

INTERNAL AUDIT PLAN

Federal Grant Procurement for Small Rental Rehabilitation and Reconstruction (SRRR) Program

April 2014

INTERNAL AUDIT PLAN

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1.0 GENERAL INFORMATION

1.1 Introduction

The City of Minot hereinafter called the City, due to the severe impacts experienced from the 2011 Souris River Flood (the Flood), received a direct grant from the Department of Housing and Urban Development (HUD) in the form of a Community Development Block Grant for Disaster Recovery (CDBG-DR). The City must use these funds as provided by Public Law 112-55, Department of Housing and Urban Development Appropriations Act, 2012.

This audit will review the procurement, contracting, and allowable costs for the infrastructure activities being funded by the CDBG-DR program. Since the City has contracted with CDM Smith to administer the disaster recovery program, this review will focus on CDM Smith's performance of the procurement, contracting, and allowable cost compliance with DSW Homes; as well as the City's overall responsibility regarding these items.

The City of Minot is required to ensure all costs paid entirely or in part with CDBG-DR funds are allowable. To be allowable a cost must be consistent with Federal cost principles; HUD regulations; and other federal, state, and local statutes and regulations.

1.2 Acronyms and Abbreviations

- CDBG-DR Community Development Block Grant, Disaster Recovery
- DRGR Disaster Recovery Grant Reporting System
- GAAS Generally Accepted Auditing Standards
- GMBA SunGard, Government Management and Budgetary Accounting
- RFP Request for Proposal
- HUD U.S. Department of Housing and Urban Development
- POC Points of Contact
- The City City of Minot
- SRRR Small Rental Rehabilitation and Reconstruction

1.3 Applicable Statutes and Regulations and Other Guiding Documents

- Federal Register/Vol. 77 No. 73/Monday, April 16, 2012
- Public Law 112-55
- OMB A-87 Federal cost Principles for State, Local & Indian Tribal Governments
- City of Minot Action Plan
- City of Minot Federal Grant Procurement Policy and Procedures
- City of Minot Finance Department Expenditure Policies and Procedures
- City of Minot Finance Department Internal Controls Policies and Procedures
- Minot Disaster Recovery Services Public Infrastructure Program Policies
- 24 CFR 85.35
- 24 CFR 85.36
- 24 CFR 135.32
- Section 3 of the Housing and Urban Development Act of 1968
- 503 of the Rehabilitation Act of 1973, as amended

1.4 Purpose of the Plan

This plan will outline the processes to be followed to ensure thorough and complete coverage and documentation of the audit. This plan will illustrate the overall work to be performed, the work papers or checklists to be utilized, the internal auditor to perform the work, and provide a basis for the Comptroller's approval of the pending work.

1.5 Mission of the Internal Auditor – Objectives of the Audit

The objectives of this audit are to review procurement and contracting for the Small Rental projects, to ensure the City of Minot's compliance with its procurement policy and procedures; as well as state, federal and CDBG-DR regulations and statutes.

The Key procurement and contracting objectives to be reviewed are:

- Ensuring procurement and agreement documents for the construction projects contain all required clauses and information for compliance with CDBG-DR; and other federal, state, and local statutes and requirements.
- Ensuring all bid requirements, selection procedures, methods of procurement, and contract pricing have been adhered to.
- Ensuring the protest procedure has procedures in place to ensure policies are followed.

1.6 Scope

The scope of this audit will include all construction contracts advertised and awarded to date for the Small Rental Program.

1.7 Documents Requested From Auditee

- Binder for SRRR program
- Complete files for individual bids and awards

1.8 Points of Contact

This audit will be conducted by Ashley Freitas, Internal Auditor for the City of Minot.

Contact information for all POCs is listed below:

