



CITY OF
BUFFALO

NEW YORK

Annual Audit Plan

For the Year Ending June 30, 2023

Department of Audit and Control

Barbara Miller-Williams

Comptroller

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Photo by: David Granville

Section 7-5 of the Charter of the City of Buffalo Annual Audit Plan

“By the beginning of each fiscal year, the comptroller shall submit to the council for review and comment an annual plan designating the offices, departments, boards, commissions, activities, programs, functions, agencies and other entities scheduled for audit in the fiscal year and listing the same completed in the prior fiscal year. The plan may be amended during the year as deemed necessary by the comptroller. Notwithstanding the audit plan submitted to the council, the comptroller may at any time initiate and conduct any other audit the comptroller deems appropriate. The authority for selection of audit areas shall reside solely with the comptroller; provided that the comptroller shall perform the audits required by paragraphs 4 and 5 of Section 7-4 of this charter.”

Introduction

The mission of the Department of Audit and Control is to protect, report and strengthen the City’s finances to help ensure an efficient, effective, and transparent government that will better serve the citizens and taxpayers of Buffalo. The Division of Audit has set goals to achieve the mission of the Department, one of the goals is to advance open and accountable government through accurate, independent, and objective audits that seek to improve the efficiency and effectiveness of the government of the City of Buffalo (the “City”). The Division of Audit has limited resources to accomplish this mission and goal. Resources must be used prudently to maximize effectiveness. Processes and procedures within the Division of Audit are continuously evaluated to increase the efficiency and effectiveness of our audits.

Our audits are planned and performed to comply with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (the “IIA”).

<https://www.theiia.org/en/standards/what-are-the-standards/mandatory-guidance/standards/>

These standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and conclusions. Compliance with these standards is reviewed continuously internally and every three years through an external examination conducted by an independent professional.

Audit Plan

The Division of Audit will continue focusing its efforts to maximize revenues and minimize expenditures of the City by presenting management with audit findings and recommendations that can improve internal controls and reduce inefficiencies, waste, fraud, and mismanagement. Audits will be selected based on the results of the risk assessment. Departments, revenues and expenditures determined to have a higher risk will be subject to more frequent audits. Factors included in determining risk are, size of budget, compliance requirements, prior audit results and results of internal control questionnaires. This risk-based plan will assist in achieving our goal of conducting audits that will have a positive economic impact for the City.

The objective of utilizing a risk-based audit plan is to identify and prioritize various operational and other issues posing the greatest potential risk and liability to the City. The Division of Audit utilizes the following risk factors:

Financial Risk - This measure assesses risk based on revenues and expenditures as a percentage of the total City budget. The larger the combined revenue and expense the larger potential impact to the City and thus a greater overall financial risk.

