

Office of Internal Audit



Annual Audit Plan

Fiscal Year 2018

Director of Internal Audit

Elizabeth Somerindyke

Senior Internal Auditor

Rose Rasmussen

Internal Auditor

Traci Carraway

**City of Fayetteville
Office of Internal Audit
Audit Work Plan 2018**

A. Audit Projects Carried Forward from 2017 Work Plan		Estimated Hours	Total
A.1. In Progress	Contracting Practices and Procedures	40	
A.2. For Completion	Parks and Recreation Nonresidential Fees Implementation*	182	
Total Hours for Audit Projects Carried Forward from 2017 Work Plan			222
<i>* Project will be started but not completed during this fiscal year</i>			
B. New Audit Projects for 2017-2018			
	Police Department Evidence and Property Management	960	
	Citywide Payroll Processes	960	
	Police Department Confidential Funds	320	
	Performance Measures	480	
Total Hours for New Audit Projects for 2017-2018			2720
C. Follow-up Projects for 2017-2018			
	Employee Development Travel and Training Expenditures	240	
Total Hours for Follow-up Projects for 2017-2018			240
D. Audit Management and Administration			
	Other City Auditor Duties	400	
	Office Management/Support	1742	
	Staff Development	240	
	Approved Holidays	264	
	Approved Employee Leave	412	
Total Audit Management and Administration			<u>3058</u>
Total Hours			<u><u>6240</u></u>
E. For Future Audit Projects 2018-2020			
	<i>Tags and Titles (CoF only)**</i>	40	
	<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 Phases 3 & 4 ^a	640	
	Retiree Healthcare Billing and Receipting	640	
	WEX Fuel Cards	480	
	PCI Compliance	640	
	Citywide Records Management and Retention	960	
	Sales and Use Tax Refund Administration	480	
	Citywide Succession Planning	960	
	Fleet Part Inventory	640	
Total Hours for Future Audit Projects			<u><u>11080</u></u>

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

^a The Finance Department contracted with Cherry Bekaert during FY 2017 to provide consulting regarding the Kronos Time Reporting Implementation Phases 1 & 2 and the internal controls over payroll.

Audit Work Plan 2018

A. Audit Projects Carried Forward from 2017 Work Plan

A.1.	In Progress
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 a review to determine if 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.

A.2.	For Completion
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 determining if 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 2017-2018

Police Department Evidence and Property Management	The audit will be conducted as a recommendation to the Police Department's Confidential Funds Audit A2017-02. Audit objectives may include a review to determine if evidence and property were received, maintained, transferred and disposed of in accordance with relevant policies, procedures, laws, rules and regulations; assess the accuracy of evidence records; and adequate internal controls are in place to safeguard evidence and property.
Citywide Payroll Processes	The audit will assess the adequacy of internal controls governing the City's payroll process. Audit objectives may include a review to determine if the City's payroll processes employ effective controls to reasonably assure employees are paid accurately and timely, and payment is made to legitimate City employees. The audit will include a review of JD Edward controls and the KRONOS timekeeping system.
Police Department Confidential Funds	The audit will be performed 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; proper internal controls existed and were working as intended to safeguard confidential funds from loss, theft, or fraud; expenditures and withdrawals from the funds were properly authorized, approved, and recorded; 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.
Performance Measures	The audit will be performed as required by City of Fayetteville Policy # 600 Data Governance. Audit objectives may include a review to determine if performance measures published in the budget document are in compliance with relevant policies, procedures, laws, rules, regulations and City goals; and to validate the underlying data reported for the performance measures.

C. Follow-up Projects for 2017-2018

Employee Development Travel and Training Expenditures	The audit will determine that previously identified audit findings have been remediated by management as stated in management's responses.
--	--

Audit Work Plan 2018

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 Holidays	This category of leave is for approved holidays for all staff.
Approved Employee Leave	This category describes leave earned and taken each year as personal leave and leave taken for medical purposes.

E. Future Audit Projects 2018 - 2020	
Tags and Titles (CoF only)**	A follow-up audit will be performed to determine that previously identified audit findings have been remediated by management as stated in management's responses.
Community Development Housing Rehabilitation Program**	The audit will evaluate 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 a review to determine if 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 abided 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**	The audit will evaluate the internal control environment related to assessing solid waste fees for multi-family parcels.
Small Asset Management**	The audit will evaluate the adequacy of internal controls, effectiveness, and policy and procedure compliance of the City's small asset management system. Audit objectives may include a review to determine if 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 evaluate 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.
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 audit will assess the adequacy of internal controls and effectiveness of the City's new purchasing processes. Audit objectives may include a review to determine if 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.

Audit Work Plan 2018

E. Future Audit Projects 2018 - 2020 (continued)

Firehouse Billing and Receipting	The audit will evaluate 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 determine compliance with applicable policies and standards; and verify the accuracy and proper tracking of aged receivables and amounts due.
Kronos Time Reporting Implementation Phases 3 & 4	The audit will focus on the identification and effectiveness of automated and manual controls over the Public Safety Telestaff, FayPay (KRONOS) and JD Edwards 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 determine 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.
WEX Fuel Cards	The audit will evaluate the appropriateness of WEX fuel card expenditures. Audit objectives may include assessing the adequacy of segregation of duties, physical security and proper use of the WEX fuel cards; determining if card users are properly trained, designated and provided policy guidance; and WEX fuel card transactions and approvals are made in accordance with policies and procedures.
PCI Compliance	The audit will evaluate compliance with Payment Card Industry (PCI) standards. Audit objectives may include reviewing to determine if physical access to cardholder data is restricted; policies are in place that address information security for employees; tests of the security system are performed regularly; adequate controls exist for user access; vendor supplied defaults are not used; anti-virus software or programs are used and updated regularly; cardholder and sensitive information is encrypted across public networks; adequate controls exist to protect stored data; security patches are up-to-date; and a working firewall is installed and maintained to protect data. Contracting for Information Technology knowledge to assist with the audit will be considered.
Citywide Records Management and Retention	The audit will evaluate the compliance with relevant policies, procedures, laws, rules and regulations; and adequate internal controls are in place to determine if records are adequately maintained and safeguarded.
Sales and Use Tax Refund Administration	The audit will evaluate the adequacy of internal controls related to recording and reporting sales and use tax to North Carolina Department of Revenue.
Citywide Succession Planning	The audit will gather information regarding the status of succession planning within the City of Fayetteville. Audit objectives may include providing management with information on efforts to address succession planning.
Fleet Part Inventory	The audit will assess the adequacy of internal controls to safeguard inventory and to determine if inventory was accounted for accurately. Audit objectives may include determining if adequate internal controls exist for fleet part inventory; adequate processes exist to control obsolete inventory; and whether inventory quantities were accurately reflected.

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