

# 2018 Budget Hearings



**WILMINGTON**

City Auditor's Department





## AUDIT DEPARTMENT VISION

- To maintain an aggressive approach to the overall audit operations,
- To provide an independent and objective attitude to an accountable government,
- To provide effective audits and look for ways to assist the City's departments to reach their objectives.



## TOP THREE PRIORITIES

- To conduct quality audits,
- Provide timely and consistent audit follow-ups with departments,
- To continue awareness of the Fraud Hotline.





## TOP THREE PERFORMANCE MEASURES

- Completed Audits
- Findings Implemented
- Fraud Calls Investigated



**1**

**Discuss any changes to positions (upgrades).**

- The Staff Auditor Position is being upgraded to a senior Auditor position.
- In efforts to reorganize the Audit Department the City Auditor initiated this upgrade. Staffing the department with 2 senior auditors will allow the auditors to do the same level of work.



**2**

**Discuss the \$229.5K budgeted in Professional fees  
(across both the General and Water Sewer Funds).**

*Anticipated annual audit fee (3yr contract):*

<i>General Fund</i>	<i>\$146,500</i>
<i>Water Sewer Fund</i>	<i><u>\$60,000</u></i>
<i>Total Annual Audit Fee</i>	<i>\$ 206,500</i>

<i>Franchise Fee Audit</i>	<i><u>\$ 12,000</u></i>
<i>Temporary Agencies</i>	<i><u>\$ 11,000</u></i>
<i>Total Accounting Fees</i>	<i><u><u>\$ 229,500</u></u></i>

External Audit Services: CAFR and Single Audit.

Franchise Fees Audit: Comcast and Delmarva Audits

Temporary Agencies: Integrity Staffing. For 40 weeks (based on an 18 hour week).



3

**Discuss the tentative Audit Plan for FY2018. Specify number of planned audits versus completed for FY 17 and FY 16.**

# of Audits FY16	FY16 Completed Audits	# of Audits FY17	FY17 Completed Audits
<ul style="list-style-type: none"> <li>• 8 Audits Planned (Revised)</li> <li>• 5 Completed</li> <li>• 5 follows-ups 2015 Audits</li> <li>• 3 Non-Audit engagements</li> </ul>	<ul style="list-style-type: none"> <li>• Credit Card Usage</li> <li>• Fire Inventory</li> <li>• Risk Management</li> <li>• Maintenance of Parks &amp; playgrounds</li> <li>• Fire Overtime</li> <li>• <u>Non-Audit services:</u></li> <li>• Residency Address Cross Check</li> <li>• Vendor/Employee Address Cross Checks</li> <li>• Health Benefits Enrollment</li> </ul>	<ul style="list-style-type: none"> <li>• 10 Audits Planned</li> <li>• 8 Completed</li> <li>• 1 Moved to 2018 audit plan</li> <li>• 2 In progress</li> <li>• 8 follows-ups 2015/2016 Audits</li> <li>• 2 Non-Audit engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Fleet Management*</li> <li>• Internal Service Funds*</li> <li>• Cash Disbursements*</li> <li>• Cash receipts*</li> <li>• Parks &amp; Rec- cash collections*</li> <li>• Payroll Transactions*</li> <li>• Pensions*</li> <li>• Parking dismissals*</li> </ul>

\* Awaiting management responses and/or closing meeting. Not yet presented to Audit Review Committee



**3**

**Specify audits performed by an outside firm for FY16, FY17 and planned for FY18, with correlating costs.**

**Role of the External Auditor:**

- Audit the Comprehensive Annual Financial Report (CAFR).
- Conduct Single Audit – Federally Awarded Grants - \$750,000 or above to the City.
- The above audits are Annual
- In FY 18 audits of Franchise fees will be conducted. (Comcast & Delmarva)





3

**Specify audits performed by an outside firm for FY16, FY17 and planned for FY18, with correlating costs.**

- Franchise Fee audits Projected at \$12,000.
- External Auditors for FY 16, 17, & 18.

