



INTEROFFICE MEMORANDUM

August 28, 2015

To: Ted Voorhees, City Manager

From: Elizabeth Somerindyke, Internal Audit Director

RE: Proposed Fiscal Year 2016 Audit Plan

I am pleased to present the proposed fiscal year 2016 audit plan for your review and approval. The proposed audit plan was prepared based upon a comprehensive review and analysis of the City's activities and associated risks. Sources used to identify the audit population to prepare the audit plan primarily consisted of a review of City budgetary and financial documents, internal audit's knowledge of the City of Fayetteville and local government operations, discussions with members of management, as well as feedback from an employee survey. The attached report presents the proposed audit work plan for fiscal year 2016.

NEXT STEPS

On September 8, 2015, the Office of Internal Audit is presenting to City Council a resolution to be considered for adoption that would create an Audit Committee. If adopted, the members of the Audit Committee will be presented the FY16 audit plan for subsequent approval along with any major changes to the plan as defined in the proposed Audit Committee charter.

As audit work proceeds, we will issue quarterly reports summarizing the status and progress of each of the approved assignments. The quarterly reports will be issued to you until the Audit Committee is established and functioning. Please note that this plan needs to be flexible due to unforeseen audit requirements and management requests for investigations in to matters of fraud and compliance.

If you have any questions, please contact me at (910) 433-1672

433 Hay Street
Fayetteville, NC 28301-5537
(910) 433-1672 | (910) 433-1680 Fax
www.cityoffayetteville.org

OVERVIEW

The 2015-2016 Audit Plan is a description of the internal audit activities that will be performed by the Office of Internal Audit in Fiscal Year 2015-2016.

The process of preparing the 2015-2016 Audit Plan included identifying those areas that are considered the most important and ensuring that activities with the greatest risk are audited. The City Manager reviewed and approved the first and second quarters of the 2015-2016 Audit Plan. The members of the Audit Committee will be presented the Audit Plan once the Committee is established and functioning for subsequent approval of the third and fourth quarters of the 2015-2016 Audit Plan.

Input was also provided from Rochelle Small-Toney, Deputy City Manager; Jay Reinstein, Assistant City Manager; Karen McDonald, City Attorney; Lisa Smith, Chief Financial Officer; Tracey Broyles, Budget and Evaluation Director; Bradley Whited, Airport Director; Dwayne Campbell, Chief Information Officer, and Barbara Hill, Human Resource Development Director.

IDENTIFICATION OF THE AUDIT UNIVERSE AND RISK ASSESSMENT

The Audit Universe is a subjective assessment of auditable areas within the City of Fayetteville. To identify the Audit Universe, we reviewed City budgetary and financial documents, relied on internal audit's knowledge of the City of Fayetteville and local government operations, had discussions with members of management, as well as reviewed feedback from an employee survey. The auditable areas were broken down into four distinct areas:

1. Executive Management
2. Deputy Assistant City Manager – Operations Portfolio
3. Deputy Assistant City Manager – Community Investment
4. Assistant City Manager – Support Services

The following describes our planning process used to prepare the 2015-2016 Audit Plan. The 2015-2016 Audit Plan can be found as **Attachment 1**.

The Audit Universe for the City of Fayetteville was identified by separating the Operations, Support Services, Community Investment and Executive Management portfolios within the City of Fayetteville. The Risk Assessment was designed to measure certain risk factors necessary for the City of Fayetteville to meet its mission, strategic plan, and its goals and objectives. Our goal is to provide reasonable assurance that the concept of risk based auditing was practiced. The risk factors used were:

City of Fayetteville, NC
Office of Internal Audit
2015 – 2016 Annual Audit Plan

1. **Management Interest** - Interest by management to have an area audited due to operational or internal control concerns.
2. **Budget Risk** - The risk that the City of Fayetteville's annual budget will be severely affected by factors that are not planned for or anticipated.
3. **Strategic Risk** - The risk that poor business decisions or improper implementation of strategic goals will reduce the City of Fayetteville's ability to meet those goals.
4. **Reputation Risk** - The risk that the City of Fayetteville's public image will be tarnished due to improper actions on the part of officials, management, or staff.
5. **Compliance Risk** - The risk that failure to comply with laws and regulations, prudent ethical standards, and contractual obligations will harm the City of Fayetteville.
6. **High Level of Decentralization** - The risk of internal control breakdowns due to the size of large-scale departments or operations.
7. **Change in Management** - The risk of new management being assigned to an area identified in the Audit Universe.

SCOPE OF AUDITS

Internal Audit addressed the scope of work as follows:

- Review the **reliability and integrity of financial and operational information** and the means used to identify measure, classify, and report such information.
- Review the systems established to ensure **compliance** with those policies, plans, procedures, laws and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
- Review the means of **safeguarding assets** and as appropriate verify the existence of such assets.
- Appraise the **effectiveness and efficiency** of operations within the organization.
- Review **operations or programs** to ascertain whether results are consistent with established goals and objectives, and whether the operations or programs are being implemented or performed as intended.

BUDGET AND STAFFING

The Available Audit Hours Budget for the Internal Audit Office was prepared in accordance with the City of Fayetteville's wage and hour guidelines and approved by the City Manager.

