



City of Bowling Green

Internal Auditor's Office FY2014/2015 Annual Audit Plan

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Internal Auditor's Office
City Wide Risk Assessment and Audit Plan
For FY2014/2015

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Introduction

Enclosed is the FY2014/2015 Audit Plan for the Internal Auditor's Office. Professional internal audit standards, as well as the Internal Auditor's Office Charter, require the preparation and presentation of this type of plan to the Audit Committee. This plan is updated annually. 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 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, I defined risk 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, I 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 on Attachment #1.

The following risk factors and applicable weights were chosen for the FY2014/2015 risk assessment:

- Changes in Procedures/Personnel 7%
- Budgeted Expenditures 10%
- Liquidity and Negotiability of Assets 15%
- Management 5%
- External Influences 4%
- Nature of Transactions 8%
- Quality of Internal Controls 20%
- Composition of Personnel 4%
- Time Since Last Audit 15%
- Revenue Materiality 12%

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- Assistant City Manager/City Clerk

Human Resources Department

Mike Grubbs- Director

Public Works Department

Jeff Lashlee- Director

Legal Department

Gene Harmon- City Attorney

Neighborhood & Community Services

Brent Childers- Director

Fire Department

Greg Johnson- 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 FY2014/2015 Audit Plan

The recommended Audit Plan for FY2014/2015 includes:

Complete License Division Audit already in progress
Revenue Collection Audits within Fitness and various Athletic Programs
Convention Center Revenue Audit

The FY2014/2015 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. This audit plan strives to blend the large scope audits that have been conducted throughout the city with more focused and narrow scope audits in an attempt to perform more audits within each fiscal year.

I continue to be concerned about the audit coverage that I have been able to provide 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 resources for co-sourcing of audits would greatly improve my 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												
	7%	10%	15%	5%	4%	8%	20%	4%	15%	12%			
Legislative													
Mayor and Commissioners	8	3	2	6	11	2	5	1	7	1	46	4.27	LOW
City Manager													
City Manager	2	3	2	4	6	8	8	1	7	1	42	4.63	LOW
City Clerk	2	3	2	8	5	11	5	1	7	3	47	4.67	LOW
Purchasing	5	1	2	8	12	11	8	1	3	1	52	4.72	LOW
Public Information	5	3	6	6	4	5	5	1	7	1	43	4.62	LOW
Internal Auditor	2	3	2	6	9	10	5	1	7	1	46	4.41	LOW
Finance													
Treasury	5	3	10	10	7	11	11	1	7	9	74	8.18	HIGH
Chief Financial Officer	2	3	2	6	9	13	8	1	7	9	60	6.21	MEDIUM
License	5	3	10	12	10	16	11	2	1	9	79	7.94	HIGH
Accounting/Accounts Payable	2	5	2	14	10	8	11	2	7	3	64	6.37	MEDIUM
Payroll	2	1	2	10	10	11	11	1	7	1	56	5.73	MEDIUM
Human Resources													
Human Resources Management	2	5	6	4	12	8	8	1	7	1	54	5.67	MEDIUM
Benefits and Insurance	2	9	2	8	10	11	11	1	7	1	62	6.43	MEDIUM
Safety and Training	2	7	6	6	10	8	11	1	7	1	59	6.49	MEDIUM
Law													
	2	3	6	4	12	13	13	1	7	3	64	7.11	MEDIUM
Information Technology													
	2	7	10	10	7	13	16	1	3	1	70	7.97	HIGH
Police													
Administration	2	7	4	8	7	2	16	1	3	3	53	6.33	MEDIUM
Records	5	3	6	10	5	2	5	1	3	3	43	4.26	LOW
Criminal Investigations	5	7	6	6	9	11	8	3	3	1	59	5.78	MEDIUM
Traffic and Patrol	5	9	10	6	16	11	8	9	3	1	78	7.1	MEDIUM
Communications	5	7	6	8	14	13	5	4	3	1	66	5.68	MEDIUM
Evidence	5	3	18	10	8	8	5	1	3	5	66	6.9	MEDIUM
Other (Cadets and Crossing Guards)	10	1	2	8	2	2	2	7	3	1	38	2.99	LOW
Fire													
Administration	5	7	4	8	7	2	13	1	3	1	51	5.7	MEDIUM
Suppression	2	9	6	4	16	11	2	9	3	1	63	4.99	LOW
Prevention	5	5	6	10	7	5	8	1	3	1	51	5.14	MEDIUM
Training	5	3	6	10	2	2	8	1	3	1	41	4.5	LOW

