FY25-FY27 Citywide Risk Assessment

Issued

June 11, 2024

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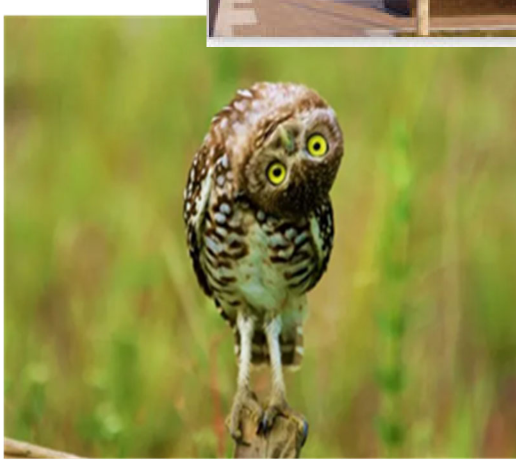

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City Auditor's Office

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TO: Mayor Gunter and Council Members

FROM: Andrea R. Russell, City Auditor

DATE: June 11, 2024

SUBJECT: Citywide Risk Assessment for FY25-FY27

Generally Accepted Government Accounting Standards require our office to plan our audits to adequately address relevant risks. In order to achieve this, we perform a citywide risk assessment every three years to develop our Strategic and Audit Plan. The Citywide Risk Assessment completed by the City Auditor's Office for FY25, FY26, and FY27 is attached. We use the Risk Assessment to assemble proposed audit projects included in the Strategic and Audit Plan in accordance with Resolution 46-10, Section 4. The Strategic and Audit Plan is reviewed by the Audit Committee first, then based on their recommendation, it is presented to City Council for final approval.

We would like to express our sincere appreciation to City management for the courtesy and cooperation extended during the process. If you have any questions or comments regarding the assessment, please contact me at 242-3380.

Attachments

C: Michael Ilczyszyn, City Manager
Connie Barron, Assistant City Manager
Aleksandr Boksner, City Attorney
Department Directors
Audit Committee

CITYWIDE RISK ASSESSMENT

REPORT HIGHLIGHTS

Objective

The primary objective of the risk assessment process is to identify and prioritize potential areas for audit that pose the highest risk and/or potential liability to the City. This prioritization assists the City Auditor to assign available audit resources efficiently and methodically to achieve maximum benefit to the City.

WHY THIS MATTERS

Resolution 46-10, Section 4, requires the City Auditor to submit a risk-based Audit Plan annually to the City Council for approval. The use of a risk assessment provides a methodology to prioritize audit resources to effectively address areas of potential risk for the City and develop a risk-based Audit Plan in accordance with Generally Accepted Government Auditing Standards.

WHAT WE DID

Our office distributed a comprehensive, control centered Risk Assessment Survey Questionnaire to City Department directors and section managers. Information from the questionnaires was used in conjunction with budget factors, prior audit results, and City management and Council input to determine a risk score for components included in the audit universe. We used this information to develop the risk-based audit plan.

Through the risk assessment process, each department and division is assigned a score. These scores assist in prioritizing audits to be performed. A high-risk score does not indicate an area is not being managed effectively, or that it is not functioning properly. The departments and divisions with high-risk scores merely indicate that the services they provide or the functions they are responsible for are, by nature, higher risk activities due to such factors as having large expenditures, high degree of public interest, or they have not been subject to audit in over three years, if at all.

In general, those areas identified by the assessment as high risk may indicate opportunities to address mission critical topics that provide substantial support for City internal operations and may benefit from audit services by assisting in achieving department and City goals in a more efficient and effective manner.

After calculating the Adjusted Risk Score, the universe was sorted from high score to low. Assuming a budget of 700 hours per audit, the top Adjusted Risk Scores per department and corresponding divisions were incorporated into the three-year audit plan. Total available hours for each year of the plan, as well as standard operations, must also be considered in the development in the plan.

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BACKGROUND & METHODOLOGY

The first step in developing the City's risk assessment is to define the audit universe by breaking down the City into separate departments and divisions within each department. We utilized the City's Adopted Operating Budget, Strategic Plan, and organizational charts to define the audit universe.

The next step in creating the risk assessment is to identify and rank major risks associated with each of the City's departments and divisions. To achieve this, we developed a Risk Assessment Survey Questionnaire, which measures a variety of risk factors. (See Attachment A – Citywide Risk Assessment Questions). Department directors and section managers completed the questionnaire that consisted of a series of questions that incorporated the following five risk factors.

