



2024 Internal Audit Citywide Audit Plan



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BACKGROUND

The City of Aurora Office of the Internal Auditor (Internal Audit) was established by City Ordinance CD2: 10.1, Sec. 2-66. Internal Audit is an independent, objective, assurance and consulting activity designed to add value to and improve the City's operations. It assists the City of Aurora in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the City's operations, risk management, internal control, and governance processes.

Internal Audit's mission is to be partners for meaningful performance improvement. Internal Audit executes its mission by enhancing and protecting organizational value by providing risk-based and objective assurance, advice, and insight. We aim to employ the highest professional standards and leading audit practices in partnership with all City departments to manage risk and produce meaningful performance improvement effectively. Internal Audit conducts various engagements, including financial, compliance, performance, consulting, and fraud investigations.

Internal Audit is an internal independent staff function residing in the Office of the City Manager. The City Council Management and Finance Policy Committee (M&F) acts as the City Council Audit Committee. Internal Audit provides quarterly progress reports to the M&F Committee. Internal Audit prepares annual audit plans that the City Manager approves and the City Council's M & F Committee affirms.

The Internal Audit function is separate and distinct from the external auditor role in local government. According to the State of Colorado Financial Management Manual: A Guide for Colorado Local Governments, *"The goal of [external] auditing is to provide assurance for citizens, legislators, and others that government funds are accounted for properly and that government organizations are in substantial compliance with laws and regulations."*

2024 Citywide Internal Audit Plan

PLAN DEVELOPMENT PROCESS

The City of Aurora Office of the Internal Auditor applies the Institute of Internal Auditors (IIA) professional standards.

The International Standards for the Professional Practice of Internal Auditing (the Standards) require that an entity develop its audit plan using a risk-based approach.

Standard 2010 – Planning: The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

IIA Interpretation: To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

Internal Audit applies the **risk** definition in the *Standards*: **The possibility of an event occurring that will impact the achievement of objectives. Risk is measured in terms of impact and likelihood.**

Management is responsible for identifying and managing the risks facing the city. Internal Audit provides an independent review of the policies, processes, and controls to manage and mitigate risk to acceptable levels. Our risk-based approach to plan development includes assessing various City activities and developing audit plan(s) to address those areas with the available resources and the audit team's skill sets.

Risk Assessment Survey

Internal Audit issued a risk assessment survey to all City employees this year to better understand risks across the City. The surveys were conducted from July 20th to August 7th. The surveys for supervisors and staff were sent anonymously to elicit honest feedback. The Police Department received a separate risk assessment survey including some similar questions; the Police Department's survey results are in the Police Audit Plan. Below is a summary of the number of completed surveys and the percentage completed based on the complete populations.

City Leadership: Department Directors and Managers
Supervisors: Supervisors and above
Staff: Employees who do not oversee employees

Survey Responses	Surveys Completed	% of area Completed
City Leadership	13	81%
Supervisors	135	26%
Staff	429	16%
Total Citywide Total	577	18%

In addition, we met with the interim City Manager, Deputy City Managers, City Attorney, Presiding Judge, Court Administrator, and Chief Public Defender to discuss risks in their operations.

Audit Coverage by Department

Over the last nine years, the Internal Audit department has undertaken audit engagements resulting from the risk assessment surveys, meetings with City management, conversations with City staff, requests from City Council members, and discussions among the Internal Audit team.

In 2021, the City Manager created a new Police Auditor position, increasing our auditor positions to three. The Police Auditor position only performs police department audits. The table below shows the city departments subject to an internal audit since 2017. This depicts the span of current and potential Internal Audit reach.

Department/Appointee/Commission	Number of Audits 2017 to Current ¹
Police	28 ²
Citywide	7
Finance	4
Aurora 911	3
Aurora City Council related	3
Housing and Community Services	3
Planning and Development Services	2
Public Works	2
Aurora Fire Rescue	1
Communications	1
Information Technology	1
Parks, Recreation, and Open Space	1
City Clerk's Office	0
Human Resources	0
Library and Cultural Services	0
Office of Development Assistance	0
Office of Intergovernmental Relations	0
Office of International and Immigrant Affairs	0
Office of Special Projects	0
Aurora Water	0
City Attorney's Office	0
Judicial	0
Court Administration	0
Civil Service Commission	0
Office of Public Defender	0
Boards and Commissions	0
Total Audits	56

¹ Completed engagements at the time of this report.

