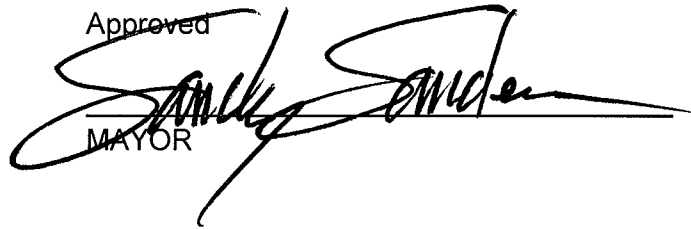RESOLUTION NO. _R-51-15_
RESOLUTION ADOPTING THE 2015 AUDIT PLAN

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

The 2015 Internal Audit Plan attached hereto is hereby approved and adopted.

Passed and Approved this _17th_ Day of _March_, 2015.

Approved

_____
MAYOR

ATTEST:

_____
CITY CLERK

Approved as to form:

_____
No Publication Required

City of Fort Smith 2015 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

March 5, 2015

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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 <u>risk management</u>, <u>control</u> and <u>governance processes</u>.

Source: The Institute of Internal Auditors Professional Standards

2015 Internal Audit Planning and Approach

To create the 2015 Internal Audit Plan, IA has gathered information to understand the primary strategies, objectives, and risks for the City of Fort Smith.   IA performed a risk assessment by interviewing select Department Heads, Audit Advisory Committee, and Board of Directors (see the following pages for listing) and considering risk percentages for the City of Fort Smith using the Internal Audit Universe Risk Model, auditable areas that have not be previously reviewed, and other applicable sources.

Internal Audit also considered management input, areas that would not only impact the City financially, but operationally. Projects were then selected for the 2015 Internal Audit Plan based primarily upon the degree to which the projects might address key risks identified during the risk assessment and planning process.

Internal Audit will continue to conduct walkthroughs for each auditable area within the City.

Due to a number of areas that have not been reviewed within the past few years, IA has presented the 2015 planned projects in a "6+6" format. By limiting the planned projects to the upcoming 6 months, we are able to deploy a risk-based approach that is capable of adapting to changes and give each area the time to perform a full assessment.

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.

Interview List

Internal Audit met with the following individuals to gather information for the 2015 Internal Audit Plan:

Board of Directors

Mayor Sandy Sanders
Keith Lau
Andre' Good
Mike Lorenz

George Catsavis
Kevin Settle
Tracy Pennartz

Management

Ray Gosack – City Administrator
Mike Richards – Fire Chief
Kevin Lindsey – Police Chief
Tracy Winchell - Communications

Tim Seeberg – General Manager
 Convention Center
Alie Bahsoon – Purchasing Manager

Audit Advisory Committee

Lavon Morton
George Moschner
Deana Infield

Determination of Key Risks

The list below reflects key areas identified through the risk assessment process that could impact the achievement of the City of Fort Smith's objectives (Note: This is not intended to provide a complete set of risks). Please refer to the Audit Universe Manual for Risk Assessment.

City of Fort Smiths Pervasive Risks – Auxiliary and Support Services		Line Item Risk Possibilities
Fire Department Risk	Transit Risk	Pension Risk Water & Sewer Line Regulatory Compliance Risk
Maintenance Risk	Inventory Management Risk	Fraud Risk Public Transit Fee Operation
Purchasing Risk	Police Risk	Data Access/Security Risk Disaster Recovery Risk
Convention Center Risk	Technology/Public Relations Risk	Officer Training, Certification Bid Selection
Planning Risk		Fixed Assets
	Sewer Risk	Event Sales Plans Examiner
City of Fort Smith Pervasive Risks – Business and Financial Services		Line Item Risk Possibilities
Payroll Risk	Cash Management Risk	Sales Tax Risk Grant Management Risk Employee Risk
Purchasing/Cash Disbursement Risk	Records Management	Property & Casualty Insurance Risk Code of Conduct, Conflict of Interest
Purchasing/Bids & Contracts Risk	HR Risk	Reimbursement Risk Overtime pay
Investments/Grants Risk		Alcohol Beverage Tax
Travel and Entertainment Risk	Accounts Payable Risk	Financial Reporting
Finance Risk	Collections	Wire Transfers

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 March 2015 and December 2015, depending on the scope of projects selected. "*Planned Projects*" represent those projects that IA is planning to execute during 2015. "*Other Potential Projects*" may be executed some time in 2015, 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	Other Potential Audit
Purchasing/City Wide	Fixed Assets Inventory (to include fuel)	
Police/Fire/Finance	Fire and Police Pension	
City	Grant Management	Driver Credentials Public Transit Fee Operations
Sanitation	Scalehouse	
Courts	Fees Warrants	New Court System

APPENDIX A – AUDIT PROJECT DESCRIPTIONS

Project	Project Description	Segment	
Fixed Assets	Perform process and controls review of the City's Fixed Assets and contracting activities including asset transfers and disposals, sourcing, security over assets, asset usages, and auctioning of the City's Fixed Assets to include: • Review existing documentation (policies and procedures, supplier, etc.) • Process Flowchart • Conduct a best practice gap analysis • Identify opportunities for improvement and control gaps And any other areas identified during the process review.	Finance/ Purchasing	
Inventory	An overall review of the Inventory process and to access the current policy and procedures that are in place. The purpose of such a review would be to identify areas of ordering , receiving, category and supplier management. Also review controls over accounts, invoices not paid according to the terms, invoice payments that may be duplicated, potential fraud, and any other areas identified during the process review. This review would also include fuel.	City of Fort Smith	
Fire & Police Pension	Perform an overall process and controls review of the Fire and Police Pension benefits to ensure we are complying with Federal and State requirements which may impact the employee and the City of Fort Smith by the correct amount not paid by employees, received from the City of Fort Smith, inaccurate, or misclassified. Any major revisions through legislation or Governmental Accounting Standards that will affect current City employees in varying ways, and any other areas identified during the process review.	Fire & Police	
Grant Management	Review the overall process and controls for Grants which may impact any grant compliances or future abilities to acquire grants. To include documenting process flowcharts, conduct interviews with personnel to understand the current process and known issues, and identify opportunities for improvement and control gaps. Any other areas identified during the process review.	City of Fort Smith	

Potential 2015 Audits

Project	Project Description	Segment
Fees	Perform process and controls review of fees that are assessed to the citizens and businesses of Fort Smith. Internal Audit will also document requirements, and test any other areas identified during the review. Build Process Flowcharts.	City Wide
Warrants	Evaluate the current process and procedures around arrest warrants to ensure we are complying with Federal and State requirements which may impact the City of Fort Smith , and any other areas identified during the review process and test the process.	Police Department City Prosecutor District Court
Drivers Credentials	Perform process and control testing on Driver Credentials within the City of Fort Smith for proper procedures, drivers license, proper supporting certifications, proper forms, state and city compliance and insurance compliance.	City Wide