



MEMORANDUM

To: City Council
From: Candace Brown, City Auditor *CB*
CC: John Baumgartner, City Manager
Finance Committee
Date: 9/27/2022
Re: Final FY23 Internal Audit Plan

BASIS FOR PLAN

The basis for the plan comes from auditor observations, inquiries with management, consideration for follow-up audits, monitoring of industry periodicals and changes in people, processes, and systems.

Additionally, the available resources to complete audits were examined. The hours required to perform the identified audits are estimated hours. After considering hours that are unavailable for audits due to total potential paid time off, administrative duties, required training, meetings, and other time off, the net available hours for audits are determined.

Combining available hours and audits yielded the annual audit plan.

Total workday hours for FY23 are calculated to be 2080.

Administrative hours which include items such as: preparing for and attending meetings, budget reviews, continuing professional education, internal training, and general management functions is estimated at 380 hours.

Time-off is estimated at 260 hours which includes total vacation, sick, holidays, and other available absences through September 30, 2023.

This leaves 1,440 hours available for audits, agreed-upon procedures, follow-ups, investigations, advisements, and special projects.

FY23 ANNUAL INTERNAL AUDIT PLAN

Internal Audit Plan Summary

Listed below is the anticipated internal audit plan for FY23. Details of each audit engagement are included in the following pages. Actual time allocated to the individual projects will be based on approved project scopes. The internal audit plan is subject to revision, depending on changes to priorities and needs of the organization over time. As such, a portion of the audit plan is typically listed as 'discretionary'. For this audit plan no such discretionary time is budgeted. Any changes to the scheduled audits will be subject to the approval of the Council. Should there be time available to take on additional work, it will be up to the City Auditor to select an engagement from the "Additional Audits to be Considered" or "Additional Special Projects to be Considered" sections (see below) with input from the Finance Committee taken into consideration.

AUDITS

Commercial Remodel Construction Taxes- To determine if the appropriate state and local sales tax, if any, was collected and remitted on Commercial Repair/Remodel constructions jobs performed in League City. Estimated Hours Budget – 250; Estimated Report Date – March 31,2023

Police Overtime Audit – To determine whether internal controls for overtime usage are adequate, appropriate and overtime practices comply with City policies and procedures. Estimated Hours Budget – 330; Estimated Report Date – September 31,2023

FOLLOW-UP AUDITS

Fleet Retirement Process Audit Report 1 Follow-up. Estimated Hours Budget -140; Estimated Report Date – March 31, 2023

Fleet Retirement Process Audit Report 2 Follow-up. Estimated Hours Budget -140; Estimated Report Date – September 31, 2023

Scrap Materials Handling Process Follow-up. Estimated Hours Budget – 100; Estimated Report Date – December 31, 2022

INVESTIGATIONS, ADVISEMENTS, RISK ASSESSMENT/ANNUAL AUDIT PLAN, ANNUAL REPORTS

This section estimated at 100 Hours

SPECIAL PROJECTS

None scheduled

PRIOR YEAR CARRY FORWARD ACTIVITIES FY22 AUDIT PLAN

Hotel Occupancy Tax Revenue - Compliance review of HOT revenue received to ensure that the revenues are being properly collected and submitted to the City. Estimated Hours Budget – 300; Estimated Report Date- March 31, 2023

Wire Transfer Process - Determine if controls are designed properly and operating effectively to ensure the City is protected from fraudulently initiated wire transfers. Estimated Hours Budget – 80 to wrap up report; Estimated Report Date – December 31, 2022

TOTAL AUDIT, FOLLOW-UPS, INVESTIGATIONS, ADVISEMENTS, SPECIAL PROJECTS, RISK ASSESSMENT/ANNUAL AUDIT PLAN HOURS = 1440 HOURS

ADDITIONAL AUDITS TO BE CONSIDERED

Sales Tax Address Verification- Determine if all League City businesses that should report sales tax are included in the Texas Comptrollers data base of registered taxpayers in League City's jurisdiction to ensure all are collecting and reported local sales tax. Estimated Hours Budget – 250

Procurement Card Audit - Determine if internal controls are appropriate to effectively ensure compliance with laws, policies and procedure while preventing opportunities for fraud, waste and abuse. Estimated Hours Budget – 350

ADDITIONAL SPECIAL PROJECTS TO BE CONSIDERED

Fraud, Waste & Abuse Hotline Review - Evaluate the current fraud, waste, and abuse program to determine effectiveness for citizens and employees to report allegations of impropriety and misconduct. – 100

Ethics Program- Develop proposal for program to promote ethical actions and behaviors and periodically assess the ethical climate of the City. - 150

Internal Audit Charter -To comply with professional standards, an Internal Audit Charter should be developed that aligns with the governing ordinance. – 60