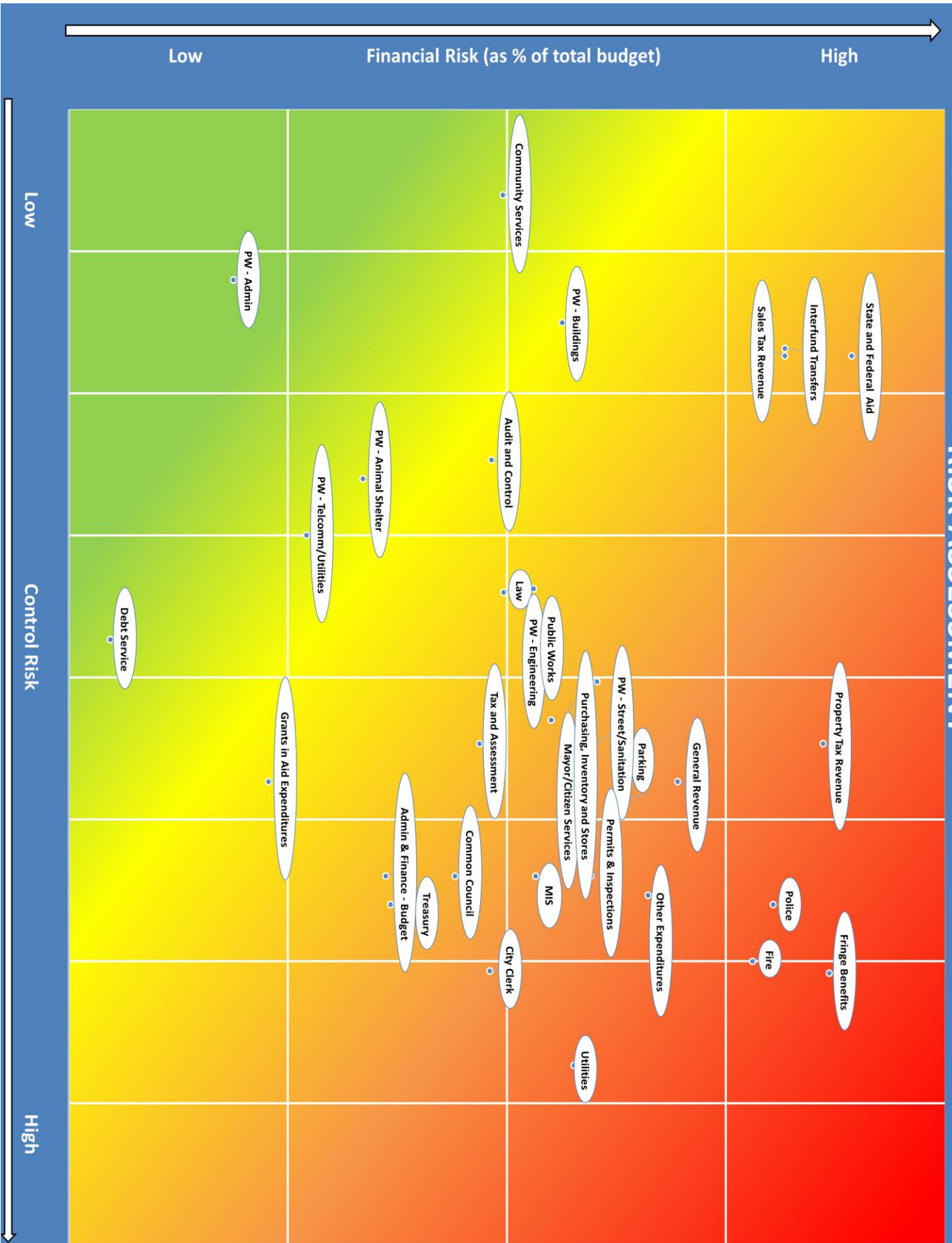
Control Risk – The risk that a material error will not be prevented, or detected and corrected timely by the City’s internal control systems. The three categories used to evaluate control risk are as follows:

- Revenue Controls – This measure assesses risk based on the nature of revenue/cash transactions and the controls/procedures in place to safeguard assets while ensuring the City receives all revenue, which it is entitled to.
- Expenditure Controls – This measure assesses risk based on the nature of expenditures and purchasing as well as risk associated with operating under any contracts or external reporting requirements.
- Asset Controls – This measure assesses risk based on the nature of assets handled/utilized by a department, potential for misappropriation and ease of converting assets into cash.

Risk Assessment

In order to conduct a city-wide risk assessment, the Division of Audit sent out more than 25 internal control questionnaires to management from every City department and agency. With the responses from City personnel, the Division of Audit created the risk profile using identified control risks. The control risks identified were weighted and mapped against financial risks to create the audit risk assessment on page 4.

RISK ASSESSMENT



The audit risk assessment on page 4 maps the financial risk and the control risk to identify areas that pose the greatest total risk. The audit risk assessment is broken down by budgetary division. Financial risk runs vertically with departments having higher amounts of combined revenues and expenditures having a higher financial risk. Control risk runs horizontally with departments having a higher control risk on the right of the audit risk assessment. A larger financial risk coupled with high control risk puts a department in the upper right hand corner (red area) of the assessment.

A high risk score indicates a greater susceptibility to an issue occurring which potentially could have a greater adverse impact on the City.