<u>Fiscal Year End</u>	<u>Projected Fees</u>	<u>Actual Fees</u>
2016	\$185,000	\$196,000
2017	\$185,000	\$194,000
2018	\$205,500	-



**3**

## **Discuss the Tentative Audit Plan for FY 2018.**

- **The Audit Department will begin to schedule interviews with Departments to begin the risk assessment process. However, the Franchise fee audit is to be conducted in FY 2018.**



4

**Discuss the City's Fraud Hotline. A) Specify the performance measures that is used for this program by both inside and outside callers.**

- Fraud hotline calls categorized as the following:
  - Unsubstantiated
  - Forwarded for resolution
  - Substantiated and audit required (no calls in this category)



**Discuss the City's Fraud Hotline.**

**B) Specify how this program is marketed to both City employees as well as residents.**

- As part of every audit we include specific fraud inquiry questions as part of our audit questionnaire and provide the fraud hotline information for anonymous reporting.
- The fraud hotline is posted on the City website for the Auditor's Office.





**Discuss the City's Fraud Hotline.**

**C) Specify number of cases if any that were fraudulent and/or resulted in legal action for FY 16, and FY 17 year to date.**

**4**

**There were no cases that were found to be fraudulent and resulted in legal action.**



# 2016 Total Hotline Calls

4

<u>Issues Reported by 3<sup>rd</sup> Party</u>	<u>Number of Calls</u>	<u>Investigated Resolved</u>	<u>Investigated Unsubstantiated</u>	<u>Unrelated to City</u>	<u>Investigated passed on to related Department</u>
Customer Relation	0				
Theft of Time	0				
Fraud	3			2	1
Retaliation of Whistleblower	0				
Policy Issues	2		1	1	
Substance Abuse	2			2	
Total	7				



**Discuss the \$25K budgeted between Travel & Registration account lines, up \$5.2K. A) List the planned training per staff & costs.**

**5**

**Proposed 2018 Budget**

<b>Travel</b>	<b>\$</b>	<b>6,700.00*</b>
<b>Registration Fees</b>	<b>\$</b>	<b>6,500.00*</b>
<b>Subscriptions/Books</b>	<b>\$</b>	<b>7,680.00**</b>
<b>Membership Fees</b>	<b>\$</b>	<b>4,270.00**</b>

\*The Travel/Registration lines were increased to ensure all staff get required CPE. This was noted in the department's peer review.

\*\*Subscriptions/Books & Membership Fees were increased to cover the cost for licensing and support of software used by the Dept. and professional memberships.



5

**Discuss the \$25K budgeted between Travel & Registration account lines, up \$5.2K. A) List the planned training per staff & costs.**

Registration Fees	Price
Association of Government Auditors Training (3)	\$ 4,000.00
GFOA Training and updates (1)	\$ 1,000.00
Institute of Internal Auditors Training and Updates including Webinars (All)	\$ 500.00
Other Membership Training (All)	\$ 1,000.00
<b>Total</b>	<b>\$ 6,500.00</b>

Travel	Price
Association of Government Auditors Training	\$ 4,500.00
GFOA Training and updates	\$ 1,100.00
Institute of Internal Auditors Training and Updates Training	\$ 600.00
Other Membership Training	\$ 500.00
<b>Total</b>	<b>\$ 6,700.00</b>





**6**

**Discuss the funding budgeted for Advertising, considering actuals for the last 2 years is \$0.**

- The funds in the advertising budget is used for fraud awareness.
- In FY15 \$1,000 was budgeted for the purpose purchasing fraud awareness material from our hotline provider. However, provider was bought by another company and the materials were no longer available.
- In FY16 \$0 was budgeted for advertising.
- For FY17 the funds are going to be used for an ad in a local publication and for printing and copying costs for mailers and posters.



**7**

**Discuss the City's risk assessment process.**

- A risk assessment is the identification and analysis of relevant risks to the achievement of an organization's objectives to determine how those risks should be managed. In other words, it is an analysis of what could go wrong.
- The City's risk assessment process consists of a series of interviews are conducted with key individuals. The purpose of these interview are to: gain an understanding of the various business areas in the City of Wilmington; assess management's commitment to internal controls; and identify applicable risks to obtaining the business area's goals and objectives. (Meeting are typically scheduled during April and May.
- The risk assessment results are used to indicate which audits that can be scheduled for the upcoming year.



8

**Discuss if any of the suggestions from the City Auditor's Peer Review has been implemented.**

All recommendations from the peer review have been implemented or are in the process:

- Implemented the use of the Independence Statements for each Auditor.
- Engagement documents for agreed upon procedures are now used for non-audit services.
- Increasing budget to accommodate CPE requirements.
- Implemented annual review process.
- Will begin posting audits reports on the internet after the next ARC meeting.