1. Inherent Risk: The risk that an activity would pose if no controls or other mitigating factors were in place.
2. Growth/Change Risk: The risk in place if a department experienced more than ten percent growth, new directors or managers, or re-organization in the past six months to one year or had several large capital projects scheduled for FY25 – FY27.
3. Risk from known or suspected matters of concern from prior audits: The risk from items identified or suspected as a result of prior audits.
4. External Factors Risk: The risk or mitigation of risk due to factors outside of the department's control such as federal or state regulations, licensing requirements, or interaction with the public.
5. Control Environment: The attitude and actions of City Management regarding the importance of controls within the organization that provides discipline and structure for achievement of the primary objectives of the system of internal controls.

These five risk factors are considered in conjunction with departments' FY24 amended budgets and other adjustments to determine the Adjusted Risk Score. To calculate the Adjusted Risk Score, we first rate the answers to each question from the Risk Survey Questionnaire on a scale of one to five. Then we calculated a weight for each answer using auditor judgement. These weighted answers are considered with FY24 budget expenditures for each department and division to determine the Total Weighted Risk Score. In addition to the risk assessment and budget criteria, we analyze processes and internal controls determined to be in place from prior audits. We also utilize input from management and City Council to apply adjustments ranging from -50 to +175 to calculate the Adjusted Risk Score. (See Attachment B – Citywide Risk Assessment FY25, FY26, and FY27).

The Adjusted Risk Scores are used to develop the audit plan for FY25 - FY27. Details of the entire plan are included in the separate Strategic and Audit Plan. (See Attachment C – Excerpt from Proposed Strategic and Audit Plans) A high-risk score does not indicate an area is not being managed effectively, or that it is not functioning properly. In general, those areas identified by the assessment as high risk may indicate opportunities to address mission critical areas that provide substantial support for City internal operations and may benefit from audit services by assisting in achieving department and City goals in a more efficient and effective manner.

APPENDIX A

Risk Assessment Questions

The following questions required respondents to answer Yes or No and provide comments, if applicable.

1. Does the Department/Division/Section collect any receipts such as cash, checks, credit cards etc.?
2. Does the Department/Division/Section have inventories of any kind?
3. Does the Department/Division/Section receive any grants?
4. If the Department/Division/Section receives grants, did you have any adjustments?
5. Does the Department/Division/Section have any capital projects and/or department funded special events?
6. Has the Department/Division/Section had any audits performed by the City Auditor's Office in the last three years?
7. Has the Department/Division/Section had any audits performed by EXTERNAL auditors in the last three years?
8. Have any audits, internal or external, resulted in findings or recommendations?
9. Has there been significant change in your department or division including new Directors, Managers or a re-organization in the last 6 months?
10. Do you feel you have adequate resources to accomplish your mission and goals for the department, division, section?
11. Does the department, division, or section have any goals for certification or accreditation?
12. Do employees in the Department/Division/Section have external continuing educational requirements? (e.g., CPEs to maintain a certification)
13. Does the Department/Division/Section have internal continuing educational requirements? (e.g., not relating to a license or certification)
14. Are there any areas you would like to have reviewed in your department, division or section? (No points assigned to this question)

The following questions required respondents to answer on a scale of high, medium, or low.

1. How would you rate the impact of Information technology on your department operations?
2. How do you rate the level of Federal or State regulation on your department?
3. How do you rate your Department/Division's/Section's interaction with the public?
4. How would you rate your department's management skills for responding to issues?
5. How would you rate your Department/Division/Section degree of decentralization? (Select High for very decentralized or spread out)
6. How would you rate your understanding of risks?
7. How would you rate your understanding of controls?

