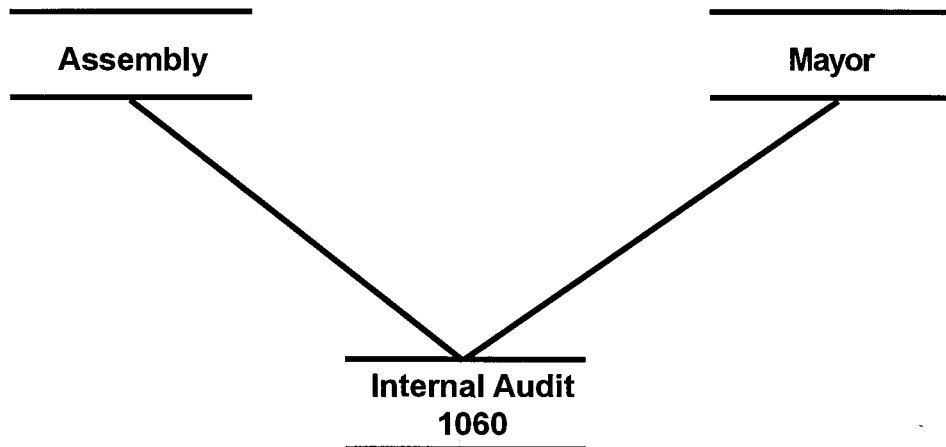


INTERNAL AUDIT

INTERNAL AUDIT



DEPARTMENT OF INTERNAL AUDIT

Strategic Framework

Customers Served: The Assembly and Mayor

Mission: To provide the Assembly and Mayor with objective information to ensure that a high degree of public accountability is maintained and government operations are efficient and effective.

Goals:

- ❑ Provide the Assembly and Mayor with objective information by completing the requested audits and special projects.
- ❑ Improve management understanding and acceptance of the audit findings and their associated risks.
- ❑ Reduce expenses by assisting the external auditors with the annual financial and Federal and State Single audits.

Objectives:

- ❑ Issue at least three audit reports and three special project reports per auditor.
- ❑ 90% or greater concurrence with audit findings.
- ❑ Provide 700 audit hours assistance to the external auditors, which will result in tax dollar savings of approximately \$47,600 for 2002 (\$100 per hour external cost versus an average of \$32 in-house).

Performance Measures:

The objective for the number of reports is based on the historical amount of time required. The number of audits and special projects that can be completed within a given year will vary due to the complexity and scope of the reviews. Greater complexity and/or larger scope reviews take more audit hours to complete. The experience level of the audit staff will also effect the length of time required to complete a task. The more audit hours spent on each audit or special project, the fewer that will be completed.

While Internal Audit always works to achieve management's concurrence with the findings, there will be instances where management chooses to disagree. Historically, management has concurred with the audit findings approximately 90% of the time.

The Municipality is contractually obligated to provide 700 hours of assistance to the external auditors as a means to reduce their fees. The time has to be provided during a six week window when the annual audit and Federal and State Single audits are being performed.

Measures:

- ❑ Audits: The number of audit reports issued divided by the number of auditors. This excludes the Director and the Senior Office Associate.

- ❑ Special Projects: The number of special project reports issued divided by the number of auditors. This excludes the Director and the Senior Office Associate.
- ❑ Audit Findings: The number of audit report responses where management concurred with the findings divided by the number of findings. Note that responses are only required on audit findings, not on special projects.
- ❑ Annual Audit: The total number of hours the audit staff worked for the external auditors multiplied by the savings rate of \$68 per hour.

Services Provided

Direct Services:

- ❑ Conduct independent operational audits of Municipal operations and activities.
- ❑ Evaluate the reliability of internal accounting and administrative controls.
- ❑ Conduct compliance audits of grants and contracts.
- ❑ Provide findings for improved efficiency and effectiveness of Municipal processes.
- ❑ Provide management assistance to the Administration and Assembly through special studies.
- ❑ Assist the external auditors in the annual financial and Federal and State Single audits.

