

MEMORANDUM

To: City Council
From: Candace Brown, City Auditor *CB*
CC: John Baumgartner, City Manager
Finance Committee
Date: 1/23/2024
Re: FY24 Audit Plan

BASIS FOR PLAN

The basis for the plan comes from auditor observations, inquiries with management, consideration for follow-up audits, monitoring of industry periodicals and changes in people, processes, and systems. Additionally, the available resources to complete audits were examined. The hours required to perform the identified audits are estimated hours. After considering hours that are unavailable for audits due to total potential paid time off, administrative duties, required training, meetings, and other time off, the net available hours for audits are determined.

- Total workday hours for FY24 are calculated to be 2080.
- Administrative hours which include items such as: preparing for and attending meetings, budget reviews, continuing professional education, internal training, and general management functions is estimated at 410 hours.
- Time-off is estimated at 210 hours which includes total vacation, sick, holidays, and other available absences through September 30, 2024.

This leaves 1,460 hours available for annual audit planning, status reporting, audits, agreed-upon procedures, follow-ups, investigations, advisements, and special projects.

FY23 ANNUAL INTERNAL AUDIT PLAN

Internal Audit Plan Summary

Listed below is the anticipated internal audit plan for FY24. Details of each audit engagement are included in the following pages. Actual time allocated to the individual projects will be based on approved project scopes. The internal audit plan is subject to revision, depending on changes to priorities and needs of the organization over time. As such, a portion of the audit plan is typically listed as 'discretionary'. For this audit plan no such discretionary time is budgeted. Any changes to the scheduled audits will be subject to the approval of the Council. Should there be time available to take on additional work, it will be up to the City Auditor to select an engagement from the "Additional Audits to be Considered" or "Additional Special Projects to be Considered" sections (see below) with input from the Finance Committee taken into consideration.

PRIOR YEAR CARRY-FORWARD ACTIVITIES

- Commercial Remodel Sales Tax Special Project – Determine if appropriate local sales tax is being collected and remitted by contractors for commercial repair and remodel construction jobs completed in League City. Completion of this Audit was postponed to conduct a higher priority FY24 Audit requested by City Council.
Estimated Hours Budget – 80 Estimated Report Date - December 31, 2023
- Fleet Retirement Process Report-2 Follow up Audit – Determine if appropriate action has been taken by management to address the recommendations detailed in the original Fleet retirement process Audit Report, dated October 2022. Completion of this Audit was postponed to conduct a higher priority FY24 Audit requested by City Council.
Estimated Hours Budget – 80; Estimated Report Date - December 31, 2023

AUDITS

- American Rescue Plan Act Subrecipient Funding Audit - Determine if expenditures met the criteria and complied with the American Rescue Plan Act, other federal guidelines, and the subrecipient grant agreement between the City and the League City Regional Chamber of Commerce. This audit was requested by City Council and originally planned to be performed in FY24 but subsequently prioritized and initiated during FY23.
Estimated Hours Budget -250; Estimated Report Date – January 31, 2024
- Annual Permit Renewal Audit – To ensure annual permits are being renewed as required by ordinance.
Estimated Hours Budget – 300; Estimated Report Date – March 2024

- Police Overtime Audit – To determine whether internal controls for overtime usage are adequate, appropriate and overtime practices comply with City policies and procedures. Estimated Hours Budget – 300; Estimated Report Date – September 30,2024

FOLLOW-UP AUDITS

- Commercial Remodel Construction Sales Tax Follow-up.
Estimated Hours Budget -80; Estimated Report Date – March 31,2024
- Wire Transfer Process Follow-up.
Estimated Hours Budget – 80; Estimated Report Date – June 30, 2024
- Short Term Rental Process Follow-up.
- Estimated Hours Budget – 100; Estimated Report Date – June 30, 2024
- Fleet Retirement Process Audit Report 2 2nd Follow-up.
Estimated Hours Budget -60; Estimated Report Date – September 30, 2024

INVESTIGATIONS, ADVISEMENTS, RISK ASSESSMENT/ANNUAL AUDIT PLAN, QUARTERLY/ANNUAL REPORTS

- This section estimated at 130 Hours

TOTAL AUDIT, FOLLOW-UPS, INVESTIGATIONS, ADVISEMENTS, SPECIAL PROJECTS, RISK ASSESSMENT/ANNUAL AUDIT PLAN, QUARTERLY/ANNUAL REPORT HOURS = 1440 HOURS

ADDITIONAL AUDITS TO BE CONSIDERED

- New Construction Sales Tax Audit – To ensure that the City is receiving sales tax revenue on materials for new construction projects with a separated contract. Estimated Hours Budget – 250
- Hotel Occupancy Tax Audit – Compliance review of selected local hotel to ensure proper collection and remittance of local hotel occupancy tax. Estimated Hours Budget – 250

ADDITIONAL SPECIAL PROJECTS TO BE CONSIDERED

- Sales Tax Address Verification Process – Develop a process for staff to verify on an ongoing periodic basis that League City is receiving the sales tax proceeds for businesses located within the taxing jurisdiction. -80
- Fraud, Waste & Abuse Hotline Review - Evaluate the current fraud, waste, and abuse program to determine effectiveness for citizens and employees to report allegations of impropriety and misconduct. – 100
- Ethics Program- Develop proposal for program to promote ethical actions and behaviors and periodically assess the ethical climate of the City. - 150