APPENDIX B

Citywide Risk Assessment FY25-FY27

Department	Division	Risk Score
City Manager	Office of Capital Improvement Projects	452
Development Services	Code Compliance	448
Development Services	Land Development	398
City Clerk	Records Division	376
Public Works	Solid Waste	376
Parks & Recreation	Recreation	375
Parks & Recreation	Parks	370
Police	Investigative Services Bureau	369
Fire	Operations	364
Parks & Recreation	Revenue & Special Facilities Division	349
Human Resources	Benefits	347
Financial Services	Assessment & Billing Services	341
Financial Services	Payroll	338
Police	Professional Standards Bureau	338
Parks & Recreation	Department	330
Public Works	Fleet	330
Information Technology	ITC - Systems & Operations	322
Human Resources	Classification & Compensation	318
Public Works	Transportation	317
Utilities	Collection Distribution Division	314
City Manager	Administration	312
Public Works	Maintenance	311
Public Works	Department	309
Charter School Authority	School-wide	309
Financial Services	Procurement	307
Financial Services	Customer & Field Services	306
Fire	Emergency Management	300
Utilities	Water Production Division	294
Fire	Department	298
Development Services	Department	297
City Clerk	Department	295
City Manager	Office of Economic and Business	281
Utilities	Water Reclamation Division	281
Information Technology	GIS	279
Fire	Professional Standards	278
City Manager	Office of Communications	276
Development Services	City Planning	272
Information Technology	Network & Telecom	270
Oasis Middle School	School-wide	269
Information Technology	Department	278
Oasis High School	School-wide	269
Police	Department	275
Fire	Administration	274
Development Services	Administration	272
Financial Services	Accounting	268
Police	Administration	272
Police	Special Operations Bureau	268
Public Works	Administration	269
Development Services	Permitting	268
Police	Communications & Logistics Support	264
Financial Services	Debt Treasury	261
Charter School Authority		268

Citywide Risk Assessment FY25-FY27

Department	Division	Risk Score
Public Works	Survey	260
Police	Patrol Bureau	259
Public Works	Property Management	259
Financial Services	Risk Management	255
Development Services	Building	254
Oasis Elementary South	School-wide	254
Information Technology	Business Applications Section	253
Public Works	Environmental Resources	253
Human Resources	Labor Relations	251
Parks & Recreation	Administration	247
Human Resources	Talent Acquisitions	245
Fire	Bureau of Fire Prevention	244
Financial Services	Accounts Payable	240
Financial Services	Department	236
Police	Community Services Bureau	235
Utilities	Administration Projects	231
Public Works	Stormwater	229
Information Technology	ITS Security Section	221
Public Works	Real Estate	221
Financial Services	Administration	220
City Clerk	Administration	218
Financial Services	Budget	218
Human Resources	Administration	208
Utilities	Administration Planning	206
Fire	Logistics	185

LEGEND	Adjusted Risk Score Range
	330 and above
	329-280
	279-250
	249 and below

APPENDIX C

The information below is a draft of potential audits for FY25 through FY27 based on the Risk Assessment.

FY25 Area/Focus of Audit	Projected Hours
Capital Improvement Projects - Lake Kennedy Final Project Audit	400
CCFD - Station Renovation versus New Build	650
CCPD - Training Facility and Processes	650
CDBG - DR Compliance	400
City Clerk - Records Management	550
Development Services - Code Compliance Operations	650
Financial Services - Payroll Process and Implementation	500
Financial Services - Travel	500
Human Resources - Benefits Enrollment and Administration	650
Parks and Recreation/Public Works - Operation Sparkle	650
Public Works - Fleet Management Preventative Maintenance	450
Public Works - Solid Waste Operations	650
Utilities/Information Technology Systems - Plant IT Security	650
City Annual Comprehensive Financial Review - External Auditor Assistance	200
Special Projects/Non-Audit Services/Carry-Forward	250
Total hours	**7800**

FY26 Area/Focus of Audit	Projected Hours
CCPD - Seized and Forfeited Assets	650
Charter School Authority - Information Technology Systems	650
City Manager - Economic Development Incentive Program	650
City Manger - 311 Program	650
Development Services - Land Development Division	650
Emergency Management & Resilience Department Operations	650
Financial Services - Procurement	650
Financial Services - Utility Billing	650
Human Resources - Compensation Process and Procedures	650
Parks and Recreation - Special Events	650
Public Works - Transportation Division Resources and Operations	650
City Clerk - Passport Service Audit Assistance Non-Audit Service	200
City Annual Comprehensive Financial Review - External Auditor Assistance	200
Special Projects/Non-Audit Services/Carry Forward	250
Total hours	**7800**

FY27 Area/Focus of Audit	Projected Hours
Capital Improvement Projects - UEP Grant Funding	650
CCFD - Logistics Division	650
Charter School Authority - Procurement	650
City Clerk - Business Tax Receipts Division	650
Citywide Operating Agreements (Golf Course, Sun Splash & Lake Kennedy Racquet)	450
Financial Services - Customer & Field Services	650
Information Technology Systems - Ransomware Response and Recovery Process	650
Parks and Recreation - Park Centers and Facilities	650
Citywide - Prior Audit Recommendation Follow Up Audit	750
Public Works - Maintenance Division Operations	650
Utilities - Water Reclamation Division Operations	650
City Annual Comprehensive Financial Review - External Auditor Assistance	200
Special Projects/Non-Audit Services/Carry-Forward	550
Total hours	**7800**