



City of Riverside – Internal Audit Division

Audit Work Plan for Fiscal Years 2018/19 and 2019/20

The Internal Audit Division has developed an Audit Work Plan for the remainder of fiscal year 2018/19, and fiscal year 2019/20. The Audit Work Plan is intended to demonstrate the scope of planned audit and non-audit activities addressing financial, operational, technological, reputation, and compliance risks of the City and prudent use of our resources.

To develop the Audit Work Plan, Internal Audit gathers and assesses information about potential risks to the City from multiple sources and prioritizes these risks. Prioritization is based on a variety of factors, including but not limited to:

- The likelihood and potential impacts of identified risks;
- Potential community impact;
- Timing and scheduling; and
- Audit resource availability.

We also solicit audit suggestions from City Council, City staff, and the public. Additional criteria used for audit selection include City budgetary information, departmental goals and objectives, and last date of audit. Our goal is to ensure that areas selected for review align with the City Council's strategic priorities. The activities of the Internal Audit Division are coordinated with independent external auditors to minimize duplication and to ensure adequate audit coverage.

The Audit Work Plan consists of a work schedule of performance audits, consulting engagements and/or internal assessments¹ (completed, scheduled or in progress), monitoring and/or other Internal Audit-supported tasks or initiatives, allocated hours, and resource requirements and limitations.

The Internal Audit Division includes 3 full time equivalent (FTE) positions with the budget noted below. **However, the Audit Work Plan is based on the available resources of one full time FTE.** Solutions to address resource limitations include outsourcing and co-sourcing² (refer to page 9 for additional information).

	FY 2018/19	FY2019/20
Personnel	\$577,985	\$625,290
Non-Personnel	13,961	13,658
Total	\$591,946	\$641,948

The Audit Work Plan is presented with budgeted hours³ for each activity. Budgeted hours assigned for each activity are based on aspirational estimates and actual hours needed for each audit/activity could be significantly higher. Additionally, the hours presented in the Audit Work Plan do not

¹ Internal assessments are collaborative efforts between Internal Audit and City departments that aid departments in assuming responsibility for risks related to internal controls. Internal assessment results are tracked and reported, but do not result in a formal audit report.

² Co-sourcing allows the City to retain a certain level of control over an audit by having Internal Audit staff work alongside outsourced audit staff. This approach also allows the City to save funds, as costs would be lower than a typical fully outsourced audit.

³ Budgeted hours identified in the Audit Work Plan are based on review of the available hours for a 9/80 work schedule.

account for unexpected changes that may happen. When these events occur, the productive hours will be reduced, and the number of audits or other activities will also be adversely affected.

The City Council or City Leadership Team may request that Internal Audit perform audits or reviews of particular areas during the course of each fiscal year. If audits are added later, they could displace or defer other audits from the list given the overall resources available in the Internal Audit Division.

Internal Audit will review and adjust the Audit Work Plan as necessary in response to changes in operational or financial risks, operations, programs, systems, resource availability, controls or specific requests. Significant deviations from the approved Internal Audit Work Plan will be communicated to the City Manager and the City Council through the Governmental Affairs Committee.

All final performance audit reports will be made available to the public on the City's internet site after review and approval by the Governmental Affairs Committee. Additionally, the Governmental Affairs Committee will be provided with quarterly reports of the status of audit activities, including but not limited to:

- Completed audits/internal assessments;
- Monitoring and other Internal Audit-supported activities in progress;
- Progress in implementing the Internal Audit Workplan; and
- Status of the implementation of agreed internal and external audit recommendations.

The Internal Audit Division supports the City of Riverside's strategic goals and priorities by providing information to assess and improve municipal operations, and promote credible, efficient, effective, focused, transparent and fully accountable City Government. Several other review functions can also promote these objectives. These include:

- Work of external auditors (financial statement, single audit, department performance assessments, and other special reviews);
- Finance Department and the Budget Engagement Commission (accountability and tracking of Measure Z funding);
- City Manager's Office (accountability and tracking of departmental performance measures, goals and targets); and
- Departmental internal control self-assessments (evaluations of departmental functions to determine effectiveness of existing internal control processes).

As a component of the oversight role of the Internal Audit Function, we hereby submit for your review and approval the attached Fiscal Year 2018/19 and Fiscal Year 2019/20 Audit Work Plan for the Internal Audit Division.

ATTACHMENTS

1. Audit Work Plan for Fiscal Year 2018/19 (from January 1, 2019 to June 30, 2019)
2. Audit Work Plan for Fiscal Year 2019/20
3. Recommendations for other potential review areas/functions

AUDIT WORK PLAN
Fiscal Year 2018-2019
(From January 1, 2019 to June 30, 2019)

Performance Audits, Consulting Engagements or Internal Assessments

In general, our objectives for performance audits, consulting engagements and internal assessments are to evaluate existing practices and internal controls in place to determine if policies and procedures are appropriate and adhered to, and to ensure compliance with any applicable agreements or external regulations.

