



# City of Bowling Green

## Internal Auditor's Office FY2017/2018 Annual Audit Plan

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Internal Auditor's Office  
City Wide Risk Assessment and Audit Plan  
FY2017/2018

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## **Introduction**

Enclosed is the FY2017/2018 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 weights were chosen for the FY2017/2018 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

Kevin DeFebbo - City Manager  
Katie Schaller-Ward - Assistant City Manager/City Clerk

Human Resources Department

Mike Grubbs – Director  
David Weisbrodt- Safety and Risk Manager

Public Works Department

Greg Meredith- Public Works Director  
Melissa Cansler - City Engineer  
Bobby Phelps- Operations Manager  
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 - 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 FY2017/2018 Audit Plan**

The recommended Audit Plan for FY2017/2018 includes:

- Timeclock Audit (Finalizing in July 2017)
- BOLT Implementation Review (outsourced with IT Dept. Funds, carryover due to software implementation issues)
- Building and Inspection Revenue Audit (in progress)
- Fitness Division Audit
- Communications Division Audit

The FY2017/2018 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 | <a href="#">Changes in Procedures/Personnel</a>       | F | <a href="#">Nature of Transactions</a>       |
| B | <a href="#">Budgeted Expenditures</a>                 | G | <a href="#">Quality of Internal Controls</a> |
| C | <a href="#">Liquidity and Negotiability of Assets</a> | H | <a href="#">Composition of Personnel</a>     |
| D | <a href="#">Management</a>                            | I | <a href="#">Time Since Last Audit</a>        |
| E | <a href="#">External Influences</a>                   | J | <a href="#">Revenue Materiality</a>          |

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%			
<b>Legislative</b>													
Mayor and Commissioners	2	3	2	6	11	2	5	1	10	1	43	3.86	LOW
<b>City Manager</b>													
City Manager	2	3	2	4	6	8	8	1	10	1	45	4.83	LOW
City Clerk	2	3	2	8	5	11	5	1	10	3	50	4.82	LOW
Purchasing	2	1	10	8	12	11	8	1	7	1	61	6.27	MEDIUM
Public Information	2	3	6	6	4	5	5	1	10	1	43	4.56	LOW
Records Management	10	1	6	6	5	8	5	1	10	1	53	5.5	MEDIUM
Internal Auditor	2	3	2	8	9	10	5	1	10	1	51	4.62	LOW
<b>Finance</b>													
Treasury	2	3	10	8	11	11	8	1	10	9	73	7.49	MEDIUM
Chief Financial Officer	2	3	2	4	9	13	8	1	10	9	61	6.09	MEDIUM
License	2	3	10	8	14	16	11	2	5	9	80	8.33	HIGH
Accounting/Accounts Payable	2	3	2	8	10	8	8	2	10	3	56	5.46	MEDIUM
Payroll	2	1	2	8	12	11	8	1	1	1	47	4.59	LOW
<b>Human Resources</b>													
Human Resources Management	2	5	2	4	12	8	8	2	10	1	54	5.18	MEDIUM
Benefits and Insurance	2	9	2	6	10	11	11	1	10	1	63	6.66	MEDIUM
Safety and Training	2	7	6	6	10	8	11	1	10	1	62	6.82	MEDIUM
<b>Law</b>													
	2	3	6	4	12	13	10	1	10	3	64	6.65	MEDIUM
<b>Information Technology</b>													
	2	7	10	6	7	13	13	1	7	1	67	8.02	HIGH
<b>Police</b>													
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	5.34	MEDIUM
Criminal Investigations	5	7	6	6	9	13	8	3	7	1	65	6.6	MEDIUM
Traffic and Patrol	5	9	10	6	16	11	8	9	7	1	82	7.56	HIGH
Communications	14	7	6	16	14	13	8	4	7	1	90	8.52	HIGH
Evidence	5	3	16	8	8	8	8	1	7	3	67	7.58	HIGH
Other (Cadets and Crossing Guards)	5	1	2	8	2	2	2	7	7	1	37	3.16	LOW
<b>Fire</b>													
Administration	2	7	4	6	7	2	13	1	7	1	50	6.24	MEDIUM
Suppression	5	9	6	4	16	11	5	12	7	1	76	6.14	MEDIUM
Prevention	2	5	6	8	7	5	11	1	7	1	53	6.24	MEDIUM
Training	5	3	6	8	2	2	11	1	7	1	46	6.03	MEDIUM

**Public Works**

Facilities Management	5	7	6	4	2	11	8	2	10	1	56	6.35	MEDIUM
Administration	5	5	2	4	7	8	8	1	10	1	51	5.38	MEDIUM
Planning and Design	5	7	6	6	14	16	8	1	10	1	74	7.12	MEDIUM
Environmental Compliance	5	5	6	6	12	11	8	2	10	1	66	6.51	MEDIUM
Fleet Management	9	7	10	8	2	8	8	2	3	3	60	7.11	MEDIUM
Operations	5	9	10	16	4	8	8	5	10	1	76	8	HIGH

**Parks and Recreation**

Administration	5	5	6	4	2	8	8	2	10	9	59	6.71	MEDIUM
Maintenance	10	7	10	8	2	8	11	6	5	1	68	8.05	HIGH
Athletics	5	1	12	8	7	5	11	10	3	9	71	7.82	HIGH
Aquatics	9	7	16	8	12	8	8	10	7	9	94	9.37	HIGH
Recreation/Fitness	5	7	12	16	7	8	11	10	10	9	95	9.86	HIGH
Golf Courses	5	7	16	4	9	5	8	10	7	9	80	8.31	HIGH
Cemetery	10	5	12	4	5	8	8	2	3	9	66	7.66	HIGH
Community Centers	5	5	10	8	4	8	8	10	10	5	73	7.51	HIGH
Beautification	5	5	10	8	2	8	8	2	10	1	59	6.83	MEDIUM

**Neighborhood & Community Services**

Administration	5	3	2	4	2	5	1	1	10	1	34	3.09	LOW
Inspection	5	5	10	14	7	8	1	1	1	5	57	5.31	MEDIUM
Housing Assistance	9	7	4	6	14	8	1	1	7	3	60	4.83	LOW
Neighborhood Action/City Central	5	3	2	8	4	8	1	1	10	1	43	3.69	LOW
Code Enforcement	5	5	6	6	4	8	1	1	7	3	46	4.29	LOW
Animal Control	5	1	6	10	7	8	1	1	10	3	52	4.51	LOW

**ATTACHMENT #2**  
**Available Audit Hours for FY17/18**

**Available Resources (Audit Hours)**

Number of Staff	1	
Annual Hours Available		2,080

**Less: Non-Audit Hours**

*Paid Leave*

Holidays	80	
Vacation	96	
Personal Days	40	
Employee Appreciation Day	8	
Estimated Sick	64	

*Estimated Holidays and Leave Time* 288

*Professional Development*

City Provided / Remaining CPE Hours	20	
ACFE Annual Conference	20	
ALGA Annual Conference	15	
IIA Southern Region Conference	18	
Total Professional Development Hours		73

*Administration*

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

Total Indirect Audit Hours 641

Total Direct Audit Hours Available 1,439

**FY12/13 Audit Plan**

Advisory Services/Special Requests/Employee Hotline Admin.	300
Oversee BOLT Impementation Review	40
Fitness Division Audit	360
Communications Audit	300
Building and Inspection Division Audit	250
Timeclock Audit	80
Audit Committee Meetings	30
Annual Risk Assessment and Audit Plan	80
Unannounced Cash Counts	16

Total Budgeted Direct Audit Hours 1,456

Resource Over/Short (17)