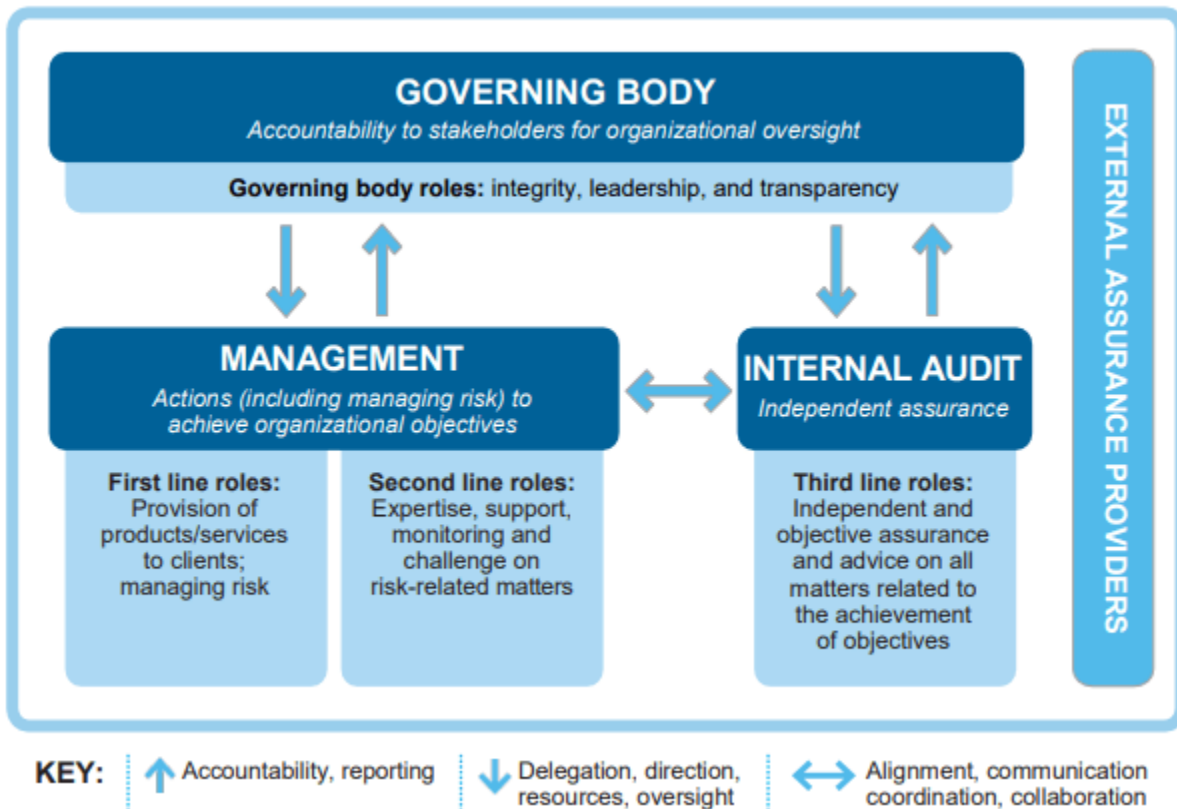
² Fourteen were recurring annual engagements or special engagements related to a change of command.

Internal Audit Resources

Our Office is limited in its reach by its size³. This requires our auditors to operate independently on engagements to cover more risk areas in the city. While the City Auditor occasionally participates in audits, that role is primarily responsible for managing the Office, including and performing quality reviews of audits. Internal Audit must balance the audit plan against our capacity (as a shop of four when fully staffed), knowledge, and skills. While Internal Audit develops our plan following a risk-based approach, we cannot audit every risk.

Management Responsibility

The graphic below of the Three Lines Model “helps organizations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management.” It is our responsibility to draw attention to the risks facing the city; it is Management’s responsibility to address the risks⁴.



³ By comparison, the auditor staff levels of the City of Denver and the City of Colorado Springs audit departments are 44 and 13 respectively. The City of Aurora has three auditors when fully staffed.

⁴ <https://www.theiia.org/globalassets/site/about-us/advocacy/three-lines-model-updated.pdf>

The City still needs to establish a formal organizational risk appetite; therefore, we use our professional judgment to select and propose audit engagements for the coming year.

Plan Development

Internal Audit completes the above activities and meets as a team to discuss our observations. We identify potential audit areas and discuss the related risks and competencies needed to audit those areas. We perform preliminary research and develop the draft audit background and objectives. The team then meets with City Management to discuss the draft audit objectives to reduce duplicating efforts.