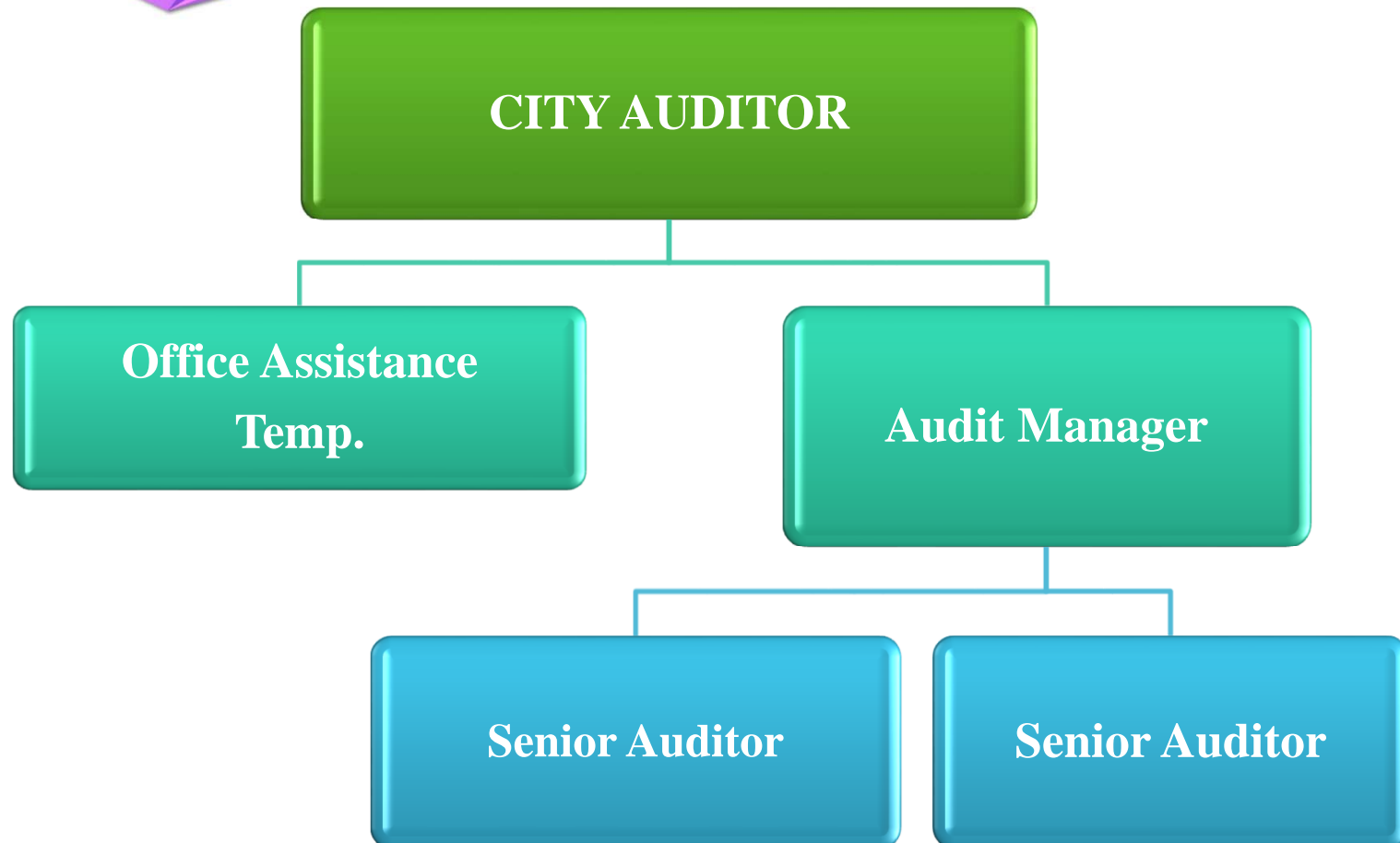


9

Discuss if any forensic audits were done once the prior Administration left office in January 2017. Please explain why or why not.

- There were no requests from Council, the new Administration or the Public presented to the ARC to necessitate a forensic audit.
- As part of our annual audit plan we continue to monitor City operations throughout the year, regardless of Council or Administrative transition.







# Fraud Hotline

**Fraud Affects Everyone**  
**REPORT IT!**  
Call 1-877-217-4670 <http://www.reportfraudwilmde.com>

The graphic features a dark blue background with a faint image of an office interior. A person is visible at a desk with a computer monitor. The text is prominently displayed in yellow and white. The seal of the City of Wilmington, Delaware, is located in the bottom right corner of the graphic.



# Questions ?



**Thank You!**