Description of Activity	Engagement Type	Summary	Supports one or more City Strategic Priorities	Budgeted Hours
Asset Management of Mobile Devices (Innovation & Technology)	Performance Audit	Evaluate mobile device management practices and internal controls	Yes	Completed
Temp Employees, Independent Contractors and Retired Annuitants Compliance with CalPERS (Citywide) (M) (IP)	Internal Assessment	Assess the overall management of temporary agency employees, independent contractors and retired annuitants to ensure compliance with CalPERS	Yes	90
Sewer Laterals & City-Owned Trees Liability Assessment (Public Works) (M) (IP)	Consulting Engagement	Determine options to reduce sewer lateral repair costs absorbed by the City	Yes	30
Software Asset Management (Innovation & Technology) (IP)	Internal Assessment	Assess software asset management practices to ensure compliance with vendor agreements and license-tracking through the lifecycle	Yes	60
Audit Recommendations Follow-up Tracking (IP)	Internal Assessment	Assess the status and quality of implementation for recommendations noted in prior internal and external audits	Yes	60

M = Engagement requested by Management

IP – Engagement is in progress

Total **240**

Percent of overall total **23%**

AUDIT WORK PLAN
Fiscal Year 2018-2019 – continued

Internal Audit Division Procedural Enhancements

The Internal Audit Division aims to complete its objectives with due professional care and proficiency using the guidance of generally accepted government auditing standards (GAGAS). As such, organizational and structural changes to improve our processes and practices are necessary to ensure our objectives are achieved as identified.

Description of Activity	Summary	Budgeted Hours
Implement and enhance Internal Audit organizational and structural needs	Implement organizational changes as identified in the 2/23/2016 external peer review	299
Total		299
Percent of overall total		29%

Internal Audit Monitoring

Internal Audit performs ongoing/continuous monitoring of various City functions to ensure risks are identified and addressed, and to validate processes and practices comply with applicable policies and procedures.

Description of Activity	Summary	Budgeted Hours
Purchasing card (p-card) Monitoring	Perform periodic reviews of p-card activities to ensure compliance with program and City policies	40
Grant Compliance Monitoring	Perform periodic reviews of City grants to ensure compliance with grant guidelines and applicable policies and procedures	40
City Payroll Overtime Monitoring	Assess internal controls in place to determine if they adequately address risks associated with overtime usage and/or management	40
Fraud, Waste and Abuse Hotline Monitoring	Receive complaints and allegations of fraud, waste, abuse or mismanagement of City resources, or violations of law, rules/regulations by City employees or contractors	40
Total		160
Percent of overall total		15%

AUDIT WORK PLAN
Fiscal Year 2018-2019 – continued

Additional Internal Audit-Supported or Other Tasks

Internal Audit provides additional support as needed on other City activities, projects, and tasks, provided they do not impair our independence.

Description of Activity		Budgeted Hours
External City Performance Audits	Coordinate activities for the Citywide Audit Program as needed	90
Other	Provide additional support as needed on other City activities, projects, and tasks	30
Total		120
Percent of overall total		12%

Discretionary Hours

Description of Activity		Budgeted Hours
Hours retained for unscheduled or unplanned audits, assessments, special requests, and/or other activities		120
Total		120
Percent of overall total		12%

Training

Description of Activity		Budgeted Hours
Hours retained for audit-related, City, or other training		20
Total		20
Percent of overall total		2%

Paid Time Off (PTO)

Description of Activity		Budgeted Hours
Hours retained for vacation, holidays, admin, or other PTO categories		72
Total		72
Percent of overall total		7%
Grand Total of Budgeted Hours		1,031

AUDIT WORK PLAN
Fiscal Year 2019-2020

Performance Audits, Consulting Engagements or Internal Assessments

In general, our objectives for performance audits, consulting engagements and internal assessments are to evaluate existing practices and internal controls in place to determine if policies and procedures are appropriate and adhered to, and to ensure compliance with any applicable agreements or external regulations.

