



**Engagement Plan  
Fiscal Year 2019-2020**

City of Tempe Internal Audit Office

City Auditor: Bill Greene

Auditors: Angela Hill  
Keith Smith  
Billy Vickers Jr.

**OBJECTIVE**

The objective of an annual engagement plan is to guide the use of internal audit resources in the upcoming fiscal year. Development of an engagement plan helps ensure the Internal Audit Office (IAO) provides the City with the most comprehensive audit coverage possible with available resources.

It is neither possible nor prudent to audit every department, office, program and transaction each year. Therefore, the IAO uses a risk-based approach to identify potential audit projects. We analyze industry and organizational risk data and couple it with auditor experience and judgment, the audit staff’s continuous observation of risks throughout the year, and our clients’ self-assessment of risks to develop the engagement plan.

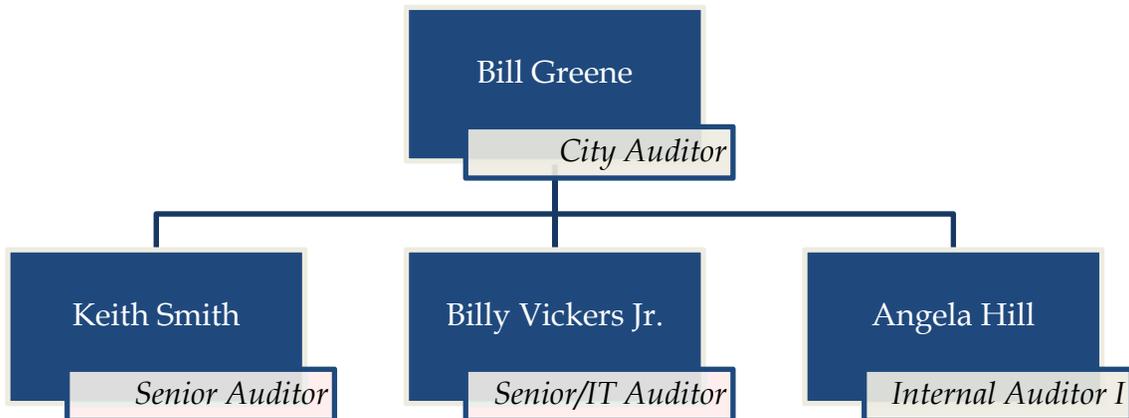
**OUR VISION:**

To be recognized as a collaborative, strategic, and trusted advisor and vital resource promoting and demonstrating excellence in public stewardship.

**OUR MISSION:**

To enhance and protect organizational value by providing high-quality, objective, risk-based audit and consulting services to assist the City in achieving strategic priorities, goals, and objectives.

**INTERNAL AUDIT OFFICE STRUCTURE**



## DEFINITION OF INTERNAL AUDIT

Internal auditing is an independent, objective, audit and consulting activity designed to add value and improve the City of Tempe's operations. It helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of *risk management, internal control, and governance processes* throughout the various departments and divisions citywide.

In addressing our mission, the IAO supports and assists City management and employees in the effective discharge of their responsibilities and achievement of strategic objectives by providing analyses, recommendations, advice, and information concerning:

- The adequacy and effectiveness of the City's internal control structure;
- The safeguarding and management of assets;
- Compliance with applicable laws and regulations;
- Achievement of management's operational objectives; and
- Effective business processes to achieve internal control at a reasonable cost.



## RISK ASSESSMENT SUMMARY

### OBJECTIVES

The IAO's risk assessment and audit plan supports the City of Tempe Council's commitment to the following defined priorities:

1. Ensuring a safe and secure community through a commitment to public safety and justice.
2. Developing and maintaining a strong community connection by emphasizing the importance of open government, customer service and communication with community members.
3. Enhancing the quality of life for all Tempe residents and workers through investment in neighborhoods, parks, the arts, human services, and city amenities, with an emphasis on equity and diversity.
4. Implementing sustainable growth and development strategies, including improving Tempe's public transit system to meet future needs, by actively seeking innovative technologies and leading the way in creating a more sustainable community.
5. Maintaining long-term financial stability and vitality by focusing on economic development, business retention and generating employment to create a robust and diverse economic base.

