



**Engagement/Audit Plan  
Fiscal Year 2024-2025**

City of Tempe Internal Audit Office

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**OBJECTIVE**

The objective of an annual engagement plan is to guide the use of internal audit resources in the upcoming fiscal year. Development of a plan helps ensure the Internal Audit Office (IAO) provides the City with the most comprehensive audit coverage possible with available resources.

It is neither possible nor prudent to audit every department, office, program and transaction each year. Therefore, the IAO uses a risk-based approach to identify potential audit projects. We analyze industry and organizational risk data and couple it with auditor experience and judgment, the audit staff’s continuous observation of risks throughout the year, and our clients’ self-assessment of risks to develop the engagement plan.

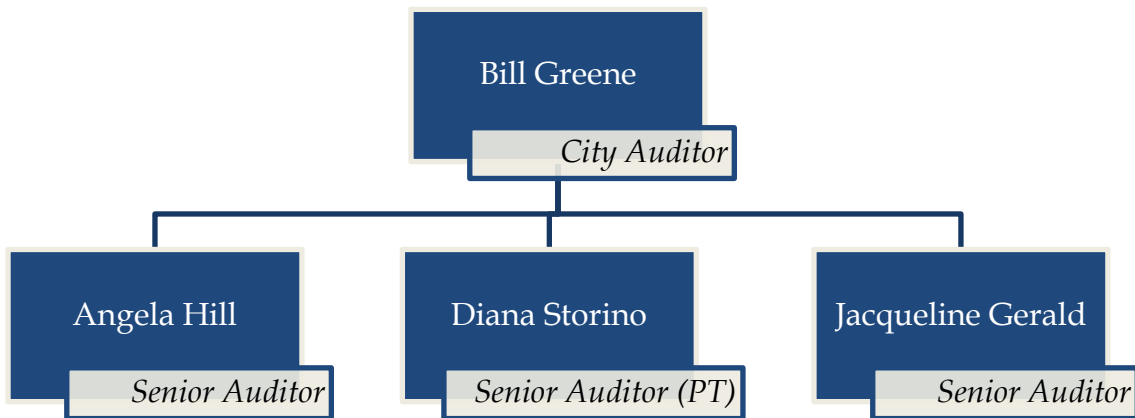
**OUR VISION:**

To be recognized as a collaborative, strategic, and trusted advisor and vital resource promoting and demonstrating excellence in public stewardship.

**OUR MISSION:**

To enhance and protect organizational value by providing independent, high-quality, objective, risk-based audit and consulting services to assist the City in achieving strategic priorities, goals, and objectives.

**INTERNAL AUDIT OFFICE STRUCTURE**



## DEFINITION OF INTERNAL AUDIT

Internal auditing is an independent, objective, audit and consulting activity designed to add value and improve the City of Tempe's operations. It helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of *risk management, internal control, and governance processes* throughout the various departments and divisions citywide.

In addressing our mission, the IAO supports and assists City management and employees in the effective discharge of their responsibilities and achievement of strategic objectives by providing analyses, recommendations, advice, and information concerning:

- The adequacy and effectiveness of the City's internal control structure;
- The safeguarding and management of assets;
- Compliance with applicable laws and regulations;
- Achievement of management's operational objectives; and
- Effective business processes to achieve internal control at a reasonable cost.



## RISK ASSESSMENT SUMMARY

### OBJECTIVES

The IAO's risk assessment and audit plan support the City of Tempe Council's commitment to the following defined priorities:

1. Ensuring a safe and secure community through a commitment to public safety and justice.
2. Developing and maintaining a strong community connection by emphasizing the importance of open government, customer service and communication with community members.
3. Enhancing the quality of life for all Tempe residents and workers through investment in neighborhoods, parks, the arts, human services, and city amenities, with an emphasis on equity and diversity.
4. Implementing sustainable growth and development strategies, including improving Tempe's public transit system to meet future needs, by actively seeking innovative technologies and leading the way in creating a more sustainable community.
5. Maintaining long-term financial stability and vitality by focusing on economic development, business retention and generating employment to create a robust and diverse economic base.