Description of Activity	Engagement Type	Summary	Supports one or more City Strategic Priorities	Budgeted Hours
Cybersecurity Internal Controls (Innovation and Technology)	Internal Assessment	Evaluate cybersecurity internal controls in place to determine consistency with industry-established best practices	Yes	300
Contract Compliance – Riverside Convention Center (General Services)	Performance Audit	Review contract/agreement to ensure terms and conditions are being met by all parties	Yes	300
CalPERS Compliance Assessment (Human Resources)	Internal Assessment	Follow up review of the issues identified in the 2013 external CalPERS audit	Yes	120
Firefighter Work Schedule Optimization (Fire Department) (M)	Performance Audit	Assess the firefighter and staffing work schedule based on best practices and NFPA guidelines	Yes	300
Audit Recommendations Follow-up Tracking	Internal Assessment	Assess the status and quality of implementation for recommendations noted in prior internal and external audits	Yes	120

M = Engagement requested by Management

Total	1,110
Percent of overall total	53%

AUDIT WORK PLAN
Fiscal Year 2019-2020 – continued

Internal Audit Division Procedural Enhancements

The Internal Audit Division aims to complete its objectives with due professional care and proficiency using the guidance of generally accepted government auditing standards (GAGAS). As such, organizational and structural changes to improve our processes and practices are necessary to ensure our objectives are achieved as identified.

Description of Activity	Summary	Budgeted Hours
Implement and enhance Internal Audit organizational and structural needs	Implement organizational changes as identified in the 2/23/2016 external peer review	223
Total		223
Percent of overall total		11%

Internal Audit Monitoring

Internal Audit performs ongoing/continuous monitoring of various City functions to ensure risks are identified and addressed, and to validate processes and practices comply with applicable policies and procedures.

Description of Activity	Summary	Budgeted Hours
Purchasing card (p-card) Monitoring	Perform periodic reviews of p-card activities to ensure compliance with program and City policies	60
Grant Compliance Monitoring	Perform periodic reviews of City grants to ensure compliance with grant guidelines and applicable policies and procedures	60
City Payroll Overtime Monitoring	Assess internal controls in place to determine if they adequately address risks associated with overtime usage and/or management	60
Fraud, Waste and Abuse Hotline Monitoring	Receive complaints and allegations of fraud, waste, abuse or mismanagement of City resources, or violations of law, rules/regulations by City employees or contractors	60
Total		240
Percent of overall total		11%

AUDIT WORK PLAN
Fiscal Year 2019-2020 – continued

Additional Internal Audit-Supported or Other Tasks

Internal Audit provides additional support as needed on other City activities, projects, and tasks, provided they do not impair our independence.

Description of Activity	Summary	Budgeted Hours
External City Performance Audits	Coordinate activities for the Citywide Audit Program as needed	75
Other	Provide additional support as needed on other City activities, projects, and tasks	40

Total **115**

Percent of overall total **6%**

Discretionary Hours

Description of Activity	Budgeted Hours
Hours retained for unscheduled or unplanned audits, assessments, special requests, and/or other activities	150

Total **150**

Percent of overall total **7%**

Training

Description of Activity	Budgeted Hours
Hours retained for audit-related, City, or other training	40

Total **40**

Percent of overall total **2%**

Paid Time Off (PTO)

Description of Activity	Budgeted Hours
Hours retained for vacation, holidays, admin, or other PTO categories	211

Total **211**

Percent of overall total **10%**

Grand Total of Budgeted Hours **2,089**

Recommendations for Other Potential Review Areas/Functions

There are other areas/functions/processes within the City identified as potential audits, assessments, or continuous monitoring; however, the Internal Audit Division lacks the necessary resources to complete these assessments. City officials should review the list below to determine if outsourcing, co-sourcing, or internal review of these areas should be considered for inclusion in this Audit Work Plan or for a future fiscal year.

Activity	Rationale for Recommendation and/or Potential Audit Objectives	Supports one or more City Strategic Priorities	Sourcing Recommendation
RPU Rates Monitoring (Public Utilities)	With increased scrutiny over the last RPU rate increase, and an external audit in the planning, Internal Audit could be utilized to provide continuous monitoring of RPU's rate increases and the projections on which they were based. All City officials would benefit by being able to point to an independent internal audit function providing third party validation of RPU rates.	Yes	Internal Audit Monitoring
Construction Contracts Monitoring (Citywide)	Construction projects can be costly, and delays can result in increased costs. Audit objectives may include ensuring proper controls are developed and maintained, identification of overcharges and/or undercharges, and identification of cost avoidance opportunities.	Yes	Co-source
Property Management Services (various departments)	As noted in the General Services external Performance Assessment report, an opportunity exists to consolidate the citywide property management functions in one department, allowing for enhanced operational efficiencies and consistent approaches in managing properties and facilities.	Yes	Internal assessment
3-1-1 Call Center Operations (Public Utilities)	Determine if the Call Center provides accurate and quality information to City departments;	Yes	Co-source or performance audit

	provides quality customer services; provides accurate and relevant performance data to management.		
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