Performance Measures Dictionary

Department: Internal Audit

Measure Title: Audits

Type: Efficiency

Goal Supported: Provide the Assembly and Mayor with objective information by completing the requested audits and special projects.

Definition: This measure reports the number of audits completed per auditor.

Method: The number of audit reports issued divided by the number of auditors. The number of auditors only counts audit staff, not the Director and the Senior Office Associate.

Frequency: Annually

Measured By: Senior Office Associate. The data is manually tracked throughout the year then input to Excel for calculation and presentation.

Reporting: Graphical and chart presentation.

Used By: Internal Audit Director and Audit Committee for managing audit resources.

Department: Internal Audit

Measure Title: Special Projects

Type: Efficiency

Goal Supported: Provide the Assembly and Mayor with objective information by completing the requested audits and special projects..

Definition: This measure reports the number of special projects completed per auditor.

Method: The number of special project reports issued divided by the number of auditors. The number of auditors only counts audit staff, not the Director and the Senior Office Associate.

Frequency: Annually

Measured By: Senior Office Associate. The data is manually tracked throughout the year then input to Excel for calculation and presentation.

Reporting: Graphical and chart presentation.

Used By: Internal Audit Director and Audit Committee for managing audit resources.

Department: Internal Audit

Measure Title: Audit Findings

Type: Effectiveness

Goal Supported: Management understanding and acceptance of the audit findings and their associated risks.

Definition: This measure reports the percentage of audit report findings that management agreed with. Agreement indicates willingness to take corrective actions.

Method: The number of audit report responses where management concurred with the findings divided by the number of findings. Note that responses are only required on audit findings, not on special projects.

Frequency: Annually

Measured By: Senior Office Associate. The data is manually tracked throughout the year then input to Excel for calculation and presentation.

Reporting: Graphical and chart presentation.

Used By: The Internal Audit Director, Audit Committee, and Municipal Manager as an indicator of the quality of the audit findings and cooperation of management.

Department: Internal Audit

Measure Title: Annual Audit

Type: Efficiency

Goal Supported: Reduce expenses by assisting the external auditors with the annual financial and Federal and State Single audits.

Definition: : This measure reports whether or not Internal Audit efficiently managed its resources so staff was available to meet the contractual obligation during the external audit.

Method: The total number of hours the audit staff worked for the external auditors. The hours should total approximately 700.

Frequency: Annually

Measured By: Senior Office Associate. Time data is input daily by the individual auditors onto a shared Excel spreadsheet. At the end of each pay period, the Senior Office Associate transfers the data to an Access database.

Reporting: Chart presentation.

Used By: The Internal Audit Director, Audit Committee, and the Director of the Assembly Office to ensure that the contractual obligation is met and fees controlled.

2002 Resource Plan

Department: Internal Audit

Division	Financial Summary		Personnel Summary							
	2001	2002	2001 Revised				2002 Proposed			
	Revised	Proposed	FT	PT	Temp	Total	FT	PT	Temp	Total
Internal Audit	321,440	331,000	4	1		5	4	1		5
Operating Cost	321,440	331,000	4	1	0	5	4	1	0	5
Add Debt Service	0	0								
Direct Organization Cost	321,440	331,000								
Charges From/(To) Others	(195,000)	(222,610)								
Function Cost	126,440	108,390								
Less Program Revenues	0	0								
Net Program Cost	126,440	108,390								

2002 Resource Costs by Category

Division	Personal Services	Supplies	Other Services	Capital Outlay	Total Direct Cost
Internal Audit	330,200	1,500	5,700		337,400
Operating Cost	330,200	1,500	5,700	0	337,400
Less Vacancy Factor	(6,400)				(6,400)
Add Debt Service					0
Total Direct Organization Cost	323,800	1,500	5,700	0	331,000

