

RESOLUTION NO. R-239-23

RESOLUTION ADOPTING THE 2024 CITY INTERNAL AUDIT PLAN AND
2024 WATER UTILITIES INTERNAL AUDIT PLAN

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

SECTION 1: The 2024 City Internal Audit Plan and 2024 Water Utilities Internal 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 19th Day of December, 2023.

Approved

VICE MAYOR JAMES RIZO

ATTEST:

Shuni Bard
CITY CLERK

APPROVED AS TO FORM:

Jimmy Confield
No Publication Required

City of Fort Smith 2024 Internal Audit Plan and 2024 Utility 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 19, 2023

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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

2024 Internal Audit Planning and Approach

To create the 2024 Internal Audit Plan and 2024 Utility 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 2023 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 and the Audit Advisory Committee throughout the year.

Summary of Identified Projects for City

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 2024 and December 2024, depending on the scope of projects selected. “*Planned Projects*” represent those projects that IA is planning to execute during 2024. 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 2024 Audit Plan. Detailed descriptions of the projects listed below are provided in Appendix A - Audit Project Descriptions.

Department/Segment	Project - Planned Audit
Police Department	Flock Cameras
Building & Safety	Homestead Credit/Property Tax vs Utility Billing
Convention Center	Contract Compliance
Building & Safety	Building Inspections / Reinspections
Police Department/District Court	Jail Reimbursement Assessment

Summary of Identified Projects for Utilities

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 2024 and December 2024, depending on the scope of projects selected. “*Planned Projects*” represent those projects that IA is planning to execute during 2024. 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 2024 Utility Audit Plan. Detailed descriptions of the projects listed below are provided in Appendix A - Audit Project Descriptions.

Department/Segment	Project - Planned Audit
Utility Dept. - Operations	Utility Department - Water Leaks
Utility Dept. – Operations/Remediation	Miscellaneous Charges, Utility Billing Processes, Meter Conversion, and Meter Inventory. (Continuance from 2023 plan)
Utility Dept. Consent Decree - Operations	Basin 10 & 14 Capacity Improvements - Phase 3
Utility Dept. - Operations	Lake Fort Smith 48-Inch Water Transmission Line

Appendix A - Audit Project Descriptions

Project	Project Description	Segment	Audit Report Number
<p>Flock Camera(Automatic License Plate Recognition – ALPR)</p>	<p>Perform process and controls, review of policies, information security, and vehicle tag information.</p> <p>Controls, access, and processes for camera cloud-based system and license plate information</p> <p>Footage hosting controls, procedures, and security</p> <p>And any other areas identified during the process review.</p>	<p>City – Police Department</p>	<p>1 - 2024</p>
<p>Homestead Credit/ Property Tax vs Utility Billing</p>	<p>Review the policies and procedures related to homestead/property tax and utility billing.</p> <p>Verify property is not rented and claiming homestead credit to ensure the City is receiving the correct property tax revenue.</p> <p>Additionally, IA will review any other significant matters identified during the review process.</p>	<p>City</p>	<p>2 - 2024</p>

Project	Project Description	Segment	Audit Report Number
<p>Convention Center Contract Compliance</p>	<p>Determine if the City of Fort Smith and OVG Facilities are in compliance with the key terms of the contract and the City of Fort Smith monitoring of the contract is effective</p>	<p>City</p>	<p>3 - 2024</p>
<p>Building Inspections/ Re-inspection</p>	<p>Review and document the process and procedures for Building Inspections and laws.</p> <p>Determine whether existing controls help ensure that building inspections are complete as required by city policy and applicable legislation.</p>	<p>City – Building & Safety/Fire Marshal</p>	<p>4 - 2024</p>
<p>Jail Reimbursement Assessment</p>	<p>Review and document the process and procedures for jail reimbursements.</p> <p>IA will review and test the contract, amount invoiced to the City and the amounts reimbursed for booking fee and incarceration on behalf of the City. Ensure charges are City and not county charges.</p>	<p>City – Police Department and District Court</p>	<p>5 - 2024</p>

Project	Project Description	Segment	Audit Report Number
<p align="center">Water Leaks</p>	<p>Review policies, internal controls, and procedures.</p> <p>Assess roles and responsibilities to determine if appropriate under reporting structure.</p> <p>Review chemicals, treatment cost to water.</p> <p>Review leak reports, work orders, workflow, and leak prioritization/emergencies.</p>	<p align="center">Utility – Finance/Operations</p>	<p align="center">UA-1-2024</p>
<p align="center">Remediation – Follow-up and testing of prior Audits</p>	<p>Additional testing of findings to ensure remediation process has been completed for the following audits: Miscellaneous Charges, Utility Billing Process, Meter Conversion, Meter Inventory.</p>	<p align="center">Utility Finance/Operations</p>	<p align="center">UA-2-2024</p>
<p align="center">Basin 10 & 14 Capacity Improvements - Phase 3</p>	<p>Review and determine if project funding and accounting treatment are appropriate.</p> <p>Assess individual project compliance with City ordinances, key contractual and regulatory terms and requirements.</p> <p>Review the effectiveness of internal controls. Assess compliance with the Consent Decree provisions and departmental policies and procedures. Conduct onsite visits and testing.</p>	<p align="center">Utility - Operations</p>	<p align="center">UA-3-2024</p>
<p align="center">Lake Fort Smith 48-Inch Water Transmission Line Construction Project – Phase 2a</p>	<p>Assess compliance with departmental policies and procedures, and city ordinances.</p> <p>Review and determine if project funding and accounting treatment were appropriate.</p> <p>Review payments, inspection logs, change orders, requests for information, contract and specifications. Conduct onsite visits and testing.</p>	<p align="center">Utility - Operations</p>	<p align="center">UA-4-2024</p>

2023 Internal Audit Plan - Status

Below is a list of 2023 Internal Audits and their status. Additionally other requests were included below. The Internal Audit Department also assisted departments with non-audit request throughout the year that are not listed.

Department/Segment	Project - Planned Audit
City Wide	Fuel– Completed; close meetings and in draft report stage (multiple reports)
ITS	Asset Management- Completed; draft memo issued
Neighborhood Services	Demolition & Clean-up and Lien Remediation – in process - preparing
Planning & Zoning	Business License Remediation - in process, preparing
Finance/Utilities	A/R Aging & Collections– in process, testing
Human Resources	Badge and Security– Completed; report issued
Utilities	Lake Fort Smith Transmission Lines - Completed; memo issued
Utilities	Pump Station Flood Damage Remediation– Completed; report issued
Utilities	Submersible Pump Replacement– Completed; report issued
Utilities	Basin 10 & 14 Capacity Improvement (Consent Decree) - in draft report process
Utilities	Citizen Services & Collections - in process, walkthrough and testing
Utilities	Project Concern - in process, walkthrough and testing
Utilities	Supplemental Environmental Protection (SEP) (Consent Decree) – not started
Utilities	Private Service Line Defect Remediation (Consent Decree) – not started
Fraud Waste & Abuse (FW&A)	Investigated reporting of FWA throughout the 2023 year
Department/Segment	Requested
Kitties and Kanines Shelter	Completed; report posted