### RISK IDENTIFICATION

In conducting the risk assessment, IAO met with senior management to solicit information to understand areas of risk within the city. The risk assessment process is a continual effort to remain informed of emerging risks, initiatives, and opportunities to work with the City to help manage risks, provide independent audits, and consult on projects, implementations, and initiatives. In addition, IAO reviewed City information and reports; researched risks common to governments and business organizations; and reviewed the top topics on local government internal audit plans to gain a more holistic view of risks that may be relevant to the city. Items identified include:

- Top 10 Industry Risks/Audit Topics – 2020
  - Cyber Security/IT Governance
  - Data Management/Privacy
  - HR/Workforce Planning
  - Regulatory Change
  - Outsourcing/3<sup>rd</sup> Party Contracting
  - Compliance
  - Digitalization/Internet of Things
  - Financial Controls/Fraud
  - Business Continuity Planning/Crisis Response
  - Data Analysis/Usage

➤ City Specific Risks and Concerns:

In addition to the IAO employee risk assessment survey conducted every few years, we also reviewed city budget documents, the Comprehensive Annual Financial Report (CAFR), and Federal Single Audit Report. Top 10 City risk areas from the most recent employee survey include:

- Information Technology
- Training and Development
- Budget Process
- Safety/Security/Threat Management
- HR/Workforce Planning
- Regulatory Compliance
- Purchasing
- Cash Handling Controls
- HR/Disciplinary Process

### **ENGAGEMENT IDENTIFICATION AND RISK MEASUREMENT**

Potential engagements were identified to address risks throughout the City. Measurement and ranking of the associated risks and their significance were assessed based on several factors, including:

- Risk of Financial Loss
- Budget Allocation/Variance
- Public Perception Risk
- Efficiency and Productivity Loss
- Recent Audit Coverage
- Alignment with Top Industry Risk Categories
- Alignment with City-Specific Risk Categories
- Identified as a Risk Area by Senior Management/IAO Staff

Consideration was also given to the following when assigning risk scores:

**Impact** *The effect on the City, and stakeholders, if a risk event occurs or if the area is not functioning as intended.*

Impact can include lost revenue, increased expenses, fines, adverse publicity, sanctions, reputational damage, and reduced employee morale.

**Probability:** *The likelihood that a risk event occurs or that the area is not functioning as intended.*

Probability factors can include prior audit results, turnover, management and staff concerns, lack of internal monitoring and/or governance, operational and control weaknesses, and poor training.

**Velocity:** *The pace the organization is expected to experience the impact of risk.*

The speed of regulatory enforcement action is an example of velocity.

<b>FY 2019–2020 ENGAGEMENT PLAN</b>		
	<b>Title</b>	<b>Prelim. Objective</b>
<b>PLANNED FOR COMPLETION IN FY 2019-2020</b>		
Audits	IT General Controls (Phase 1 of 3)	Conduct Phase 1 of an audit of IT general controls. Topics may include network logical access and security, program change management, computer operations, and data center physical security.
	Decentralized Accounts/Receivable	Review Accounts/Receivable controls to determine if they are adequate to ensure transactions are processed accurately, completely and in accordance with City policies.
	Police Property & Evidence	Assess the adequacy of controls in place to ensure preservation of chain of custody, security of property and evidence, and proper disposal and destruction.
	Transit Operational Financial Reporting	Evaluate controls over financial reports generated to support Transit operations to ensure reports are accurate and complete.
	Telecommunication Agreements	Determine if franchise fees are accurately calculated and remitted to the city in accordance with agreements.
	Gaming Proceed IGA's	Review gaming proceed IGA's to ensure proper contract management and compliance with provisions.
<b>PLANNED TO START BUT NOT COMPLETE IN FY 2019-20</b>		
Audits	Utility Billing	Evaluate utility billing system controls for accuracy and effectiveness.
	Ambulance Billing	Determine if internal controls ensure: (1) billings for ambulance transportation services are complete and accurate, (2) established collection processes are followed, and (3) billing performance metrics are met.
Consulting	Payment Control Industry (PCI)/Data Security Standard (DSS) Compliance	Determine status of the City's compliance with PCI/DSS requirements and provide recommendations for improvement.
<b>CARRYOVERS AND OTHER SERVICES</b>		
Fiscal Year 2018/2019 Carryovers	<b>Title</b>	<b>Planned Completion</b>
	Solid Waste (Consulting)	1 <sup>st</sup> Quarter
	Health Care Fund	2 <sup>nd</sup> Quarter
	Hiring Process	2 <sup>nd</sup> Quarter
	Cell Phones	2 <sup>nd</sup> Quarter

	City-Wide Cash Handling	2 <sup>nd</sup> Quarter
	Purchasing Cards	2 <sup>nd</sup> Quarter
Other Services	CMS System Administration	Ongoing
	Employee View Program Admin	Ongoing
	Committee Participation	Ongoing
	Investigations	As Needed
	Procurement Overview	As Needed

**PLAN FLEXIBILITY**

To ensure the IAO can respond timely to emerging risks and issues, the Audit Plan is subject to change due to:

- New or emerging risks or priorities
- Management requests
- Special investigations or reviews
- Special consulting services/engagements