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CITY AUDITOR'S OFFICE * 215 E. McKinney * Denton, TX 76201 * 940-349-8158

MEMORANDUM

DATE: September 19, 2017

TO: Mayor and Councilmembers

FROM: Craig Hametner, City Auditor

SUBJECT: FY18 Annual Audit Plan

Basis for Plan

The basis for this Internal Audit plan comes from a risk assessment that consisted of auditor observations and inquiries with City Councilmembers and members of management based on likelihood and impact to the organization. Likelihood and impact were assigned risk factors.

From the Risk Assessment the following were the top risks of the City:

- Contract Administration
- Capital Improvement Program

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- Management of Bond Funds
- DME
- IT Information Security

Additionally, the available resources to complete audits were examined. The hours required to perform the work plan are estimated hours. After considering hours that are unavailable for audits due to paid time off, administrative duties, required in-house and external training, meetings and other time off, the net available hours for audits are determined.

Combining available hours and audits yielded the audit plan.

Total hours are considered to be 3,640. These hours assume a Staff Auditor for nine months of FY18.

Administrative hours which include items such as: preparing for and attending meetings, budget reviews, In-house and external training and general management functions are estimated at 450 hours.

Time-off includes vacation, sick, holidays and other available absences. This is estimated at 150 hours.

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This leaves 3040 hours available for audits, follow-ups, reviews, agreed-upon procedures, investigations and advisements.

FY18 INTERNAL AUDIT PLAN

AUDITS/REVIEWS/PROSPECTIVE ANALYSIS/ AGREED-UPON PROCEDURES ENGAGEMENTS

Contract Administration Audit (From FY17) – Evaluate the process and determine if accountability is in place - 255 Hours

Management of Bond Funds – Have Bond Funds been used appropriately and timely – 310 Hours

Access Rights Audit – Evaluate User Access for the Animal Shelter, Parks Department and Development Services Information Systems – 210 Hours

DME's Policies and Procedures and Denton Energy Center – Evaluate DME's Policies and Procedures and billings at DEC – 340 Hours

P-Card Audit – Evaluate Internal Controls Over This Program – 300 Hours

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Red Light Cameras – Evaluate the Redflex Contract to include the Business Rules and Audit Trail for issuing tickets – 300 Hours

Fixed-Based Operator Lease Agreement Audit – Evaluate Compliance with all lease fees – 275 Hours

Hotel Tax Audit – Evaluate if a sample of hotels are in compliance with laws and paying the correct amount to the city. – 305 Hours

Alcoholic Beverage Permit Fee Revenue Audit – Evaluate Whether the City Is Receiving All the Revenue It Should Be Receiving From Retailers Regarding the Sale of Alcoholic Beverages – 205 Hours

Total Audit/Reviews/Agreed-Upon Procedures Hours = 2500 Hours

Follow-Up Audits

Vendor Master File Audit – 120 Hours

Cash Count Follow-up Audit – 120 Hours

Total Follow-Up Audits = 240 Hours

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INVESTIGATIONS/ADVISEMENTS/RISK ASSESSMENT/ANNUAL AUDIT PLAN/ANNUAL REPORTS/FRAUD TRAINING

This Section is Estimated at 300 Hours

**TOTAL AUDITS/REVIEWS/PROSPECTIVE
ANALYSIS/AGREED-UPON
PROCEDURES/INVESTIGATIONS/ADVISEMENT/
RISK ASSESSMENT/ANNUAL AUDIT
PLAN/ANNUAL REPORTS = 3040 HOURS**

ADDITIONAL AUDITS FOR CONSIDERATION

CIP Project Delivery Audit – Determine if there is an efficient and effective process in place – 310 Hours

Tree Mitigation Fund – Evaluate the Tree Mitigation Program – 250 Hours

Denton Chamber of Commerce Audit – Evaluate the financial information (metrics) that is provided to the city – 150 Hours

Municipal Court Audit – Evaluate the Reliability and Integrity of the In-Code Software – 275 Hours

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Municipal Court Audit – Evaluate the Accountability (Reasonableness and Documentation) for the Conversion of Monetary to Non-Monetary Punishment – 200 Hours

Fleet Services – Evaluate the NAPA contract – 275 Hours

Fleet Services – Accounting and Management over Fleet Fuel – 300 Hours

Parks and Recreation – Post-Implementation Audit on the migration from the Class software system to the new Rec1 software system – 300 Hours

Police Seizure Fund – Evaluate the accounting over this fund – 250 Hours