

MEMORANDUM

To: John Glascock, Interim City Manager

From: Carey Bryce, Internal Auditor

Date: March 15, 2019

Subject: Internal Audit Plan

Based on discussions with City staff and the City Manager, as well as Internal Audit (IA) knowledge, IA has developed a preliminary audit plan (attached) covering the time period 2019-2021. This plan is subject to change at any time, based on Council/constituent needs or requests, change or events within the City, higher priorities identified by IA or the City Manager (for example, suspected fraud), or departmental challenges. The goal of the plan is to cover the areas of highest risk, as identified by City staff knowledge and IA judgment based on prior experience, while ensuring audit projects support the attainment of the City's strategic goals. However, risk is multi-faceted and can change rapidly, a factor IA is aware of and will adjust for if necessary. Additionally, the City recognizes that the audit plan will develop and change over time regardless, simply as a function of increasing IA knowledge of the City, changes in personnel and/or procedures, and/or changes in City governance. The plan is designed to be more specific in the immediate year, and provide potential audit projects to cover in the later years of the plan, as well as have the flexibility to adjust as the City's strategic goals change.

Most of the audit plan is, at this point, dedicated to full audits of the process or program identified. This means complete documentation in accordance with, at a minimum, the International Standards for the Professional Practice of Internal Auditing (IPPF), as set forth by the Institute of Internal Auditors. These standards outline requirements for internal auditors, including objectivity, independence, audit documentation, and reporting. IA is currently establishing the procedures and templates needed to fulfill these requirements, a process which will take time, but will establish a baseline from which to perform future audits, so that the process should be faster and more developed in future. Eventually, the audit function will have a procedures manual, and possibly establish a defined internal control system if it meets the City's needs (based on, for example, COSO 2013 (information attached) or the Missouri Quality Award structure already in place, as defined by the Baldrige Excellence Framework). This would

require departments to understand and document processes and related risks and controls, leading to the benefits of identifying weaknesses proactively, encouraging department collaboration, and ultimately resulting in a more effective and efficient operation.

At present, IA will begin with the initial audit plan, to include review of related written procedures for each department or function under audit, to start the process of understanding what documentation currently exists. These audits are all operational/performance in nature, meaning that IA is more concerned with how the actual process functions, and identifying opportunities for improvement, rather than focusing on if the financial or monetary transactions appropriately roll up to the financial statements or are adequately reported. A financial or compliance aspect can be included in operational audits if needed.

As to the specifics of the plan, the risk ratings within each area were based on auditor judgment, knowledge, and meetings with City staff, as well as discussions with the City Manager. The audits themselves were prioritized in the same manner. IA also attempted to ensure coverage for a variety of departments, both to assess more of the City, and to avoid placing too much burden on one department as to use of staff time. IA recognizes the fact that City staff must take additional time, besides their normal duties, to meet with and assist IA, and appreciates the commitment toward identifying and addressing challenges. Currently, the timing of audits is based strictly on prior IA knowledge, as the function is being developed from the ground up, and the auditor is new to the City. Thus, audit time budgets may adjust significantly (up or down), based on complexity of the subject and ultimate scope of the audit. Time is also built into the plan for auditor familiarization with City processes, creating the audit function, ad hoc projects that may arise, and advisory services requested by departments.

The end result of each audit will be an audit report, along with a full package of supporting documentation, including planning, fieldwork, and finding development. For smaller or advisory projects, IA will produce a management letter, or a memo, as appropriate to the situation. The audit plan will serve as a living document to ensure that audits stay focused, risk appropriate, and result in tangible products. As such, IA values ongoing input from the Council, City management, staff, and citizens to result in the most efficient and effective use of the audit resource.