| Name | Title | Organization | Phone | Email |
|-------------------|-----------------------|------------------------|----------------|--|
| Cindy Hemphill | Finance Director | City of Minot, Finance | (701) 857-4784 | cindy.hemphill@minotnd.org |
| Sue Greenheck | Comptroller | City of Minot, Finance | (701) 857-4773 | sue.greenheck@minotnd.org |
| Dan Jonasson | Public Works Director | City of Minot | (701) 857-4112 | dan.jonasson@minotnd.org |
| Lance Meyer | City Engineer | City of Minot | (701) 857-4100 | lance.meyer@minotnd.org |
| Karen Pocha-Melby | Internal Auditor | City of Minot, Finance | (701) 720-4559 | karen.pocha-melby@minotnd.org |
| Ashley Freitas | Internal Auditor | City of Minot Finance | (701) 720-4559 | ashley.freitas@minotnd.org |
| D’Juana Conner | Lead Case Manager | CDM Smith | (701) 837-5813 | connerds@cdmsmith.com |
| Randall Irwin | Program Manager | CDM Smith | (641) 660-9852 | irwinrl@cdmsmith.com |
| Marisa Britton | Management Specialist | CDM Smith | (701) 837-5813 | brittonmm@cdmsmith.com |

2.0 AUDIT PROCESS

2.1 Type of Internal Audit

This internal audit will be a combination of compliance and a financial audit.

2.2 Methodology

This audit will be conducted on-site at the City of Minot Finance Department offices located at 515 2nd Avenue SW, Minot, North Dakota, and the Disaster Recovery Offices of CDM Smith located at 1600 2nd Avenue SW, Suite 27, Minot, North Dakota. The Internal Auditor will conduct the audit as a desk and an on-site audit. An audit report of concerns and recommendation will be delivered to the Finance Director and CDM Smith.

A risk assessment was not completed for this audit. This is the initial audit of procurement with the Federal Grant funds awarded for Small Rental Rehabilitation and Reconstruction. In light of this, the decision was made to review procurement and contracts for the ongoing projects at this time. This review will establish a base line on which to gauge risk and effectiveness of internal controls.

To prepare for this audit, the internal auditor will review governing statutes, regulations, official guidance, and other applicable documents. The documents to be reviewed are listed within this plan as well as in the checklist to be utilized.

The internal auditor will become sufficiently familiar with the CDBG-DR program and the contractors being reviewed so as to ascertain compliance, provide technical assistance to the auditee, and maximize the use of the auditor's time. This process will include review and analysis of reports, available data, and financial information.

Once all of the above preparation has been completed, the auditor will utilize the Procurement Review checklist to perform the desk and onsite reviews.

The internal auditor will document every step of the auditing process. All correspondence, documentation and working papers relating to the audit and conclusions will be maintained in the internal auditor's office files.

2.3 Schedule

| Task | Estimated Hours to Complete | Date Completed | Actual Time to Complete |
|--|-----------------------------|-------------------|-------------------------|
| Preparation and writing of the Audit Plan and Check List to be utilized. | 3.00 | April 9, 2014 | |
| Review of applicable documents, reports, and files | 12.00 | April 8-9, 2014 | |
| Perform onsite reviews at CDM Smith's offices. | 16.00 | April 10-11, 2014 | |
| Documenting results and compiling a draft audit report to submit to the Comptroller. | 8.00 | April 14, 2014 | |

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|--|-------|----------------|--|
| Preparing the final audit report and sending to the City Finance Director. | 4.00 | April 15, 2014 | |
| Entering the audit in a tracking data base | .50 | April 15, 2014 | |
| Following up on any suggestions made for resolution or additional processing | 1.00 | April 16, 2014 | |
| Ensuring the audit file is complete | .50 | April 16, 2014 | |
| Total time to complete the audit | 45.00 | | |

2.4 Entrance Conference

An entrance conference will be held with Mr. Randall Irwin, Mrs. Marisa Britton, and Ashley Freitas at the Minot Disaster Recovery Office.

3.0 EVALUATION

3.1 Strategy

The internal auditor will follow the schedule listed above and utilize the SRRR Procurement Review checklist. All work will be documented for inclusion in the audit file. A detailed audit report with results will be sent to the auditee with suggestions if needed. If additional information or work is needed from the auditee, a follow-up schedule will be developed and follow-up will be conducted. All applicable information from this audit will be entered into the CDBG-DR Audit Tracking data base. The file will be held in the auditor's office for the applicable time period.

3.2 Metrics

The internal auditor will maintain an on-going dialogue with CDM Smith to keep them informed as to how the monitoring is progressing, engage in discussions with the auditee regarding any areas of concern, and provide the auditee an opportunity to make adjustments to ensure the requirements and deliverables are being met. Thus, at the conclusion of the audit, the auditee will have a clear picture of any issues to be corrected or actions to be taken to obtain compliance. The deliverable for this process will be an audit free of issues and concerns.