For fiscal year 2015 – 2016, the Office of Internal Audit will be fully staffed as per the 2016 annual budget, adopted June 8th, 2015 by City Council, thereby making **6,288 audit hours** available for Fiscal Year 2015 – 2016. The staff consists of the Elizabeth Somerindyke, Internal

City of Fayetteville, NC
Office of Internal Audit
2015-2016 Audit Plan

	Audit Hours	Admin Hours	Training Hours	Holiday/Leave Hours
First Quarter				
CITYWIDE Annual Procurement Card Review*	30			
INFORMATION TECHNOLOGY - JDEdwards Access Audit*	80			
POLICE DEPARTMENT - Confidential Funds	60			
DEVELOPMENT SERVICES - Callback revenues/Building permits and inspections	300			
CITYWIDE Annual Change Funds and Petty Cash Audits	80			
CITYWIDE Conflict of Interest/Ethics Questionnaire	20			
Hotline - Fraud Waste and Abuse	40			
Contingency Hours	197.5			
Administrative Duties - Internal Audit Director		227.5		
Administrative Duties - Staff Auditors		208		
Auditor Training			190	
Vacation/Sick Leave/Holiday				151
Total for Quarter	807.5	435.5	190	151
Second Quarter				
CITYWIDE Kronos Time Reporting Implementation	160			
ENGINEERING & INFRASTRUCTURE Downtown Parking Enforcement and Collection	300			
ENVIRONMENTAL SERVICES - Solid Waste Fees - Multi Family	160			
CITY MANAGER - NeuBrain Implementation	40			
Hotline - Fraud Waste and Abuse	20			
Contingency Hours	194			
Administrative Duties - Internal Audit Director		227.5		
Administrative Duties - Staff Auditors		208		
Auditor Training			51.5	
Vacation/Sick Leave/Holiday				223
Total for Quarter	874	435.5	51.5	223

**City of Fayetteville, NC
Office of Internal Audit
2015-2016 Audit Plan**

	Audit Hours	Admin Hours	Training Hours	Holiday/Leave Hours
Third Quarter				
PARKS RECREATION & MAINTENANCE Recreation and Park Program Registrations & Fees & Facility Rental Reservations & Fees	320			
Ris	120			
INFORMATION TECHNOLOGY Information Security Threats - Penetration test and password security	120			
AIRPORT Republic Parking Contract	60			
MULTIPLE DEPARTMENTS Contract Purchase Order Compliance	120			
Hotline - Fraud Waste and Abuse	25			
Contingency Hours	129.5			
Administrative Duties - Internal Audit Director		227.5		
Administrative Duties - Staff Auditors		208		
Auditor Training			55	
Vacation/Sick Leave/Holiday				175
Total for Quarter	894.5	435.5	55	175
Fourth Quarter				
COMMUNITY DEVELOPMENT Housing Rehabilitation, Acquisition & Demolition Programs	120			
CITYWIDE Payroll Processes	300			
MULTIPLE DEPARTMENTS Small Asset Management	300			
CITYWIDE Annual Procurement Card Review	80			
Hotline - Fraud Waste and Abuse	25			
Contingency Hours	109			
Administrative Duties - Internal Audit Director		227.5		
Administrative Duties - Staff Auditors		208		
Auditor Training			63.5	
Vacation/Sick Leave/Holiday				127
Total for Quarter	934	435.5	63.5	127

*Audits began in the FY2015, but the audits were still in progress at the beginning of FY2016

**City of Fayetteville, NC
Office of Internal Audit
2015-2016 Audit Plan
Available Audit Hours**

	Internal Audit Director		2.0 Staff Members ¹		Total	
	Hours	Percent	Hours	Percent	Hours	Percent
Audit and Project Work	878	41.9%	2632	62.8%	3510	55.8%
General Administration	910	43.4%	832	19.9%	1742	27.7%
Training	120	5.7%	240	5.7%	360	5.7%
Holidays	88	4.2%	176	4.2%	264	4.2%
Vacation & Sick Leave	100	4.8%	312	7.4%	412	6.6%
	<u>2096</u>	100.0%	<u>4192</u>	100.0%	<u>6288</u>	100.0%

1 - Staff members are budgeted at 2096 hours x 2.0 positions = 4,192

Leave Entitlement per Staff Member w/less than 3 years		
	<u>Days</u>	<u>Hours</u>
Vacation	10	80
Sick Leave	12	96
Holidays	11	88
Totals	<u>33</u>	<u>264</u>

Leave Entitlement per Staff Member w/more than 20 years		
	<u>Days</u>	<u>Hours</u>
Vacation	20	160
Sick Leave	12	96
Holidays	11	88
Totals	<u>43</u>	<u>344</u>

City of Fayetteville, NC
Office of Internal Audit
2015-2016 Audit Plan
Calculation of Available Audit Hours

Workdays								
1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total Hrs/ Employee
July	22 Days	October	22 Days	January	19 Days	April	21 Days	
August	21 Days	November	18 Days	February	21 Days	May	21 Days	
September	21 Days	December	21 Days	March	22 Days	June	22 Days	
Total Qtr	64 Days	Total Qtr.	61 Days	Total Qtr.	62 Days	Total Qtr.	64 Days	2,008
64 Workdays x 8 Hrs. =	512 Hrs.	61 Workdays x 8 Hrs. =	488 Hrs.	62 Workdays x 8 Hrs. =	496 Hrs.	64 Workdays x 8 Hrs. =	512 Hrs.	

Holidays								
1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total Hrs/ Employee
July	1 Day	October	0 Days	January	2 Days	April	0 Days	
August	0 Days	November	3 Days	February	0 Days	May	1 Day	
September	1 Day	December	2 Days	March	1 Day	June	0 Days	
Total Qtr	2 Days	Total Qtr.	5 Days	Total Qtr.	3 Days	Total Qtr.	1 Day	88

2096 Hours available per staff member