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RESOLUTION NO. R-191-19
RESOLUTION ADOPTING THE 2020 AUDIT PLAN

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

SECTION 1: The 2020 Audit Plan encompassing financial, operations and compliance issues as set forth in the City of Fort Smith's Internal Audit Charter is hereby approved.

SECTION 2: During the year, other auditable areas that have been identified and addressed of any risk or potential risk due to certain circumstances arising may be added to the audit plan.

Passed and Approved this 3rd Day of December, 2019.

Approved


MAYOR

ATTEST:


CITY CLERK

APPROVED AS TO FORM:



City of Fort Smith 2020 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 3, 2019

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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

2020 Internal Audit Planning and Approach

To create the 2020 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 2019 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 given to the possibilities that fraud or error, if sufficiently material, may affect audit 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.

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 2020 and December 2020, depending on the scope of projects selected. “*Planned Projects*” represent those projects that IA is planning to execute during 2020. Due to the high risk, time and detail needed for the *Planned Projects*, Internal Audit will not be able to consider “*Other Projects*” in the 2020 Audit Plan. **Detailed descriptions of the projects listed below are provided in Appendix A – Audit Project Descriptions.**

| Department/Segment | Project - Planned Audit |
|---|---|
| City – Utilities, Parks, Engineering and Street Departments | Contract Analysis of all contracts/bids |
| City –Parks, Engineering and Street Departments | Construction/Contracts Management |
| Utilities | Construction/Contract Management |
| City | Remediation –Assets, Disbursements, Evidence Room |

APPENDIX A - AUDIT PROJECT DESCRIPTIONS

| Project | Project Description | Segment | |
|--|--|------------------|---|
| <p>Construction Contract Analysis</p> | <p>Obtain contracts, bids, bid selections, subcontractor documents, change orders, etc.... and perform an analysis on contractors awarded the bid, the subcontractors on that contract, and bid difference amounts.</p> <p>Also perform an analysis of contracts where an additional contract was executed and the contractor/company awarded that contract.</p> | <p>City</p> | <p>Utilities, Parks, Streets, Engineering</p> |
| <p>Construction Contracts</p> | <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> | <p>City</p> | <p>Parks Streets Engineering</p> |
| <p>Utilities Construction Contracts</p> | <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> | <p>Utilities</p> | <p>Utilities</p> |

| Project | Project Description | Segment | |
|--|--|---------|--|
| 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 – 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 and the ERP system. | City | |
| Remediation Testing – Evidence Room | Obtain and review policies and procedures pertaining to property and evidence are being followed. Review inventory records to ensure they provide a complete and accurate recording and control of the property and evidence inventory. Determine whether the property and evidence room inputs property and cash into the evidence and property management system-in accordance with established department procedures. | City | |