In determining which engagements to include in our planning, we also consider those engagements that remained outstanding from the prior year's plan. We use our professional judgment to weigh the risk for these engagements against the risk assessment results and decide whether to keep the prior engagements in our plan and, if so, how to order them.

Our only recurring engagement is the bi-annual audit of Mayor and City Council expenses. We conduct this audit and report on the results every other year. This engagement was established at the request of the M&F Committee.

Circumstances and risks may change. During an active engagement or before a new engagement begins, we assess whether there is value in continuing or starting the engagement in the context of the risk environment. This practice allows us to remain agile and deploy our limited resources to what we believe are the most urgent needs. Furthermore, we will assess organizational risks throughout 2024 and, as a result, may reorder, add to, or eliminate listed engagements. The City Manager is responsible for approving any changes to the audit plan, which must be reported to the M&F Committee. Additionally, the engagement objectives in this audit plan are preliminary and subject to change based on information obtained once the engagement is underway. Internal Audit will inform the City Manager and the M&F Committee of any material changes to active engagement objectives.

Canceled engagements from the 2023 audit plan

We have chosen not to carry forward the 2023 planned engagement of citywide consulting services. We believe that our review of non-competitive purchases currently underway, along with the planned 2024 audit of citywide expenses will identify any areas of concern. We will reassess this area during our 2025 audit planning process.

2024 INTERNAL AUDIT ENGAGEMENTS

The City Manager approved this plan on November 8, 2023. The Management and Finance Committee approved this plan on November 28, 2023. Our presentation below of planned engagements reflects the results of the risk assessment and engagement planning processes. We intend to keep a list of proposed engagements and adjust it periodically based on our professional judgment of risks and available staff resources. Internal Audit plans to pursue the listed engagements in the order presented below.

- Aurora Police Department Narcotics section financial review
- Compliance review of hiring and separation
- Citywide expense review (includes Mayor and City Council expenses)
- Information Technology (IT) follow-up
- Asset management tracking

- Assessment of staffing levels and overtime
- Agreement management for service providers

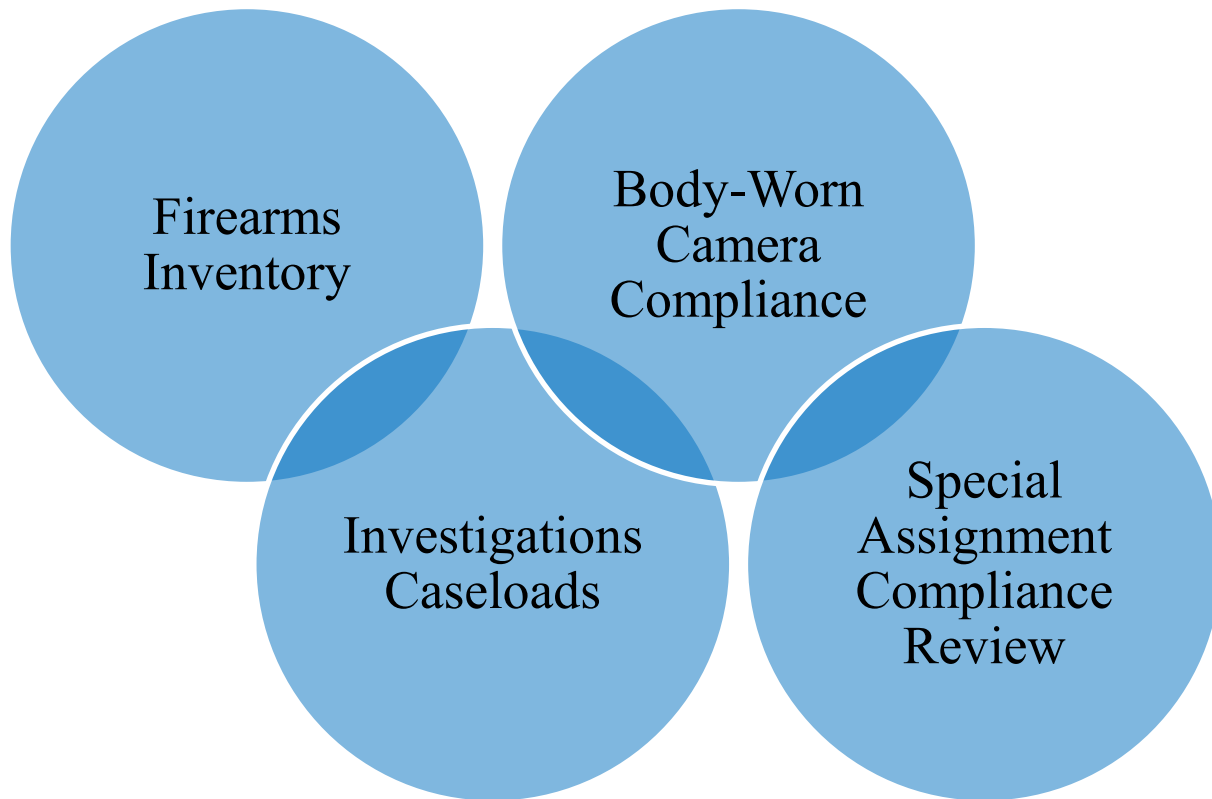
Engagement Details and Planned Objectives:

