

ANNUAL AUDIT PLAN

FY 2021



Office of the City Auditor



To the Members of the Audit and Oversight Committee:

The Office of the City Auditor has prepared this Audit Plan for the Fiscal Year Ending September 30, 2021, as amended. The process of developing the Audit Plan included identifying those areas that are considered significant and include activities that contain the greatest risk. The purpose is to ensure these areas are subject to audit.

The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing requires that internal auditors develop an audit plan based on the assignment of risk. This involves determining the audit universe and evaluating each auditable area with a weighted average risk score. The assignment of risk for each auditable area includes such factors as the adequacy of internal control, legal and regulatory compliance requirements, changes in management, level of decentralization, potential liability for legal claims, time since last audited, impact on reputation or publicity, among others. The audit universe is a subjective assessment of areas that are subject to audit within the City of Brownsville and is typically identified by reviewing the City's organization chart, prior audit plans, the annual financial report, and prior risk assessments.

The Office of the City Auditor has only been functional since early June and there are no prior audit plans or prior audit risk assessments available to view. This limited our ability to sufficiently define the audit universe and assign a risk score to each auditable area. The International Standards for the Professional Practice of Internal Auditing do not require audit activities to maintain an audit universe and the chief audit executive can choose whether or not to create or maintain an audit universe for purposes of identifying risks and formulating an audit plan. Accordingly, rather than developing a risk assessment that originates from an audit universe, we chose to use a methodology that originates from an enterprise-wide risk identification and assessment process, although audit plans in future years will likely be developed based on audit universe.


Patrick J. Zacchini, CPA

City of Brownsville, Texas

1001 E. Elizabeth St., P.O. Box 911, Brownsville, Texas 78522 Telephone: 956-548-6007 Fax: 956-546-4021 www.cob.us

FISCAL 2021 AUDIT PLAN

The following fiscal year 2021 Audit Plan provides a population of risk-based audits from which the Office of the City Auditor will execute. The plan includes the performance of ten (10) audits during the year based on available staffing and incorporates audits covering a diverse selection of departments and key business processes. Estimates of hours to complete are in parenthesis, which includes fieldwork, report preparation, and follow-up of corrective actions. The audit plan may be revised during the year due to changing circumstances and conditions.

TRAVEL EXPENSES

Review reimbursements for employee travel expenses in conformity with Finance travel policy, examine supporting documentation, expenditure authorization, duplicate charges, and appropriateness of travel costs. Also, evaluate food expenditures posted to department budgets, e.g. lunches. [380 hours]

AIRPORT TERMINAL CONSTRUCTION – PHASE 1 PARKING LOT

Review procedures over purchasing and contract administration to ensure compliance with contract provisions and federal grant requirements. Include examination of contractor billing and invoices, review of any contractor markups, change orders authorizing out of scope work, and other procedures, e.g., Davis-Bacon. [400 Hours]

PROCUREMENT/ACCOUNTS PAYABLE

Examine the processing of purchases and payments for the acquisition of goods and services, evaluate compliance with existing policies and procedures, laws and regulations, review conformity with competitive bidding requirements, segregation of duties over payments, control over check stock, review of reconciliations, etc. [350 Hours]

GREATER BROWNSVILLE INCENTIVES CORPORATION (GBIC)

Review activities underway for development projects, both current and former, and evaluate the effectiveness of GBIC in meeting its mission to promote economic development for the City and whether the results translate into a good return for the City in terms of the tax funds that are allocated to GBIC, as well as identifying opportunities for improving operations. [280 Hours]

CALL CENTER

Evaluate responses and response times and follow-up, citizen services, check calls not referred to Call Center. [260 Hours]

ASSET SEIZURE AND FORFEITURE PROGRAM (police department)

