

OFFICE OF THE
CITY MANAGER

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CALIFORNIA

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July 29, 2003

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City Council
Sacramento, California

SUBJECT PRESENTATION OF THE FY2003/2004 ANNUAL INTERNAL AUDIT WORKPLAN

LOCATION: Citywide

RECOMMENDATION

The Internal Audit Manager requests City Council approval of the attached Annual Internal Audit Workplan.

CONTACT PERSON Martin Kolkin, Internal Audit Manager – 808-1244

FOR COUNCIL MEETING OF July 29, 2003

SUMMARY

This report sets forth the work process steps for the City's Internal Audit Manager and provides a proposed Annual Internal Audit Workplan for FY2003/2004, with a scheduled report back to the City Council at mid-year. A proposed Annual Internal Audit Workplan was presented on the May 29, 2003, Council Agenda for comments and feedback. Based upon the comments and feedback received, the attached FY 2003/2004 Annual Internal Audit Workplan is submitted for City Council approval.

BACKGROUND

Status

Martin Kolkin assumed the role and responsibilities of the Internal Audit Manager function on March 24, 2003. The majority of the auditor's time has been spent on orientation, risk assessment interviews, training on the City's financial system, and preparing a draft Annual Internal Audit Workplan.

Objective

The Internal Auditor functions as an objective evaluator of the effectiveness of all City activities, operations, services and programs, ensuring compliance with organizational policies and procedures, state statutes, and federal regulations. The Internal Auditor Manager reports to the City Manager, with access to the City Council, and maintains organizational and operational independence from all other departments within the City. The results of all completed projects are required to be formally presented to the City Manager and City Council.

Procedures

The City Manager's internal operating procedures require the submission of an Annual Internal Audit Workplan for the City Council's approval. The Annual Internal Audit Workplan contains the planned projects to be completed during the current fiscal year. Significant audit fieldwork cannot proceed without the review of the City Manager and the approval of a majority of the City Council.

Responsibility

The Internal Audit Manager is responsible for preparing the Annual Internal Audit Workplan for review by the City Manager and subsequent submission to the City Council.

Work Process

The approval of the Annual Internal Audit Workplan is a critical step in the audit work process. Significant audit fieldwork cannot proceed without the review of the City Manager and approval of the City Council.

Work Process Steps

1. Universe of Potential Undertakings
A population of projects and areas for review is established.
2. Establishment of an Annual Internal Audit Workplan (Attachment A)
Projects from the universe of potential undertakings are selected for the Annual Internal Audit Workplan. This selection is based upon a priority of risk assessment procedures performed by the Internal Audit Manager. Risk assessment factors include, but are not limited to, dollar materiality, internal control assessments, managerial concerns, and City Council input.

The City Manager reviews and the City Council subsequently approves an Annual Internal Audit Workplan prior to the start of audit fieldwork.

3. Scope of Audit

Projects selected for audit examination include the development of an audit program. Audit programs set forth the objectives and scope of work to be performed during the examination.

4. Performance of Approved Projects

The objectives and scope of the audit program are accomplished through the completion of audit fieldwork. Audit fieldwork obtains sufficient evidential matter to conclusively support the findings and recommendations reached by the Internal Audit Manager.

5. Report Results

The findings and recommendations of completed projects are provided in a formal report to the City Manager and the City Council.

6. Initial Process Development

The establishment of the Annual Internal Audit Workplan is contingent upon the Internal Auditor Manager's understanding of risks facing the City. Based upon a limited examination of the City's financial processes and interviews with City personnel, I have attached a general plan for use of audit time. I anticipate reporting back to the City Council around mid-year.

Modifications and Changes

The Annual Internal Audit Workplan is routinely modified as circumstances change throughout the year. However, changes will only be made at 1) the direction of the City Manager and City Council or 2) following changes initiated by the Internal Audit Manager and subsequently authorized by the City Manager and City Council.

Current Status

- March 24, 2003, assume the role and responsibility of the Internal Audit Manager
- Orientation
- Risk Assessment Interviews
- Training
- Draft Annual Internal Audit Workplan

FINANCIAL CONSIDERATIONS

No additional financial considerations

ENVIRONMENTAL CONSIDERATIONS

None

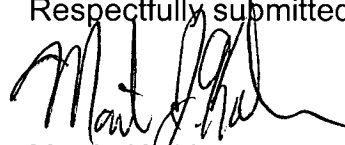
POLICY CONSIDERATIONS

The Internal Audit Manager's presentation of the Annual Internal Audit Workplan is consistent with the City Council policy to add the function of Internal Audit Manager for the City of Sacramento.

ESBD Considerations

None

Respectfully submitted,



Martin Kelkin
Internal Audit Manager

RECOMMENDATION APPROVED:



Robert P. Thomas
City Manager

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Attachment A

Proposed Annual Internal Audit Workplan

Areas of Review	Scope
Internal Control Review of Municipal Revenue Collections, Cash Handling Procedures, and Bank Deposit Procedures.	<p>This review will perform a detailed sample of the collection, cash handling procedures, recording and depositing of cash and checks of daily cash receipts.</p> <p>Several examples of revenues and the associated managerial processes that could be reviewed may include parking ticket receipts, transient occupancy tax revenue, and business operations tax receipts.</p>
Parking Revenue Audit Phase I – On-Street Parking Phase II – Off-Street Parking	<p>Review of internal and managerial controls over the assessment and collection of parking revenues will be conducted in two separate phases, Phase I - On-Street Parking and Phase II – Off-Street Parking.</p> <p>This audit will evaluate the effectiveness of existing cash collection procedures, examine the City's business plan for the pricing and strategic placement of parking meters, and evaluate the effectiveness of existing parking programs, such as the Denver Boot program. The Denver Boot is a device to immobilize vehicles whose owners do not pay their outstanding tickets.</p>
Organizational Assessment	<p>Participate in a Citywide organizational assessment process. Identify areas of redundancy and potential cost-savings or revenue enhancements.</p>
Continuing Professional Education	<p>Obtain continuing professional education as required by Government Auditing Standards.</p>
Follow-up on External Auditor's Management Letter Comments	<p>Provide Internal Audit Manager's input to issues raised in the External Auditor's annual management letter comments.</p>
Special Projects	<p>Perform special projects assigned by the City Manager and the City Council.</p>
Annual Report	<p>Provide an annual report detailing work completed, projects-in-process, and accomplishments.</p>
FY 2004/2005 Annual Internal Audit Workplan	<p>Gather ideas and information for the following year's Annual Internal Audit Workplan.</p>