RECONCILIATION FROM 2001 REVISED BUDGET TO 2002 PROPOSED BUDGET
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DEPARTMENT: INTERNAL AUDIT

	<u>DIRECT COSTS</u>	<u>POSITIONS</u>		
		FT	PT	T
2001 REVISED BUDGET:	\$ 321,440	4	1	
2001 ONE-TIME REQUIREMENTS:				
- None				
CHANGES FOR CONTINUATION OF EXISTING PROGRAMS IN 2002:				
- Salaries and benefits adjustment for continuing employees	3,370			
- AMEA/Non-rep wage increase	12,590			
TRANSFERS (TO)/FROM OTHER AGENCIES:				
- None				
MISCELLANEOUS INCREASES (DECREASES):				
- None				
2002 PROGRAMMATIC BUDGET CHANGES:				
- Adjust projected salaries savings based on historical experience	(6,400)			
2002 PROPOSED BUDGET:	<u>\$ 331,000</u>	<u>4</u>	<u>1</u>	<u>0</u>

2002 P R O G R A M P L A N

DEPARTMENT: INTERNAL AUDIT
PROGRAM: Internal Audit

DIVISION:

PURPOSE:

To provide the Assembly and Mayor with objective information to determine whether the required high degree of public accountability is maintained and to assist management personnel in improving the efficiency and effectiveness of government operations and activities. (AMC 3.20.100)

2001 PERFORMANCES:

See Strategic Framework

2002 PERFORMANCE OBJECTIVES:

See Strategic Framework

RESOURCES:

	2000 REVISED			2001 REVISED			2002 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
PERSONNEL:	6	1	0	4	1	0	4	1	0
PERSONAL SERVICES	\$	442,440		\$	313,990		\$	323,800	
SUPPLIES		1,980			1,800			1,500	
OTHER SERVICES		5,900			5,650			5,700	
TOTAL DIRECT COST:	\$	450,320		\$	321,440		\$	331,000	

WORK MEASURES:

See Strategic Framework

2 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS:
1, 2

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M U N I C I P A L I T Y O F A N C H O R A G E
2002 DEPARTMENT RANKING

DEPT: 03 -INTERNAL AUDIT

DEPT BUDGET UNIT/
RANK PROGRAM

SL SVC
CODE LVL

1 1060-INTERNAL AUDIT 2 Vacancy factor increased to reflect
0027-Internal Audit OF historical experience of salaries
SOURCE OF FUNDS, THIS SVC LEVEL: 2 savings.
TAX SUPPORT
IGC SUPPORT

PERSONNEL			PERSONAL		OTHER	DEBT	CAPITAL	
FT	PT	T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
0	0	0	6,400-	0	0	0	0	6,400-

2 1060-INTERNAL AUDIT CB 1 Determine whether government operations
0027-Internal Audit OF are adequately controlled and whether
SOURCE OF FUNDS, THIS SVC LEVEL: 2 the required high degree of public
TAX SUPPORT accountability is maintained.
IGC SUPPORT

PERSONNEL			PERSONAL		OTHER	DEBT	CAPITAL	
FT	PT	T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
4	1	0	330,200	1,500	5,700	0	0	337,400

SUBTOTAL OF FUNDED SERVICE LEVELS, INTERNAL AUDIT

PERSONNEL			PERSONAL		OTHER	DEBT	CAPITAL	
FT	PT	T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
4	1	0	323,800	1,500	5,700	0	0	331,000

----- DEPARTMENT OF INTERNAL AUDIT FUNDING LINE -----
. 331,000

TOTALS FOR DEPARTMENT OF INTERNAL AUDIT , FUNDED AND UNFUNDED

PERSONNEL			PERSONAL		OTHER	DEBT	CAPITAL	
FT	PT	T	SERVICE	SUPPLIES	SERVICES	SERVICE	OUTLAY	TOTAL
4	1	0	323,800	1,500	5,700	0	0	331,000