

RESOLUTION NO. R-180-18

RESOLUTION ADOPTING THE 2019 AUDIT PLAN

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF FORT SMITH, ARKANSAS, THAT:

SECTION 1: The action taken by the Board of Directors and the City of Fort Smith Mayor during the December 4th, 2018 meeting adopting the 2019 Audit Plan attached is hereby confirmed. The audit plan encompasses financial, operations and compliance issues as set forth in the City of Fort Smith's Internal Audit Charter.

SECTION 2: During the 2019 year, other auditable areas which are identified and addressed for any risk or potential risk due to certain circumstances may be added to the audit plan.

Passed and Approved this 4th Day of December, 2018.

Approved


MAYOR

ATTEST:



CITY CLERK

APPROVED AS TO FORM:


City Attorney
No Publication Required

City of Fort Smith 2019 Internal Audit Plan



The City of Fort Smith is a unified team committed to consistently providing citizen-focused services for the advancement of a thriving community

December 4, 2018

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Internal Audit Defined

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Source: The Institute of Internal Auditors Professional Standards

2019 Internal Audit Planning and Approach

To create the 2019 Internal Audit Plan, IA has gathered information to understand the primary strategies, objectives, and risks for the City of Fort Smith. In addition, IA attended 2018 Board Meetings, considered input from the Audit Advisory Committee members, and management to also assess the matters that arose throughout the year that could potentially impact the City financially and operationally.

Additionally when identifying potential areas of audit, consideration was taken for the possibilities that fraud or error, if sufficiently material, may affect opinions on the financial statements. Therefore, an attitude of professional skepticism throughout the audit will be maintained, recognizing the possibility that a material misstatement due to fraud could exist.

Process walkthroughs will be documented as well as flowcharts that address the risk and controls in each of those significant areas. This will allow for the City to identify and address any risk or potential risk.

Internal Audit will update the planned projects and provide the updated planned projects to the Board of Directors, the City Administrator, and the Audit Advisory Committee throughout the year.

Summary of Identified Projects

Based upon the risks identified, IA has classified the planned and potential projects included in the following table. IA estimates it will perform them between January 2019 and December 2019, depending on the scope of projects selected. “Planned Projects” represent those projects that IA is planning to execute during 2019. “Other Potential Projects” may be executed some time in 2019, if risk conditions or other factors do not dictate a change. **Detailed descriptions of the projects listed below are provided in Appendix A – Audit Project Descriptions.**

Department/Segment	Project - Planned Audit
City – All Departments	Payroll Overtime, Out of Range, and Overtime Out of Range (an audit that is still in progress from 2018)
City – Utilities, Parks, Engineering and Street Departments	Construction/Contracts Management
Convention Center	Operations (Alcohol, selling of food from vendors), Contracts
City	Remediation – T&E, Assets, Disbursements, P-cards

APPENDIX A - AUDIT PROJECT DESCRIPTIONS

Project	Project Description	Segment	
Overtime Out of Range Pay Overtime out of Range Pay	<p>Review existing documentation (policies and procedures, practices, etc..) and conduct walkthroughs of the process. As well as performing process flowcharts that identify the risk and controls.</p> <p>Review and test overtime in all departments, out of range pay, and overtime out of range pay and any other areas identified during the review process.</p>	City/ Finance	
Construction Contracts	<p>Review and document the bid selection process, close out process, contractor payment process, compliance requirements, and business ethics compliance.</p> <p>Also review the materials, completion phases, contracting process (pricing provisions, change order pricing, contingency budget control, allowable and non-allowable expenses and right to audit), and contingency reconciliation.</p> <p>Additionally IA will review any other areas identified during the process review.</p>	City	Parks Streets Engineering
Operations – Alcohol Food Contracts	<p>Review and document the alcohol and food process/contracts.</p> <p>Obtain and review policies and procedures, contracts for allowable and non-allowable expenses, cash/credit card payments, concession agreements (food and beverage services), proper recording of revenues and expenditures, compliance, and measure to industry standards.</p>	Convention Center	
Remediation Testing – Travel and Expenses	<p>Obtain and review Travel and Expense Reports for timeliness, proper support/documentation, proper approval, reimbursement expenses were appropriate, expenses were not duplicated, and cardholders did not charge an expense on the City credit card and included on their expense report. This review will include pre ERP implementation and post ERP implementation.</p>	City	

Project	Project Description	Segment	
Remediation Testing – Assets	Obtain and review assets for location, correct VIN number, serial numbers, license plate numbers and coded to the correct department. Additionally a review of policies and procedures for recommended changes and update, and reconcile testing to AML records.	City	
Remediation Testing – Disbursements	Obtain and review invoices for timeliness, the proper support and documentation was attached, approved properly, charged to the correct department, account and code, and paid timely. This review will include pre ERP implementation and post ERP implementation.	City	
Remediation Testing – P-cards	Obtain and review credit card charges, specifically review the controls over the expenditures and that those expenditures were made within the parameters of the City's policies and procedures. Additionally, review the expenses for any duplicate charges, split charges to avoid purchasing amount limits, and not reimbursed on the employee's expense report.	City	
Remediation Testing – Narcotics	Obtain and review the buy money, buy money agrees to the case system, and tracked to the evidence room. Additionally, the buy money receipt forms tie to the safe log, receipts were properly signed and dated, segregation of duties, buy money not used was returned, documented, and timely, and buy money is counted and reconciled at a minimum bi-weekly. Review the progress of the operations manual for the Unit.	City	