<p>Aurora Police Department: Narcotics section financial review</p>	<p>Due to the confidential nature of this Section’s operations, we periodically assess the adequacy of controls to safeguard assets and review the accuracy of the Section’s financial information. The Narcotics Section had transitions in personnel responsible for handling their financial records in 2023.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Assess the accuracy of the Narcotics Section’s financial records. ❖ Review compliance with procedures for handling financial records and cash handling procedures.
<p>Human Resources: Compliance review of hiring and separation</p>	<p>Human Resources operates in a regulated and complex environment. In 2023, the city began using a new system for employee management. Non-compliance can result in financial, legal, and reputational risks to the City.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Determine if controls are in place to ensure hiring and separation practices comply with federal, state, and local laws and regulations.
<p>Citywide expense review: Includes Mayor and City Council operating expenses <i>Recurring</i></p>	<p>The Management and Finance Committee requested a regular review of the Mayor and City Council expenses. Internal Audit is expanding that review for 2024 to include the prior two years of citywide expenses, including purchasing card expenses.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Determine whether recorded expenses comply with City and/or Council policy. ❖ Determine whether expenses are supported by adequate documentation.
<p>Information Technology: Follow-up</p>	<p>Based on the initial IT operational assessment results, Internal Audit is using this as a placeholder for an IT-specific follow-up engagement. The objectives will be determined before the engagement starts.</p>

<p>Citywide: Asset management tracking</p>	<p>The city has multiple systems to track assets, such as vehicles, buildings, and equipment. This audit seeks to understand how the city tracks and accounts for all its assets.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Determine if adequate procedures exist to track city assets. ❖ Determine if city assets are properly inventoried and accounted for.
<p>Citywide: Staffing levels and overtime</p>	<p>Citywide staffing levels impact workload and service levels across the organization. Employees at all levels identified staffing-related issues as the most significant risk in the next twelve months. Additionally, overtime and mandatory overtime have financial impacts on the City.</p> <p>Objectives to answer the following questions:</p> <ul style="list-style-type: none"> ❖ How do staffing shortages impact city services? ❖ What internal factors impact the City’s ability to fill vacancies? ❖ How is the City using overtime to address staffing levels, and what are the financial implications? ❖ How does the city use data to address staff shortages?
<p>Citywide: Agreement management for service providers</p>	<p>The City provides tax-payer funds to various entities to provide services for the City and our residents. This engagement is focused on evaluating agreements to ensure proper city oversight.</p> <p>Objectives:</p> <ul style="list-style-type: none"> ❖ Determine whether adequate controls exist to monitor service provider agreements and payments. ❖ Determine if the city and service providers comply with agreement requirements.

2024 APPROVED POLICE AUDITOR ENGAGEMENTS

The City Auditor developed this audit plan from the results of the annual risk assessment and meetings with City Management, the APD Police Chief, and the Consent Decree Monitors. The interim City Manager approved the Police Auditor Plan on November 3, 2023. This audit plan will be presented to the Public Safety, Courts, and Civil Service Policy Committee as an information item. For additional details on the listed engagements, refer to the Police Audit Plan.



INTERNAL AUDIT RISK OBSERVATIONS

Below, we include our observations on potential risks not identified for a formal engagement. These are risks that City management should be aware of and will need to address apart from an internal audit.

Information Technology

A common theme across our risk assessment surveys from respondents was identifying IT as an area for improvement and further review. Internal Audit started the Information Technology (IT) Operational Assessment in late 2022 and completed the engagement in August 2023. This engagement was a high-level assessment of IT's operations. In the 2024 audit plan, we have identified a yet-to-be-determined engagement around IT.

