



City of Tucson
Independent Audit and Performance Commission

July 1, 2022

Subject: Proposed Audit Plan for Fiscal Year 2023

Honorable Mayor and Council:

Attached please find the fiscal year 2023 proposed annual audit plan for the city of Tucson. One of the functions of the Mayor and Council's Independent Audit and Performance Commission (IAPC) is to "review and provide comment to the city manager and to the mayor and council relating to the city's annual audit plan." [Tucson Code § 10A-122(1)]

Internal Audit is staffed by two Auditors and will be augmented by services provided by other audit agencies and subject matter experts. The annual audit plan provides a guideline for the auditors as they conduct assurance and consulting services.

Pursuant to City Code, the IAPC has reviewed and approved the proposed audit plan for FY 2023. We are pleased to recommend to mayor and council that the annual audit plan be adopted.

Respectfully Submitted,

Robert Clark
IAPC Chairperson

c: Michael Ortega, P.E., City Manager
City Clerk's Office, Boards and Commissions
Independent Audit and Performance Commission

Attachment:
Proposed Audit Plan for Fiscal Year 2023

AUDIT PLAN FOR FISCAL YEAR 2023

Internal Audit's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The Internal Audit program is under the direction of the Deputy City Manager.

Internal Audit will be staffed by two Auditors and will be augmented by services provided by other audit agencies and subject matter experts. The items identified in this plan will be the prime function of these staff members. In addition, audits could require significant amounts of staff time at any level, and from any department in the organization, depending upon the scope of the project.

INTERNAL AUDIT PROJECTS AND ESTIMATED HOURS

• Consulting Services	1,500
• Independent Audit and Performance Commission Support	500
• Assurance Services may be selected from the following list by the Deputy City Manager	
○ Accounts Payable, Accounts Receivable, and Delinquent Accounts	
○ Cash Accounts: Change Accounts, Petty Cash, Merchant and Checking Accounts	
○ Compliance	
○ City Contract Administration	
○ Financial Participation Agreements, Master Operating Agreements, and Memoranda of Understanding	
○ Fixed Assets and Other Equipment	
○ Follow-up on Audit Findings and Recommendations (for internal audits and City audits conducted by external audit firms)	
○ Intergovernmental Agreements	
○ Inventories	
○ Payroll	
○ Procurement Cards	
○ System Design and Implementation	<u>1,500</u>
Total Hours	3,500

INTERNAL AUDIT PROJECTS

Consulting Services

Goal: Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. The amount of time required and when the assistance is scheduled will vary depending upon the nature of the request.

Schedule: As requested by the City Manager's Office, other City offices and departments, or the Independent Audit and Performance Commission.

Estimated Hours: 1,500 for all assistance requested during fiscal year.

Reports: To be determined based on the type of assistance provided.

Independent Audit and Performance Commission Support

Goal: Provide staff support to assist the Independent Audit and Performance Commission (IAPC) in carrying out its duties.

Schedule: Continuous - IAPC monthly meeting and any additional meetings requested by the IAPC or its subcommittees. Also, Internal Audit staff will conduct audit work at the request of the IAPC.

Staff: Deputy City Manager, an Executive Assistant or Administrative Assistant, and Internal Audit staff.

Estimated Hours: 500

Reports: Prepare reports as requested by the IAPC.

Assurance Services

Goal: Assurance services may be selected throughout the year from the following list by the Deputy City Manager with input from the Internal Audit staff. Due to limited audit staff, the need for timely responses to numerous requests from management, and support provided to the Independent Audit and Performance Commission, it is not feasible to schedule individual audits in advance for the entire fiscal year. Instead, the Internal Audit staff will coordinate with the Deputy City Manager to determine those areas for audit based on an on-going assessment of risk. The nature and scope of an assurance engagement are determined by Internal Audit in consultation with the Deputy City Manager. Audits will be conducted to identify and resolve any issues noted in a timely manner. Information regarding the nature and scope has been added for each type of engagement.

Schedule: To be determined by the Deputy City Manager and Internal Audit staff.

Estimated Hours: 1,500

Reports: Reports will be issued to City Manager's Office, Department Directors and other City Management, as applicable.

- **Accounts Payable, Accounts Receivable, and Delinquent Accounts**

Determine if: 1) accounts payable are properly authorized for appropriate City goods and services, that the correct amount is remitted to valid vendors in a timely manner, and allowed discounts are taken; 2) accounts receivable are correctly billed, deposited in a timely manner, and credited to the correct accounts; and 3) delinquent accounts are identified and processed in a timely manner.

- **Cash Accounts: Change Accounts, Petty Cash, Merchant and Checking Accounts**

Determine if cash accounts are properly established and used by authorized employees for the purposes intended and ensure that cash is properly safeguarded.

- **Compliance**

Determine compliance with Federal and State regulations, and City policies, processes, and procedures.

- **City Contract Administration**

Determine compliance with the contract terms by the vendor and City staff.

- **Financial Participation Agreements, Master Operating Agreements, and Memoranda of Understanding**

Determine compliance with contract terms by both the agency receiving funds and the City.

- **Fixed Assets and Other Equipment**

Determine if City assets are properly accounted for and safeguarded against theft or misappropriation.

- **Follow-up on Audit Findings and Recommendations**

This includes both audits conducted by City internal audit staff and audits conducted by external audit firms. The purpose is to ensure that audit recommendations have been implemented.

- **Intergovernmental Agreements**
Determine compliance with the terms of the agreement by the participating government entities.
- **Inventories**
Determine if inventory items are properly ordered, stocked, dispensed, and safeguarded. Various types of inventories are managed by the following departments: Business Services; Housing and Community Development; Environmental and General Services; Transportation; and Tucson Water.
- **Payroll**
Determine if employee pay is being correctly documented, calculated, authorized, and paid to employees in accordance with City policies and procedures and federal labor requirements.
- **Procurement Cards (pCards)**
Determine that: 1) pCards are used only by authorized employees for valid City business purposes; 2) transactions are reviewed and approved by designated employees in a timely manner; and 3) vendors are paid in a timely manner, allowable discounts have been taken, and any applicable use tax has been correctly calculated. Administration of pCards by the Business Services Department may also be reviewed periodically.
- **System Design and Implementation**
Review the design and implementation of City systems, including systems for: accounting, reporting of time and attendance, purchasing, and human resource management.