



# Fiscal Year 2023-24 Internal Audit Plan



## OVERVIEW

The City of Carlsbad's internal auditor performs independent and objective assurance services to safeguard city resources and improve city operations. Internal audits help to mitigate risks by recommending improvements to the city's internal controls and governance, risk, and compliance processes. Potential audits may include any city department, division, function, or program administered by the city.

The purpose of the annual internal audit plan is to outline audits and other value-added engagements the internal auditor proposes to conduct during the current fiscal year. This document serves as the primary work plan to carry out the responsibilities of the internal auditor. The basis for the audit plan results from numerous inputs, including a limited scope risk assessment, auditor observations, inquiries of management, and audit requests from the City Council. The internal auditor's strategy in developing this plan seeks to identify, prioritize, and manage audits important to city operations, programs, and systems.

Currently, the Internal Audit Division is comprised of one full-time internal auditor. The internal audit plan considers available staff hours, level of expertise and experience, the estimated size and complexity of audits, time allocated to satisfy continuing professional education requirements, time allocated to performing audit follow-up procedures, and use of external consultants/auditors.

The internal audit plan is a working document. During the year, causes for changes to the audit plan may include internal auditor judgement, a change in the risk assessment profile of an engagement, or conflicting priorities. As such, projects identified in the current year may carry over into the following fiscal year.

The following page identifies the list of prioritized internal audit engagements for FY 2023-24, and their preliminary objectives. At the beginning of each engagement, the internal auditor will establish familiarity with the department, function or process identified for audit. During that initial period, audit objectives may be refined, and the audit methodology will be established.

<b>Fiscal Year 2023-24 Internal Audit Engagements</b>			
<b>Entity, function, program or process to audit</b>	<b>Type of engagement</b>	<b>Primary stakeholder/audit lead</b>	<b>Preliminary objectives</b>
<b>In-process engagements FY2023-24</b>			
Transient Occupancy Tax (FY23)	Agreed Upon Procedure Engagement	Selected hotels, Finance Department/Davis Farr, LLP	<ul style="list-style-type: none"> <li>To determine if hotels are properly reporting and remitting occupancy taxes in compliance with city ordinance.</li> </ul>
Procurement Audit	Internal Audit	Finance and Public Works Departments/Internal Audit Manager	<ul style="list-style-type: none"> <li>To assess the city's compliance with applicable procurement guidelines.</li> <li>Evaluate whether the city's procurement process is adhered to.</li> </ul>
<b>Carryover engagements</b>			
Payroll Audit	Internal Audit	Human Resources, Finance Department/Internal Audit Manager	<ul style="list-style-type: none"> <li>Evaluate the segregation of duties in the city's bi-weekly payroll and data entry processes.</li> <li>Evaluate the controls and test the accuracy of timecards for part-time employees.</li> </ul>
Business Application User Access	Internal Audit	Information Technology Department/Internal Audit Manager	<ul style="list-style-type: none"> <li>Evaluate the city's management of user access across its enterprise resource planning systems and software applications.</li> </ul>
<b>New engagements for FY 2023-24</b>			
Transient Occupancy Tax (FY24) & Revenue Audit	Agreed Upon Procedure Engagement and Internal Audit	Selected hotels, Finance Department/Davis Farr, LLP & Internal Audit Manager	<ul style="list-style-type: none"> <li>To determine if hotels are properly reporting and remitting occupancy taxes in compliance with city ordinance.</li> <li>Evaluate the city's receipt and recordkeeping of transient occupancy tax revenues</li> </ul>