Cybersecurity and Ransomware: Attacks on the City's network continue each year. City IT staff are responding to the attacks while simultaneously strengthening City defenses. This never-ending threat will require investments in staff, resources, and a commitment to changing the culture (staff behavior) and business practices to reduce the risks arising from daily operations and third-party interactions. Considering the hybrid work environment, IT should remain proactive in monitoring and defending against cybersecurity threats.

WorkDay system implementation

Related to many factors already mentioned is the continuing Workday Enterprise Resource Management system implementation. The initial implementation of the system is currently being reviewed, with problems and improvements identified being addressed with a new consultant for Phase 1. For Phase 2, the city must work with a qualified vendor to understand existing processes and update those processes to work in the new system.

Internal Audit is not proposing a standalone engagement; however, we will remain informed of progress and continue assessing the risks and opportunities as we plan future audits.

Hiring processes

Throughout the risk assessment, employees identified the hiring and onboarding process as an area of improvement. Ineffective and inefficient hiring processes can result in extended processes and impact the City's ability to hire and retain employees. We are aware of current efforts underway to improve the processes. We will continue to monitor the improvements and will assess the risks in this area as we plan for future engagements.

Collaboration amongst Departments

Another theme highlighted for the second year was the need for more collaboration and communication among City departments and how it impacts how we function as a city, provide service to external City stakeholders, and provide customer service internally. Departments rely on each other to achieve projects, priorities, and objectives. We encourage City Leadership to continue identifying ways to increase collaboration across departments.

Employee culture

Twenty-five percent of responding supervisors and staff employees stated that their area's culture has not improved in the last six months, and 16% stated it has improved a little. Additionally, nine percent of employees disagreed that staff of all cultures and backgrounds were valued and respected.

We encourage City Leadership to continue to monitor employee culture and progress being made to improve culture across the organization.

Mandatory training

There are multiple topics and policies for employees that employees are held accountable for and would benefit from periodic recurring training. We recommend that the City identifies the required annual training for all employees. The training should be sufficiently divided across the year to not consume excessive staff time.

When asked if they were aware of the City’s ethical hotline and whistleblower policy, we received the following responses:

	Yes	No
Staff	61%	39%
Supervisors	50%	50%

Internal Audit recommends annual training on the existence and use of the City’s *Ethical Advocate* hotline. We are working with the HR training team to develop a citywide training as employees are not always aware of where to report concerns.

Technology - Court Administration, City Attorney’s Office, Judicial Services

Court Administration, the City Attorney’s Office, and Judicial Services rely on inefficient and manual processes. While we will not propose an engagement, we will remain informed of the projects underway to address technological needs.

INTERNAL AUDIT COOPERATIVE ACTIVITIES

Information Technology (IT)

Internal Audit and the Chief Information Security Officer (CISO) meet quarterly throughout the year to discuss matters related to IT security.

Internal Audit and Risk Operations

Internal Audit meets quarterly with Risk Operations to discuss issues of mutual concern. The meetings foster communication on potential risk issues that may lead to an audit engagement proposal.

Physical Security Steering Committee

Internal Audit facilitates the monthly Physical Security Committee meetings. Other duties include administrative functions such as documenting the minutes, scheduling meetings, tracking the status of various projects, and sending out monthly updates to management.

Safety Committee

The Safety Committee consists of City staff from all departments who meet monthly to address various aspects of safety awareness across the city. The committee serves as a resource and information-sharing platform. Internal Audit attends the committee meetings to keep abreast of their progress.

OBJECTIVITY AND AFFIRMATION OF ORGANIZATIONAL INDEPENDENCE

Internal Audit functions under an approved charter and operates under City Ordinance-CD2: 10.1, Sec. 2-66, Office of the Internal Auditor, which reads: The Office of the Internal Auditor shall be an independent staff function reporting to the City manager on all audit matters. The auditor shall conduct financial and performance audits of all departments, boards, activities, and agencies of the City. All City officers and employees shall furnish the auditor with requested information and records within their custody regarding powers, duties, activities, organization, property, financial transactions, and methods of business required to conduct an independent evaluation.

IIA Standard 1100 – Independence and Objectivity: The internal audit activity must be independent, and internal auditors must be objective in performing their work.

