City of Bowling Green

Internal Auditor's Office
FY2016/2017
Annual Audit Plan

Deborah Jenkins, CFE, CGAP, CICA
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Internal Auditor's Office
City Wide Risk Assessment and Audit Plan
FY2016/2017

Contents

Introduction

Enclosed is the FY2016/2017 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 the Audit Plan 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 applicable weights were chosen for the FY2016/2017 risk assessment:

- Changes in Procedures/Personnel 11%
- Budgeted Expenditures   10%
- Liquidity and Negotiability of Assets   15%
- Management   8%
- External Influences   4%
- Nature of Transactions 8%
- Quality of Internal Controls   25%
- Composition of Personnel   3%
- Time Since Last Audit   6%
- 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
        Kevin DeFebbo - City Manager
        Katie Schaller-Ward - Assistant City Manager/City Clerk
Human Resources Department
        Mike Grubbs - Director
Public Works Department
        Melissa Cansler - City Engineer
Legal Department
        Gene Harmon - City Attorney
Neighborhood & Community Services
        Brent Childers - Director
Fire Department
        Jason Colson - Fire Chief
Finance Department
        Jeff Meisel - Chief Financial Officer
Information Technology Department
        Lynn Hartley - Chief Information Officer
Parks and Recreation Department
        Brent Belcher - Director
Police Department
        Doug Hawkins - Police Chief

The FY2016/2017 Audit Plan

The recommended Audit Plan for FY2016/2017 includes:

Cemetery Administration Audit (in progress)
BOLT Implementation Review (outsourced with IT Dept. Funds)
Park Maintenance Operations Follow-Up Audit
Building and Inspection Division Audit
Timeclock Audit

The FY2016/2017 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 of 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

	Criteria										Gross	Weighted	
	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										Score	Score	Risk
Department	11%	10%	15%	8%	4%	8%	25%	3%	6%	10%			
Legislative													
Mayor and Commissioners	2	3	2	6	11	2	5	1	7	1	40	3.7	LOW
City Manager													
City Manager	2	3	2	4	6	8	8	1	7	1	42	4.57	LOW
City Clerk	2	3	2	8	5	11	5	1	7	3	47	4.54	LOW
Purchasing	2	1	2	8	12	11	8	1	1	1	47	4.81	LOW
Public Information	2	3	6	6	4	5	5	1	7	1	40	4.26	LOW
Internal Auditor	2	3	2	6	9	10	5	1	7	1	46	4.26	LOW
Finance													
Treasury	5	3	10	8	7	11	11	1	7	9	72	8.25	HIGH
Chief Financial Officer	2	3	2	4	9	13	8	1	7	9	58	5.89	MEDIUM
License	5	3	10	8	10	16	11	2	3	9	77	8.56	HIGH
Accounting/Accounts Payable	5	5	2	8	10	8	11	2	7	3	61	6.56	MEDIUM
Payroll	10	1	2	16	10	11	8	1	7	1	67	6.61	MEDIUM
Human Resources													
Human Resources Management	2	5	6	4	12	8	8	1	7	1	54	5.61	MEDIUM
Benefits and Insurance	2	9	2	6	10	11	11	1	7	1	60	6.48	MEDIUM
Safety and Training	2	7	6	6	10	8	11	1	7	1	59	6.64	MEDIUM
Law	2	3	6	4	12	13	10	1	7	3	61	6.51	MEDIUM
Information Technology	2	7	10	10	7	13	13	1	7	1	71	8.34	HIGH
Police													
Administration	2	7	4	6	7	5	13	1	7	3	55	6.68	MEDIUM
Records	10	3	6	8	5	2	5	1	7	3	50	5.3	MEDIUM
Criminal Investigations	5	7	6	6	9	13	8	3	7	1	65	6.64	MEDIUM
Traffic and Patrol	5	9	10	6	16	11	8	9	7	1	82	7.74	HIGH
Communications	5	7	6	8	14	13	5	4	7	1	70	6.28	MEDIUM
Evidence	5	3	16	8	8	8	5	1	7	3	64	6.85	MEDIUM
Other (Cadets and Crossing Guards)	5	1	2	8	2	2	2	7	7	1	37	3.06	LOW
Fire													
Administration	10	7	4	14	7	2	13	1	5	1	64	7.64	HIGH
Suppression	5	9	6	4	16	11	5	9	5	1	71	6.11	MEDIUM
Prevention	2	5	6	8	7	5	8	1	5	1	48	5.37	MEDIUM
Training	2	3	6	8	2	2	8	1	5	1	38	4.73	LOW

Public Works

Facilities Management	5	7	6	4	2	11	11	1	7	1	55	6.73	MEDIUM
Administration	7	7	2	4	7	8	8	3	7	3	56	5.82	MEDIUM
Fleet Management	5	7	10	8	2	8	8	1	1	3	53	6.5	MEDIUM
Operations	5	7	10	8	4	8	8	5	7	1	63	6.86	MEDIUM

Parks and Recreation

Administration	5	5	6	4	2	8	8	2	7	9	56	6.37	MEDIUM
Maintenance	5	7	10	8	2	8	8	6	3	1	58	6.57	MEDIUM
Athletics	5	5	10	8	7	5	8	10	1	9	68	7.13	MEDIUM
Aquatics	5	5	12	8	7	8	8	10	7	9	79	8.03	HIGH
Recreation/Fitness	5	7	10	10	7	8	8	4	7	9	75	7.91	HIGH
Golf Courses	5	7	16	6	9	5	8	8	7	9	80	8.45	HIGH
Cemetery	5	5	10	8	5	8	8	2	1	9	61	7.05	MEDIUM
Community Centers	5	5	10	8	4	8	5	2	7	5	59	6.22	MEDIUM
Beautification	5	5	10	8	2	8	5	2	7	1	53	5.74	MEDIUM

Neighborhood & Community Services

Administration	5	5	2	4	2	5	1	1	7	1	33	2.95	LOW
Inspection	5	5	8	14	7	8	4	1	7	5	64	6.24	MEDIUM
Housing Assistance	5	7	4	6	14	8	1	2	7	5	59	4.76	LOW
Neighborhood Action/City Central	5	3	2	6	4	8	1	1	7	3	40	3.43	LOW
Code Enforcement	5	5	6	6	4	8	4	1	7	3	49	4.98	LOW
Animal Control	10	1	6	6	7	8	1	1	7	3	50	4.5	LOW

ATTACHMENT #2
Available Audit Hours for FY16/17

Available Resources (Audit Hours)

Number of Staff	1	
Annual Hours Available		2,080

Less: Non-Audit Hours

Paid Leave

Holidays	80	
Vacation	112	
Personal Days	40	
Employee Appreciation Day	8	
Estimated Sick	64	
Estimated Holidays and Leave Time		304

Professional Development

City Provided / Remaining CPE Hours	40	
ACFE Annual Conference	20	
ALGA Annual Conference	16	
Total Professional Development Hours		76

Administration

General Administrative Functions & Tasks	200	
Employee Training/Fraud Awareness Presentations	80	
Total Administration Hours		280

Total Indirect Audit Hours	660
Total Direct Audit Hours Available	**1,420**

FY12/13 Audit Plan

Advisory Services/Special Requests/Employee Hotline Admin.	300
Complete Cemetery Administration Audit	300
Park Maintenance Operational Audit Follow-up	160
Building and Inspection Division Audit	360
Timeclock Audit	200
Audit Committee Meetings	30
Annual Risk Assessment and Audit Plan	80
Unanounced Cash Counts	40

Total Budgeted Direct Audit Hours	**1,470**
Resource Over/Short	(50)