Ensure funds generated from forfeitures and sales of assets forfeited under Texas State Code of Criminal Procedure §59, the U.S. Department of Justice and U.S. Department of the Treasury equitable sharing programs are segregated and not comingled, not spent on unallowable costs (items that supplant rather than supplement, e.g. fringe benefits, salaries, normal overtime pay). [365 Hours]

EMERGENCY MEDICAL SERVICES

Evaluate response time and effectiveness of software, ensure protection of personally identifiable information (PII), and review uncollectible accounts. [310 Hours]

BROWNSVILLE COMMUNITY IMPROVEMENT CORPORATION (BCIC))

Review activities underway for development projects, both current and former, and evaluate the effectiveness of BCIC in meeting its mission to promote economic development for the City and whether the results translate into a good return for the City in terms of the tax funds that are allocated to BCIC, as well as identifying opportunities for improving operations. [290 Hours]

FIREARMS INVENTORY (Police)

Purchase, disposal, and tracking of firearms. [300 Hours]

HUMAN RESOURCES

Assess the overall effectiveness of human resource processes, with specific focus on time reporting accuracy and completeness, including management's process for ensuring that hours reported were worked and paid within the correct pay scale and differentials; Conduct high-level assessment of the hiring, recruiting and terminating processes. [300 Hours]

BUDGET AND STAFFING

For fiscal 2021 the Office of the City Auditor will be staffed with two persons, the City Auditor, and the staff auditor.

The breakdown that follows consists of the hours that are available for audit work. General Administration includes time spent for such things as preparation of agendas and the attendance at Audit & Oversight Committee meetings, development of the annual audit plan, procedures relating

to maintaining equipment and ordering supplies, and other miscellaneous office procedures. Training and Continuing Professional Education (CPE) is based on the minimum requirements to

	City Auditor		Staff Auditor		Total	
	Hours	Percent	Hours	Percent	Hours	Percent
Audit & Projects	1,925	77.6%	1,810	76.5%	3,735	77.1%
General Administration	150	6.0%	70	3.0%	220	4.5%
Training & CPE	125	5.0%	125	5.3%	250	5.2%
Holiday & Personal Days	120	4.8%	120	5.1%	240	5.0%
Vacation & Sick Leave	160	6.5%	240	10.1%	400	8.3%
	<u>2,480</u>	100.0%	<u>2,365</u>	100.0%	<u>4,845</u>	100.0%

Leave Entitlement - City Auditor		
	<u>Days</u>	<u>Hours</u>
Vacation	10	80
Sick Leave	10	80
Personal Days	2	16
Holidays	13	104
Total:	<u>35</u>	<u>280</u>

Leave Entitlement - Staff		
	<u>Days</u>	<u>Hours</u>
Vacation	15	120
Sick Leave	15	120
Personal Days	2	16
Holidays	13	104
Total:	<u>45</u>	<u>360</u>

maintain certification. The City auditor is required to have a minimum of 40 hours of CPE to maintain CPA (Certified Public Accountant) status and 20 hours of fraud and ethics courses to maintain CFE (Certified Fraud Examiner) designation. Bryan Avila has not yet achieved certification status but is working on becoming a CFE which will require the 20 hours minimum CPE. Additional hours are added for training to maintain current in the profession as well as improve skills. Not reflected in the breakdown of hours is the fact that Bryan is still learning and requires additional on-the-job training, instruction, and supervision.

The Annual Audit Plan includes ten (10) audits scheduled for FY 2021, with a total budget of 4,345 hours, which includes a contingency of 500 hours for any special projects which are not budgeted for. Ideally would like to have a schedule consisting of one audit a month, that is, twelve (12) for the year. But the current staffing limits preclude scheduling that many audits. Additionally, the total hours available for auditing in the above schedules is only 3,235. Notwithstanding overtime, based on the standard number of annual hours of 2,080 per individual, this leaves a shortfall of 685 hours, a little over 17 staff days. Moreover, work on the audits that are either ongoing or planned for the rest of FY 2020 will carry over into FY 2021, further exacerbating the hours shortfall.