IIA Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

Internal Audit Compliance (IAC):

Internal Audit has appropriate access to senior management and the City Council. Internal Audit reports to the City Manager on all audit matters (according to the City Ordinance noted above.) Internal Audit also has access to the Management & Finance Committee (the Audit Committee of the City Council.) We assess independence and any threats to independence during every engagement. We conduct our work objectively and do not subordinate our judgment on audit matters to others.

IIA Standard 1110-Organizational Independence: The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity. [Note: Internal Audit notes its compliance with this standard in the sub-bullets above and below marked IAC (Internal Audit Compliance.)]

IIA Interpretation:

Organizational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

✧ *Approving the internal audit charter;*

- **IAC:** Internal Audit presented the Internal Audit Charter to the Management and Finance Committee in July 2023 and received their approval.
- ✧ *Approving the risk-based internal audit plan;*
 - **IAC:** The City Manager reviews and approves the annual audit plan(s); the M&F Committee affirms the approved plan(s).
- ✧ *Approving the internal audit budget and resource plan;*
 - **IAC:** The City Manager approves the Internal Audit resource budget and includes it as part of the City’s budget. Then, the City Manager proposes the City’s budget to the City Council for final approval.
- ✧ *Receiving communications from the chief audit executive on the internal audit activity’s performance relative to its plan and other matters;*
 - **IAC:** Internal Audit provides bi-monthly updates to the City Manager and quarterly updates to the M&F Committee. The CAE has unrestricted access to the Audit Committee.
- ✧ *Approving decisions regarding the appointment and removal of the chief audit executive;*
 - **IAC:** The City Manager has the authority to appoint and remove the CAE.
- ✧ *Approving the remuneration of the chief audit executive; and*
 - **IAC:** The city budget that the City Manager proposes to the City Council and that the City Council approves includes the CAE’s salary and benefits.
- ✧ *Making appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.*
 - **IAC:** Internal Audit communicates regularly—as appropriate and necessary—on audit matters with the City Manager and the M&F Committee. In addition, the M&F Committee has direct access to the CAE for any questions.
- ✧ **1110.A1** – *The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.*
 - **IAC:** City Management approves the annual audit plan(s), and the City Manager is informed of any plan changes. Changes are communicated to the M&F Committee during quarterly updates. Internal Audit determines each engagement’s audit scope, performs its work uninhibited following the City Ordinance noted above, and regularly and freely communicates its results to the City Manager and the M&F Committee.

Internal Audit affirms our organizational independence for 2023 in accordance with IIA Standard 1110.

INTERNAL AUDIT TEAM

Michelle Crawford | City Auditor

Michelle is a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), is Certified in Risk Management Assurance (CRMA), and has 15 years of experience in governmental auditing. She received her Bachelor's in business administration at the University of Montana and her Master's in accountancy from Missouri State University. Michelle started her career at the Missouri State Auditor's office and worked on various audits as a staff and then senior auditor. Michelle has been with the City of Aurora for nine years, starting as an internal auditor; she spent two years as the city's first Police Auditor before becoming the City Auditor in 2023. Michelle also serves as an officer for the Denver Institute of Internal Auditor's chapter.

Professional Associations: Institute for Internal Auditors; Association of Certified Fraud Examiners; Association of Local Government Auditors

Sheree Van Buren | Senior Internal Audit Staff

Sheree is a Certified Internal Auditor (CIA) and a Certified Fraud Examiner (CFE) with 12 years of audit experience. She graduated from Colorado State University in 2010 with a Bachelor of Science in Business Administration–Accounting. She spent three years as an Audit Associate with PwC, LLP, and performed year-end financial statement audits for local and international investment companies. Sheree has been with the City of Aurora for nine years.

Professional Associations: Institute for Internal Auditors; Association of Certified Fraud Examiners; Association of Local Government Auditors; National Forum for Black Public Administrators; Black Employees for a Better Aurora

Laiba Saqib | Internal Audit Staff

Laiba earned her Bachelor's and Master's degrees in accounting from the Metropolitan State University of Denver (MSU Denver). During her undergrad, Laiba interned as an internal auditor for the Audit Division at the Colorado Department of Transportation (CDOT). After graduation, she worked as a tax auditor at the Colorado Department of Revenue and started her graduate degree. During her master's program, Laiba worked as the internal auditor for the University as a semester-long Project. Laiba has been with the City of Aurora since March 2021.

Professional Associations: Institute for Internal Auditors; Association of Local Government Auditors