

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF DENTON, TEXAS, APPROVING THE FY17-18 ANNUAL AUDIT PLAN AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, one of the City Auditor's responsibilities is to create an Annual Audit Plan; and

WHEREAS, upon conclusion of developing his FY17-18 Annual Audit Plan, the City Auditor presented it to City Council on October 10, 2017; and

WHEREAS, the City Council finds that this Ordinance is in the public interest; NOW, THEREFORE,

THE COUNCIL OF THE CITY OF DENTON HEREBY ORDAINS:

SECTION 1. The recitals and findings contained in the preamble of this Ordinance are incorporated into the body of this Ordinance.

SECTION 2. The City Council hereby approves the City Auditor's FY17-18 Annual Audit Plan as depicted in the memorandum attached hereto as Exhibit "A".

SECTION 3. This Ordinance shall become effective immediately upon its passage and approval.

PASSED AND APPROVED this the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
CHRIS WATTS, MAYOR

ATTEST:  
JENNIFER WALTERS, CITY SECRETARY

BY: \_\_\_\_\_

APPROVED AS TO LEGAL FORM:  
AARON LEAL, INTERIM CITY ATTORNEY

BY:  \_\_\_\_\_



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

## **MEMORANDUM**

**DATE:**       **October 10, 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
- 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, and meetings, 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.

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

CIP Project Delivery Audit – Determine if there is an efficient and effective process in place – 300 Hours

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

Exhibit "A"

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**

**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**

**Should any additional risks present itself during FY18 and the City Council desires the City Auditor to advise, review or audit in the particular area this audit plan will automatically be amended by the change.**

**Should any additional hours come available during FY18 they will be used for the Red Light Camera Audit.**

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