



Office of Internal Audit

Annual Audit Plan

Fiscal Year 2017

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Audit Work Plan 2017

A. Audit Projects Carried Forward from 2016 Work Plan		Estimated Hours	Total
A.1.	In Progress		
	Building Permits and Inspections to include Callback Revenues	640	
	CityWorks Permitting and Inspection Implementation ¹		
	Finance Department Balance Sheet and Grant Review	120	
A.2.	For Completion		
	Kronos Time Reporting Implementation Phase 1	480	
	Contracting Practices and Procedures	240	
	Parks and Recreation Nonresidential Fees Implementation*	670	
	Total Hours for Audit Projects Carried Forward from 2015 Work Plan		2150
<i>* Project will be started but not completed during this fiscal year</i>			
B. New Audit Projects for 2016-2017			
	Employee Development Travel and Training Expenditures	240	
	Police Department Confidential Funds	240	
	Total Hours for New Audit Projects for 2016-2017		480
C. Follow-up Projects for 2016-2017			
	Procurement Card Program	120	
	Petty Cash and Change Funds	120	
	Tags and Titles (CoF only)	120	
	Total Hours for Follow-up Projects for 2016-2017		360
D. Audit Management and Administration			
	Other City Auditor Duties	400	
	Office Management/Support	1742	
	Staff Development	480	
	Approved Employee Leave	264	
	Approved Holidays	412	
	Total Audit Management and Administration		<u>3298</u>
	Total Hours		<u><u>6288</u></u>
E. For Future Audit Projects 2017-2019			
	<i>Citywide Payroll Processes**</i>	960	
	<i>Community Development Housing Rehabilitation Program**</i>	960	
	<i>Republic Parking Contract**</i>	240	
	<i>Solid Waste Fees for Multi Family**</i>	640	
	<i>Small Asset Management**</i>	240	
	<i>Downtown Parking Collection**</i>	960	
	Code Enforcement Abatement	960	
	City's New Purchasing Process	960	
	Firehouse Billing and Receipting	640	
	Kronos Time Reporting Implementation Phase 2	640	
	Retiree Healthcare Program	640	
	Total Hours for Future Audit Projects		<u><u>7840</u></u>

** Reflects project from prior year audit plan. Due to limited resources, project will be considered in future audit plans.

Audit Work Plan 2017

A. Audit Projects Carried Forward from 2016 Work Plan

A.1. In Progress

Building Permits and Inspections to include Callback Revenues	The objectives of this audit were to determine if permits and inspections were in compliance with the North Carolina General Statutes, North Carolina State Building Code, Fayetteville City Code and other regulations; and ensure effective management oversight, adequacy of controls and quality reviews were being conducted.
CityWorks Permitting and Inspection Implementation¹	Determine if CityWorks data was reliable for managing workload, supporting decision-making, and tracking permit status.
Finance Department Balance Sheet and Grant Review	The scope of the review was to determine if the quarter ending March 31, 2016 detailed balance sheet reconciliations reconciled to the actual balance in JDEdwards. Additionally, Internal Audit provided a report to Finance Department management on whether it appeared a grant draw was needed or a potential overdraft existed for the quarter ending March 31, 2016.

A.2. For Completion

Kronos Time Reporting Implementation Phase 1	The anticipated scope of this review will focus on the identification and effectiveness of automated and manual controls over the FayPay (KRONOS) and JDEdwards Payroll interfaces.
Contracting Practices and Procedures	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the City's contracting practices. Audit objectives may include ensuring contracts were prepared and executed in accordance with relevant policies and procedures; a fully executed copy of contracts were maintained based on retention requirements, and determining whether the departments were adhering to the signature authority and delegation thresholds adopted by City Council on September 28, 2015.
Parks and Recreation Nonresidential Fees Implementation*	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the implementation of Parks and Recreation Department's nonresidential fees. Audit objectives may include reviewing and documenting the processes related to nonresidential fees; testing a sample to ensure necessary documents were being received supporting the charge of nonresidential vs residential fees; determining if fees were charged correctly; and ensuring deposits, fees, and revenues assessed and collected were accounted for and all associated general ledger accounts were properly reconciled to existing subsidiary ledgers where appropriate.

* Project will be started but not completed during this fiscal year

B. New Audit Projects for 2016-2017

Employee Development Travel and Training Expenditures	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the City's Travel and Training program. Audit objectives may include ensuring expenditures were in compliance with relevant policies, procedures, laws, rules and regulations; adequate internal controls were in place to prevent or detect material errors and irregularities; and the departments managed and used resources in a cost-effective manner.
Police Department Confidential Funds	The police department confidential funds are audited on an annual basis due to the sensitive and volatile nature of maintaining large amounts of cash on hand and in accordance with police department policy due to accreditation requirements. Audit objectives may include determining if confidential funds were sufficiently administered in accordance with established laws, regulations, guidelines, policies and procedures; if proper internal controls existed and were working as intended to safeguard confidential funds from loss, theft, or fraud; if expenditures and withdrawals from the funds were properly authorized, approved, and recorded; if complete and accurate manual records were maintained for all deposits, withdrawals, and other transactions affecting the confidential fund accounts; to the extent possible, that security provisions for automated records were operating to provide for separation of duties, data integrity and an audit trail; and review corrective actions taken by management to address the recommendations detailed in Internal Audit report A2016-01 Police Confidential Funds in the prior fiscal year.