Public Works														
Facilities Management	10	7	6	10	2	11	11	1	7	1	66	7.17	MEDIUM	
Administration	2	7	2	6	7	8	8	3	7	5	55	5.73	MEDIUM	
Fleet Management	14	7	10	12	2	8	8	1	1	3	66	6.65	MEDIUM	
Operations	5	7	10	14	4	8	8	5	7	1	69	7.02	MEDIUM	
Parks and Recreation														
Administration	5	5	6	6	2	8	5	2	7	9	55	5.98	MEDIUM	
Maintenance	10	7	10	10	2	8	11	6	1	1	66	6.83	MEDIUM	
Athletics	12	5	10	12	7	5	8	11	7	9	86	8.29	HIGH	
Aquatics	12	5	12	10	7	8	8	10	5	9	86	8.39	HIGH	
Recreation/Fitness	12	7	10	16	7	5	8	6	7	9	87	8.49	HIGH	
Golf Courses	13	7	18	8	9	5	11	8	7	9	95	10.12	HIGH	
Cemetery	5	5	10	10	5	2	11	2	7	9	66	7.62	HIGH	
Community Centers	10	5	10	10	4	5	5	10	7	9	75	7.29	MEDIUM	
Beautification	5	5	10	8	2	5	5	2	7	1	50	5.48	MEDIUM	
Neighborhood & Community Services														
Administration	5	5	2	4	2	5	1	1	7	1	33	3.24	LOW	
Inspection	5	5	6	8	7	2	4	1	7	5	50	5.08	MEDIUM	
Housing Assistance	5	7	2	8	14	8	1	2	5	9	61	5.06	MEDIUM	
Neighborhood Action/City Central	5	3	2	6	4	8	1	1	7	3	40	3.7	LOW	
Code Enforcement	10	5	6	6	4	8	4	1	3	3	50	4.85	LOW	
Animal Control	10	1	6	6	7	5	1	1	7	3	47	4.33	LOW	

ATTACHMENT #2

Available Audit Hours for FY14/15

Available Resources (Audit Hours)					
	Number of Staff			1	
	Annual Hours Available				2,080
Less: Non-Audit Hours					
	<i>Estimated Holidays and Leave Time</i>				272
	<i>Professional Development</i>				
	City Provided / Misc. Training			20	
	Conducting Internal Investigations			16	
	CGAP Exam			4	
	ACFE Annual Conference			24	
	ALGA Annual Conference			16	
	Total Professional Development Hours				80
	<i>Administration</i>				
	General Administrative Functions & Tasks			200	
	Employee Training/Fraud Awareness Presentations			80	
	Total Administration Hours				280
	Total Indirect Audit Hours				632
	Total Direct Audit Hours Available				1,448
	FY12/13 Audit Plan				
	Advisory Services/Special Requests/Employee Hotline Admin.				240
	License Division Audit (Currently working on)				240
	Revenue Collection Audits within Fitness and various Athletic Programs				600
	Convention Center Revenue Audit				240
	Audit Committee Meetings				30
	Annual Risk Assessment and Audit Plan				80
	Unannounced Cash Counts				40
	Total Budgeted Direct Audit Hours				1,470
	Resource Over/Short				(22)