIUM |
| Beautification | 2 | 5 | 10 | 8 | 2 | 8 | 5 | 2 | 10 | 1 | 53 | 5.75 | MEDIUM |

Neighborhood & Community Services

| | | | | | | | | | | | | | |
|----------------------------------|----|---|----|---|----|---|---|---|----|---|----|------|--------|
| Administration | 2 | 3 | 2 | 4 | 2 | 5 | 1 | 1 | 10 | 1 | 31 | 2.76 | LOW |
| Inspection | 14 | 5 | 10 | 6 | 9 | 8 | 1 | 1 | 1 | 5 | 60 | 5.7 | MEDIUM |
| Housing Assistance | 10 | 7 | 4 | 6 | 14 | 8 | 1 | 1 | 7 | 3 | 61 | 4.94 | LOW |
| Neighborhood Action/City Central | 5 | 3 | 2 | 6 | 4 | 8 | 1 | 1 | 10 | 1 | 41 | 3.53 | LOW |
| Code Enforcement | 9 | 5 | 6 | 6 | 9 | 8 | 1 | 1 | 7 | 3 | 55 | 4.83 | LOW |
| Animal Control | 5 | 1 | 6 | 6 | 9 | 8 | 1 | 1 | 10 | 3 | 50 | 4.23 | LOW |

ATTACHMENT #2

Available Audit Hours for Fiscal Year 2018/2019

Available Resources (Audit Hours)

| | | |
|--|-----|---------------------|
| Number of Staff | 1 | |
| Annual Hours Available | | <u>2,080</u> |
| <u>Less: Non-Audit Hours</u> | | |
| <i>Paid Leave</i> | | |
| Holidays | 80 | |
| Vacation | 120 | |
| Personal Days | 40 | |
| Employee Appreciation Day | 8 | |
| Estimated Sick | 64 | |
| <i>Estimated Holidays and Leave Time</i> | | <u>312</u> |
| <i>Professional Development</i> | | |
| ACFE Annual Conference | 20 | |
| ALGA Annual Conference | 16 | |
| ALGA Regional Conference | 16 | |
| Total Professional Development Hours | | <u>52</u> |
| <i>Administration</i> | | |
| General Administrative Functions & Tasks | 175 | |
| Employee Training/Fraud Awareness Presentations | 80 | |
| Total Administration Hours | | <u>255</u> |
| Total Indirect Audit Hours | | 619 |
| Total Direct Audit Hours Available | | <u>1,461</u> |
| <u>Fiscal Year 2018/2019 Audit Plan</u> | | |
| Advisory Services/Special Requests/Employee Hotline Admin. | | 200 |
| Oversee BOLT Impementation Review | | 40 |
| Fitness Division Audit | | 320 |
| Parks Various Sports Contracts Audit Follow-Up | | 120 |
| License Division Operations Audit Follow-Up | | 160 |
| Fleet Technician Efficiency Audit Follow-Up | | 160 |
| Legal Department Audit | | 360 |
| Audit Committee Meetings | | 40 |
| Annual Risk Assessment and Audit Plan | | 80 |
| Unanounced Cash Counts | | 16 |
| Total Budgeted Direct Audit Hours | | <u>1,496</u> |

Resource Over/Short (35)