

# Office of Internal Audit



## **Annual Audit Plan**

**Fiscal Year 2020**

**Director of Internal Audit**

Elizabeth Somerindyke

**Senior Internal Auditor**

Rose Rasmussen

**Internal Auditor**

Amanda Rich

**City of Fayetteville  
Office of Internal Audit  
Audit Work Plan 2020**

<b>A. Audit Projects Carried Forward from 2019 Work Plan</b>		<b>Estimated Hours</b>	<b>Total</b>
<b>A.1. In Progress</b>			
	Code Enforcement Violation Enforcement	40	
	Solid Waste Fees for Multi Family	320	
<b>A.2. For Completion</b>			
	Permitting and Inspections Follow-up	640	
	<b>Total Hours for Audit Projects Carried Forward from 2019 Work Plan</b>		<b>1000</b>
<b>B. New Audit Projects for 2019-2020</b>			
	Police Department Payroll	320	
	Police Department Confidential Funds	240	
	Accounts Payable Timeliness	320	
	Vector Fleet Contract	400	
	<b>Total Hours for New Audit Projects for 2019-2020</b>		<b>1280</b>
<b>C. Follow-up Projects for 2019-2020</b>			
	WEX Gas Cards	400	
	<b>Total Hours for Follow-up Projects for 2019-2020</b>		<b>400</b>
<b>D. Audit Management and Administration</b>			
	Other City Auditor Duties	884	
	Office Management/Support	1548	
	Staff Development	200	
	Approved Holidays	280	
	Approved Employee Leave	376	
	<b>Total Audit Management and Administration</b>		<b><u>3288</u></b>
	<b>Total Hours</b>		<b><u><u>5968</u></u></b>
<b>E. For Future Audit Projects 2019-2021</b>			
	<i>Tags and Titles (CoF only)**</i>	40	
	<i>Community Development Housing Rehabilitation Program**</i>	960	
	<i>Small Asset Management**</i>	240	
	<i>Downtown Parking Collection**</i>	960	
	<i>Citywide Payroll Processes**</i>	960	
	<i>Body Cam Policy Compliance**</i>	480	
	<i>Off Boarding Access Rights**</i>	480	
	Code Enforcement Abatement	960	
	City's New Purchasing Process	960	
	Firehouse Billing and Receipting	640	
	Kronos Time Reporting Implementation Phases 3 & 4 <sup>a</sup>	640	
	Retiree Healthcare Billing and Receipting	640	
	PCI Compliance	640	
	Citywide Records Management and Retention	960	
	Sales and Use Tax Refund Administration	480	
	Citywide Succession Planning	960	
	Fleet Part Inventory	640	
	<b>Total Hours for Future Audit Projects</b>		<b><u><u>11640</u></u></b>

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

<sup>a</sup> 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 2020**

**A. Audit Projects Carried Forward from 2019 Work Plan**

**A.1. In Progress**

<b>Code Enforcement Violation Collections</b>	The audit will evaluate whether applicable code enforcement costs and fees were properly and completely invoiced following established City fee schedules and ordinances; and the internal controls were sufficient to identify risks.
<b>Solid Waste Fees for Multi Family</b>	The audit will evaluate whether solid waste fees were being assessed in accordance with established laws, regulations, guidelines, policies and procedures, and the internal control environment related to assessing solid waste fees were sufficient.

**A.2. For Completion**

<b>Permitting and Inspections Follow-up</b>	The audit will determine that previously identified audit findings have been remediated by management as stated in management's responses.
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**B. New Audit Projects for 2019-2020**

<b>Police Department Payroll</b>	The audit will determine if time and attendance information agrees to appropriately approved and authorized supporting documentation; including determination if supporting documentation allows for appropriate trail; payroll changes are appropriately supported, authorized, and verified; hours paid agree to the supporting documentation; and compensation was in accordance with relevant laws, regulations, guidelines, policies and procedures.
<b>Police Department Confidential Funds</b>	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.
<b>Accounts Payable Timeliness</b>	The audit will determine if adequate controls were in place to process payments in an efficient and timely manner; review accounts payable transactions for duplicate payments; and if adequate segregation of duties and controls existed over check issuance.
<b>Vector Fleet Contract</b>	The audit will assess whether the system of internal controls is adequate and appropriate for effective contract compliance with selected provisions of the contract as it relates to payment.

**C. Follow-up Projects for 2019-2020**

<b>WEX Gas Cards</b>	The audit will determine that previously identified audit findings have been remediated by management as stated in management's responses.
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**D. Audit Management and Administration**

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

**Audit Work Plan 2020**

**E. Future Audit Projects 2019 - 2021**

<b>Tags and Titles (CoF only)**</b>	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.
<b>Community Development Housing Rehabilitation Program**</b>	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.
<b>Small Asset Management**</b>	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.
<b>Downtown Parking Collection**</b>	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.
<b>Citywide Payroll Processes**</b>	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.
<b>Body Cam Policy Compliance**</b>	The audit will evaluate whether body worn cameras were being used and executed in accordance with established laws, regulations, guidelines, policies and procedures.
<b>Off Boarding Access Rights**</b>	The audit will evaluate the internal controls related to IT access rights during employee off boarding process.
<b>Code Enforcement Abatement</b>	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; contracts complied with applicable policies, rules and regulations; internal controls were sufficient to identify risks; and the process for retaining independent contractors.
<b>City's New Purchasing Process</b>	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.
<b>Firehouse Billing and Receipting</b>	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.
<b>Kronos Time Reporting Implementation Phases 3 &amp; 4</b>	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.
<b>Retiree Healthcare Billing and Receipting</b>	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.
<b>PCI Compliance</b>	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.

**Audit Work Plan 2020**

**E. Future Audit Projects 2019 - 2021 (continued)**

<b>Citywide Records Management and Retention</b>	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.
<b>Sales and Use Tax Refund Administration</b>	The audit will evaluate the adequacy of internal controls related to recording and reporting sales and use tax to North Carolina Department of Revenue.
<b>Citywide Succession Planning</b>	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.
<b>Fleet Part Inventory</b>	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.*