C. Follow-up Projects for 2016-2017

Procurement Card Program	The audit will assess the adequacy of internal controls, and policy and procedure compliance of the City's procurement card program. Audit objectives may include assessing the adequacy of segregation of duties, physical security and proper use of the procurement cards; determining if cards users are properly trained, designated and provided policy guidance; and procurement card transactions and approvals are made in accordance with procurement card policies and procedures. In addition, the audit will include a follow up of the previously identified audit findings to ensure they have been remediated by management as stated in management's responses.
Petty Cash and Change Funds	Determine that previously identified audit findings have been remediated by management as stated in management's responses.
Tags and Titles (CoF only)	Determine that previously identified audit findings have been remediated by management as stated in management's responses.

D. Audit Management and Administration

Other City Auditor Duties	This category describes the time that the Office of Internal Audit maintains the Fraud, Waste, and Abuse Hotline and other miscellaneous fraud reports.
Office Management/Support	This category describes the time that the Office of Internal Audit spends attending meetings involving the activities and responsibilities of the Audit Committee.
Staff Development	Professional staff of the City Auditor's Office is required to obtain professional education each year.
Approved Employee Leave	This category describes leave earned and taken each year as personal leave and leave taken for medical purposes.
Approved Holidays	This category of leave is for approved holidays for all staff.

E. Future Audit Projects 2017 - 2019

Citywide Payroll**	To assess the adequacy of the internal controls governing the City's payroll process. The audit will include a review of JDEdward controls and the KRONOS time accounting system.
Community Development Housing Rehabilitation Program**	The audit will assess whether the City had adequate controls for monitoring its Housing Rehabilitation Program sub-recipients and whether HUD rules and regulations were properly followed. Audit objectives may include ensuring loans were originated within defined program criteria, properly set up in the ABS loan-servicing software, and serviced in accordance with the terms of the promissory notes and/or deeds of trust; an appropriate accounting of loan origination and loan servicing activities had occurred; and all associated general ledger accounts were properly reconciled to the subsidiary ledger system.
Republic Parking Contract**	The audit will evaluate whether Republic Parking was abiding by the terms of the contract with the Fayetteville Regional Airport. Audit objectives may include reviewing the effectiveness of the City's contract administration responsibilities; determine whether parking revenue was accurately accounted for; determine if revenues were remitted properly and expenses were reimbursed properly in accordance with the contract; and determine if contract administrative provisions were being followed.
Solid Waste Fees for Multi Family**	To access the internal control environment related to assessing solid waste fees for multi-family parcels.
Small Asset Management**	The audit will assess the adequacy of internal controls, effectiveness, and policy and procedure compliance of the City's small asset management system. Audit objectives may include ensuring processes adequately safeguard assets; selecting a sample to assure accuracy and agreement of inventory records and inventory on hand, and compliance with policies and procedures for multiple electronic devices and air cards.
Downtown Parking Collection**	The audit will assess the efficiency and effectiveness of the City's parking management contract with McLaurin Parking. Audit objectives may include an assessment of the collection program related to leased parking and parking citations, internal controls for cashier activities, and bad debt write-off policies.

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Code Enforcement Abatement	The audit will evaluate whether the City's lot cleaning abatement process complies with applicable policies, rules and regulations. Audit objectives may include determining if code enforcement activities for lot cleaning abatement were performed consistently in accordance with relevant laws, regulations and established policies; applicable code enforcement costs and fees were properly and completely invoiced following established City fee schedules and ordinances; contracts complied with applicable policies, rules and regulations; internal controls were sufficient to identify risks; and the process for retaining independent contractors.
City's New Purchasing Process	The City's purchasing processes are no longer performed by the Public Works Commission of the City of Fayetteville and are now performed by newly established positions within the City's Finance Department. Therefore, this audit will assess the adequacy of internal controls, effectiveness, and policy, procedure, laws, rules and regulations compliance of the City's new purchasing processes. Audit objectives may include ensuring processes are in compliance with relevant policies, procedures, laws, rules and regulations; and adequate internal controls are in place to prevent or detect material errors and irregularities.
Firehouse Billing and Receipting	The audit will assess if fire department billing, receipting and aged receivables were managed fairly, efficiently and effectively to recover such receivables and minimize the risk of loss. Audit objectives may include evaluating procedures to ensure compliance with applicable policies and standards; and verify the accuracy and proper tracking of aged receivables and amounts due.
Kronos Time Reporting Implementation Phase 2	The anticipated scope of this review will focus on the identification and effectiveness of automated and manual controls over the Public Safety Telestaff, FayPay (KRONOS) and JDEdwards Payroll interfaces.
Retiree Healthcare Billing and Receipting	The audit will evaluate operations related to the process for billing retirees for health insurance premiums. Audit objectives may include an assessment of procedures to ensure compliance with applicable policies and standards; retiree payments collected were accurate and complied with contractual rates; and proper collection activities were in practice to ensure all monies owed have been collected.

*** Reflects project from prior year audit plan. Due to limited resources, project will be considered in future audit plans.*