### RISK IDENTIFICATION

In conducting the risk assessment, IAO met with senior management to solicit information to understand their perception of risk within the City. The risk assessment process is a continual effort to remain informed of emerging risks, initiatives, and opportunities to work with the City to help manage risks, provide independent audits, and consult on projects, implementations, and initiatives. IAO also reviewed City information and reports; researched common and emerging risks for governments and business organizations; and identified the top topics included in other local government jurisdiction internal audit plans to gain a more holistic view of risks that may be relevant to the City. Items identified include:

- Top Industry Risks/Audit Topics – 2025
  - Cyber Security, IT Disruption
  - Trust, Data Privacy, Identity Protection & Compliance
  - Succession, Retention, Talent Acquisition
  - Economic Conditions, Supply Chain
  - Resilience Risk , Recovery from Disaster or Crisis

## ENGAGEMENT IDENTIFICATION AND RISK MEASUREMENT

Potential engagements were identified to address risks throughout the City. Measurement and ranking of the associated risks and their significance were assessed and ranked based on several factors, including:

- Risk of Financial Loss
- Public Perception Risk
- Recent Audit Coverage
- Alignment with Top Industry Risk Categories
- FY23 Total Expenditures by Department
- Identified as a Risk Area by Senior Management/IAO Staff

Consideration was also given to the following when evaluating potential risks:

**Impact** *The effect on the City, and stakeholders, if a risk event occurs or if the area is not functioning as intended.*

Impact can include lost revenue, increased expenses, fines, adverse publicity, sanctions, reputational damage, and reduced employee morale.

**Probability:** *The likelihood that a risk event occurs or that the area is not functioning as intended.*

Probability factors can include prior audit results, turnover, management and staff concerns, lack of internal monitoring and/or governance, operational and control weaknesses, and poor training.

**Velocity:** *The pace the organization is expected to experience the impact of risk.*

The speed of regulatory enforcement action is an example of velocity.

**FY 2024–2025 ENGAGEMENT PLAN**

	<b>Title</b>	<b>Preliminary Objective</b>
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**PLANNED PROJECTS**

	Fire Inspections Program	Evaluate Tempe Fire and Medical Rescue’s Fire Inspection Program to assess the management controls and processes ensuring that fire inspections for public occupancies are conducted as required.
	Centralized Accounts Payable	Review the controls over the City's accounts payable process to determine if proper internal controls are in place to ensure accurate and reliable disbursements, including an evaluation of the City's vendor master file.
	Citywide Contract Retention	Evaluate the management controls and processes that ensure all City contracts are executed in accordance with laws, regulations, and policies, and are forwarded to the City Clerk for official record retention.
	Information Privacy Audit	Determine if City departments have controls in place to properly store, protect and delete Personal Identifiable Information (PII).
	Infrastructure Application Operating System Security Audit (Outsourced IT Audit)	Identify and prioritize vulnerabilities, misconfigurations, and security weaknesses within the City’s infrastructure application operating systems. Assess the potential impact of identified vulnerabilities on the City's operations and data security.
	Municipal Court CMS Application Control Audit (Outsourced IT Audit)	Assess the adequacy and effectiveness of the internal controls over the Municipal Court’s Case Management System (CMS), including Identifying and evaluating key controls related to data integrity, access controls, processing accuracy, and system security.

**IN-PROCESS PROJECTS**

Fiscal Year 2023/2024 Carryovers	<b>Title</b>	<b>Planned Completion</b>
	National Incident Based Reporting System (NIBRS)	1 <sup>st</sup> Quarter
	Golf Course Contract Audit (Ken McDonald G.C.)	1 <sup>st</sup> Quarter
	Overtime/Payroll Audit	2 <sup>nd</sup> Quarter
	Cash Handling - Adaptive Recreation Programs	2 <sup>nd</sup> Quarter

Other Services	New Employee Orientation	Ongoing
	Compliance Panel	
	Employee View Program Admin	Ongoing
	Committee Participation	Ongoing
	Investigations	As Needed
	Procurement Reviews	As Needed

To ensure the IAO can respond timely to emerging risks and issues, the Audit Plan is subject to change due to:

- New or emerging risks or priorities
- Management requests
- Special investigations or reviews
- Special consulting services/engagements