We will choose audits using our objective risk assessment, but reserve the right to audit any entity or transaction as allowable under Chapter 7 of the Charter of the City of Buffalo (the "Charter"). Additionally, there are several audits required to be performed in accordance with Chapter 7 of the Charter. A description and estimated schedule for the required audits is detailed on page 9. We plan to allocate our audit resources based on the risk assessment, therefore it can be expected that the areas in the top right of the risk assessment (Fringe Benefits, Police and Fire) will be our highest priority areas to audit. This does not guarantee we will audit each of these areas this year, but they are the City's highest risk areas and will be given the highest priority to audit.

While the risk assessment identifies the highest risk areas, it does not identify specific risks within each area. Specific audit objectives are determined once the Division of Audit has completed audit planning procedures. During the audit planning phase, staff will gain an understanding of the department and/or function by conducting interviews and research. Specific issues and risks will be identified during the audit planning phase. Audit objectives and methodologies will be developed based on identified risks.

During the prior year and continuing into the next fiscal year, we will concentrate on performing audits that can be completed with minimal physical interaction. The Division of Audit will focus on performing audits that can be completed with data/electronic records and take advantage of communication technology to limit risk of spreading COVID-19.

The number of audits performed is based on audit staff hours available. We expect to utilize our resources to perform the following:

Expected Use of Hours Available to Audit

| | Number of Projects | Hours |
|---------------------------------|-----------------------------------|--------------|
| Risk-based Audits | 2 | 600 |
| Follow-up to Prior Audits | 2 | 500 |
| Other Projects | 3 | 600 |
| Hours Available to Audit | | 1,700 |

Summary of Completed Audits

The following audits were completed during the fiscal year ending June 30, 2022:

Informational Report – Review of City Payroll

This informational report provided an analytical review of city-wide payroll expense for fiscal years 2018 to 2021. The informational report provided an overview of overtime and overall payroll expense, overtime use and trends, which can aid management in identifying and reducing overtime and overall payroll costs.

Audit of Police Department Wireless Device Utilization

The audit recommended the number of wireless devices be reduced to align with usage as well as evaluating mobile internet options to obtain the best value. It was determined that nearly 90% of all devices went unused for the period under audit. This costs the City approximately \$700 per month. The Buffalo Police Department responded to the audit inquiry and notified the Department of Audit and Control that the account was closed in March 2022. We thank the BPD for their quick response and attention to this matter.

Follow-up Audit Reports

The IIA’s International Standards for the Professional Practice of Internal Auditing require that the Division of Audit establish and maintain a system to monitor the disposition of audit results communicated. This is accomplished by performing follow-up audits and issuing Follow-up Audit Reports. The reports are filed with the Common Council in the same manner as the original audit. Verifying the implementation of the audit recommendations is the final step of the audit process, and the audit hasn’t truly been completed until this occurs. The Audit Follow-up Report is a vital step of the audit process.

The Division of Audit completed Follow-up Audit Reports on:

Follow-up to the Audit of Firstnet Cell Phone & Wireless Device Utilization

The main audit recommendations were to reduce the number of wireless to align with usage as well as implementing a city-wide system of internal controls to manage cell phones/devices. It was determined that nearly 30% of all devices went unused for the period under audit, which was an improvement from roughly 50% during the original audit. This costs the City approximately \$4,400 per month up from \$4,000 per month during the original audit. Additionally, there is no designated department/individual responsible for managing cell phones/devices, monitoring usage, maintaining device/user inventory or reviewing monthly bills. There are still many devices paid for each month that are not being used. Based on management's response, updated policies and procedures will be implemented to reduce waste. MIS is in the process of consolidating the wireless device accounts of the City. The Department of Audit and Control (DAC) will monitor this to verify MIS continues to reduce unused devices.

