



MEMORANDUM

DATE: April 25, 2022
TO: Internal Audit Advisory Committee
FROM: Madison Rorschach, City Auditor *Madison Rorschach*
SUBJECT: Fiscal Year 2021-22 Second Quarter Performance Report

FY21-22 Annual Audit Plan Status

Audit Project Status – The Internal Audit Department is responsible for conducting audits to assess a variety of risks including internal control weaknesses, inefficiencies in City operations, ineffectiveness of City programs, and noncompliance with laws, regulations, and policies. Each year, an annual audit plan is approved by the City Council to establish the workload of the Internal Audit Department. The following table summarizes the status of each audit project included on the FY21-22 Annual Internal Audit Plan at the end of the second quarter.

Table 1: FY21-22 Audit Project Status As of 03/31/22

Audit Project	Status	Months Budgeted	Month Actuals ¹
Overflow: Emergency Medical Services: Ambulance Billing	Closed	4.00	4.25
Energy Management Office Administration	Closed	3.00	3.75
Wastewater System Operations: Collections	Fieldwork	2.00	2.75
Wastewater System Operations: Reclamation	Fieldwork		
Technology Services: Security Controls	Fieldwork	5.00	TBD
Technology Services: Purchases	Planning		
Warehouse Operations	Not Started	2.00	NA
Police Body-Worn Camera Usage	Not Started	3.00	NA
Overflow – Roadway Quality Management	Closed	1.00	0.50
Overflow – Police Overtime	Complete	1.00	0.75
Overflow – Police Property Room: Procedures	Closed	1.00	1.00
Utility Payment Assistance Program Follow-Up Review	Complete	1.00	1.00
Facilities Maintenance Follow-Up Review	Closed	1.00	0.75
Capital Projects Administration: Property Acquisition Follow-Up Review	Reporting	1.00	2.25
Health Insurance Operations: Follow-Up Review	Initiation	1.50	TBD
Economic Development: Retention & Expansion Follow-Up Review	Not Started	1.00	NA
Grants Management Follow-Up Review	Not Started	1.00	NA
Procurement Process: Second Follow-Up Review	Not Started	1.00	NA

¹ Month actuals reflect the number of months it took to complete fieldwork on the project. This is calculated from the date of the entrance conference to the date the first draft report was distributed to management.

Post-Audit Feedback Survey Results – Based on the four audit project reports issued during the second quarter of fiscal year 2021-22, the Internal Audit Department's services were rated 4.75 out of five stars by auditee department's staff with a 37 percent response rate.

Avg. Q2 Internal Audit Service Rating: 

Ad-Hoc Project Updates – The Internal Audit Department completed the following Consultation projects during the second quarter of fiscal year 2021-22:

- Five Advice requests from the Customer Service Division, and the Community Services, Finance, and Water Departments; and
- Four Fraud Hotline Complaints were submitted. Per City Policy 509.01 "Fraud Response," these submissions were reviewed by the Investigation Committee. Three of these cases have been closed and one is pending investigation.

Technology Services Audit Project Phasing – Planning work for the Technology Services audit project began at the end of February 2022. After having several discussions with Technology Services management and reviewing draft results on a City-wide information technology Assessment, Internal Audit has split the project into two phases, which are jointly considered the Technology Services Audit Project Series.

The first phase will focus on general information technology security control processes such as strategic framework, risk management, and cybersecurity training. The second phase will focus on technology purchases including the procurement and asset management processes. Splitting the project into these two phases should improve the understandability and focus of the reports issued and ensure the projects can be completed in a timely while focusing on the highest risk areas.

Annual Internal Audit Plan Amendment – During March 2022, the City Council approved an amendment to the Fiscal Year 2021-22 Annual Internal Audit Plan to replace the Police Property Room Inventory routine audit project with a follow-up review of the Health Insurance Operations audit as recommended by the Internal Audit Advisory Committee. As discussed with the Committee the Police Property Room Inventory will be included on the next Annual Internal Audit Plan.

FY22-23 Preliminary Budget

According to best practices, audit committees may make recommendations to the governing body regarding the audit function's budget. For this reason,

Internal Audit is requesting feedback from the Internal Audit Advisory Committee on the Department's preliminary fiscal year 2022-23 budget. Table 1 summarizes the Department's FY22-21 budget and its expenses over the last few years:

Table 1: Internal Audit Department Budget Summary

Expense	FY20-21 Actual	FY21-22 Estimate²	FY22-23 Prelim. Budget
Personnel Services:	\$334,526	\$371,482	\$383,056
Operations:			
External Audit	\$116,500	\$117,500	\$120,500
Board of Ethics	\$2,468	\$12,000	\$12,000
Licenses & Dues	\$2,096	\$2,695	\$3,020
Employee Reporting Hotline	\$1,633	\$1,633	\$2,000
Travel & Training	\$1,658	\$7,000	\$10,500
Community Outreach Program	\$543	\$1,000	\$1,500
Peer Review	\$0	\$5,000	\$0
Materials & Supplies	\$246	\$2,391	\$500
Insurance Transfers:	\$40,501	\$40,390	\$40,500
Total:	\$500,171	\$561,091	\$573,576

For the next fiscal year, Internal Audit is not planning to submit any supplemental requests. The significant operations budget changes include an increase to the contracted external audit price of about \$3,000 and a reallocation of funds used for the peer review in FY 2021-22 to cover estimated travel expenses of \$3,500. Travel expenses are intended to be used to cover the costs of airfare and hotel for audit staff to attend the annual Association of Local Government Auditors conference.

Additional Items of Note

Knighon Award – In March 2022, the Internal Audit Department was informed that it had received an Exemplary Knighon Award from the Association of Local Government Auditors for its **Water System Operations: Rate Structure** audit report. The Association's Knighon Award recognizes the best performance audit reports of the year with Exemplary being the highest honor. For this award, the Internal Audit Department competed against other shops with three to five auditors throughout North America.

Fraud Awareness Training – In accordance with the newly revised Fraud Response Policy, the Internal Audit Department has developed Fraud Awareness training for all City employees, with some addition information on internal controls being included in the training for supervisors and managers. Employees were asked to complete this training beginning in January 2022. As of March 2022, the City had reached a 96 percent training completion rate.

² These estimates were made by Internal Audit and are not the official estimates of the Finance Department.