Follow-up Audit of Fire Department Wireless Device Utilization

The audit recommended the number of wireless devices be reduced to align with usage as well as migrating all BFD wireless services to AT&T Firstnet. It was determined that nearly 60% of all devices went unused for the period under audit. This costs the City approximately \$200 per month. The Buffalo Fire Department is working with MIS to identify all devices within this account that are needed prior to migrating to AT&T Firstnet. MIS is in the process of moving first responder accounts to AT&T Firstnet as well as consolidating City wireless device accounts.

Review of Audit Reports

Audit Reports, Follow-up Audit Reports and all other Reports issued by the Division of Audit are filed with the Common Council and can be reviewed in their entirety on the Comptroller's website:

<http://buffalocomptroller.com/165/Audit-Reports>

Summary of Audits in Progress

Audit of Electric Service Accounts including Street Lighting

This audit will determine if National Grid is billing the City of Buffalo accurately for electrical service. To date this audit has discovered over \$1 million in over-billings that have been refunded to the City.

Informational Reports on City Payroll

The DAC is performing an analytical review of City payroll and overtime expense. Testing and analysis will include budget vs. actual, total payroll and overtime by department, overtime concentrations, civilian vs sworn officer overtime (Police and Fire) and other benchmarks. The objective is to provide management with useful information to aid in identifying potential cost savings. City wide, BPD, BFD and DPW payroll will be analyzed.

City Clerk Wedding Ceremony Room Rental Revenue

This audit will document and evaluate the internal controls over the wedding ceremony room rental revenue process within the City Clerk's office. FY 2022 wedding ceremony room rental revenue is approximately \$16,000. The audit will determine if proper internal controls are in place to safeguard City assets.

2nd Follow up City Clerk Revenue

The original and follow-up audits recommended not accepting cash, tracking pre-numbered documents, improving safeguards over assets, improving segregation of duties, obtaining security cameras and documenting reconciliations. Due to the approximately \$800,000 of receipts processed annually at the City Clerk, proper internal controls are necessary.

Audits Required and/or Allowed by the Charter

| Charter Citation | Charter Requirements | Description of Audit to be Conducted | Estimated Completion Date | Remarks |
|------------------|---|---|---|--|
| 7-10, 3 | At least once every three years, the comptroller shall take such steps as are necessary to have the department of audit and control reviewed by a professional, non-partisan objective organization utilizing nationally recognized guidelines such as those adopted by the National Association of Local Government Auditors to evaluate the department's compliance with generally accepted government auditing standards. | Review Division of Audit Procedures and Adequacy of Audits Performed (Audit of Auditors) | Completed November 2020 | Required Audit/ Next planned for Fall 2023 |
| 7-4, 2 | The comptroller shall have the power to conduct financial and performance audits of all agencies and other entities a majority of whose members are appointed by city officials or that derive at least fifty percent of their revenue, including the provision of goods, services, facilities or utilities, from the city or from allocations under the authority of the city. | Audits will be selected based on risk assessment. | As deemed necessary, based on risk assessment | Allowable Audits |
| 7-4, 4 | In addition to such audits as the comptroller may conduct with his or her own staff, the comptroller shall engage an independent consultant to conduct at least two such performance audits each year. The comptroller shall request, the mayor shall recommend, and the council shall appropriate sufficient funds for such audits. | 1. Audit of Information in Accordance with Single Audit Act For City the Buffalo. 2. Audit of Information in Accordance with Single Audit Act For Buffalo Urban Renewal Agency | Completed Annually | Required Audit |
| 7-4, 4 | The comptroller shall have the power to conduct performance audits of all bureaus, offices, departments, boards, commissions, activities, functions, programs, agencies and other entities or services of the city (including those mentioned in paragraph 2 of this Section) to determine whether their activities and programs are: (i) conducted in compliance with applicable law and regulation; and (ii) conducted efficiently and effectively to accomplish their intended objectives. | Audits will be selected based on risk assessment. | As deemed necessary, based on risk assessment | Allowable Audits |
| 7-4, 5 | The comptroller may engage an independent consultant to conduct an audit of the performance of the council staff every two years. | Audits will be selected based on risk assessment. | As deemed necessary, based on risk assessment | Allowable Audits |