

# Office of Internal Audit



## **Annual Audit Plan**

**Fiscal Year 2022**

**Director of Internal Audit**

Elizabeth Somerindyke

**Senior Internal Auditor**

Rose Rasmussen

**Internal Auditor**

Amanda Rich



## OUR MISSION

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville's operations.

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October 28, 2021

Members of the Audit Committee

Enclosed is the proposed Fiscal Year 2022 Audit Plan for the Office of Internal Audit.

The development of this year's plan was significantly impacted by the Covid-19 pandemic and the implementation of the City's HUB ERP project.

Our office has been actively involved in the City's HUB ERP project to assist other departments in the implementation. Additionally, the Covid-19 pandemic has impacted the resources in our office and other departments to support audit work.

Several audits that we did not start in 2021 will roll into the 2022 plan as these audits are still relevant and important. Additionally, the proposed 2022 plan includes an attestation engagement related to the implementation and additional hours reserved for support of the City's HUB ERP Oracle and audit projects related to Kronos implementation within our public safety departments.

The FY2022 Proposed Audit Plan includes funding for the Audit Director and two Auditors. An estimated total of 2,990 hours were used to develop the FY2022 audit plan.

The results of the fiscal year 2022 Audit Plan are presented along with the estimated time allocation for audits and projects. Actual scheduling of selected projects may be affected by personnel turnover, special audits, and unforeseen circumstances in a scheduled audit.

The 2022 plan includes 5 new performance audits, 1 follow-up audit, and 1 attestation project.

I welcome discussion on the proposed audit plan and request approval.

Respectfully,  
Elizabeth Somerindyke  
Internal Audit Director

A. Audit Projects Carries Forward from 2020 and 2021 Work Plan		Estimated Hours	Total
<b>A.1.</b>	<b>In Progress</b>		
<b>A2020-04</b>	<b>Vector Fleet Contract</b>	<b>20</b>	
	<i>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.</i>		
<b>A2021-01</b>	<b>Police Department Confidential Funds</b>	<b>150</b>	
	<i>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.</i>		
<b>A2019-05F</b>	<b>WEX Gas Cards Follow-up (Police only)</b>	<b>60</b>	
	<i>The audit will determine that previously identified audit findings have been remediated by management as stated in management's responses.</i>		
<b>A2021-02</b>	<b>Wireless Communication Usage (Cell Phones)</b>	<b>60</b>	
	<i>The audit will assess the City's wireless communication usage to identify areas of risk and opportunities for potential savings.</i>		
<b>A2021-04</b>	<b>Changes to Employee Pay</b>	<b>240</b>	
	<i>The audit will determine if adjustments to employee base pay were properly approved, accurately calculated, processed timely and adequately supported.</i>		
<b>A.2.</b>	<b>For Completion</b>		
<b>A2021-03</b>	<b>Community Development Housing Rehabilitation Program</b>	<b>300</b>	
	<i>The audit will assess the Housing loans (deferred loans, down payment assistance and housing rehabilitation loans and development loans) to ensure compliance with the contract with AmeriNational.</i>		
	<b>Total Hours for Audit Projects Carried Forward from 2021 Work Plan</b>		<b>830</b>

B. New Audit Projects for 2021-2022		Estimated Hours	Total
<b>B.1.</b>	<b>Initial Audit Projects</b>		
<b>A2022-01 &amp; A2022-02</b>	<b>Kronos Implementation (Fire and Police)</b>	<b>540</b>	
	<i>The audit will determine if payroll processes and associated internal controls were adequate to ensure personnel were paid accurately related to Kronos implementation.</i>		
<b>A2022-03</b>	<b>Procurement Card Program</b>	<b>240</b>	
	<i>The audit will determine if the procurement card program is managed in compliance with policies and procedures and rebates are received as required.</i>		
<b>A2022-04</b>	<b>Sub Recipient Grant Monitoring</b>	<b>240</b>	
	<i>The audit will determine if the City is monitoring sub recipient activities to provide reasonable assurance that sub recipients are in compliance with grantor requirements.</i>		
<b>A2022-05</b>	<b>Police Department Confidential Funds<sup>1</sup></b>	<b>40</b>	
	<i>The audit will determine if the Police Department confidential funds are managed in compliance with policies and procedures.</i>		
	<b>Total Hours for New Audit Projects for 2021-2022</b>		<b>1060</b>

<sup>1</sup> Project will be started but not completed during the fiscal year.

<b>C. Follow-up Projects for 2021-2022</b>		<b>Estimated Hours</b>	<b>Total</b>
<b>C.1.</b>	<b>Initial Follow-up Audit Projects</b>		
<b>A2020-02F</b>	<b>Accounts Payable Timeliness</b>	<b>180</b>	
	<i>The audit will determine if recommendations in the Accounts Payable Timeliness audit have been effectively implemented.</i>		
	<b>Total Hours for Follow-up Projects for 2021-2022</b>		<b>180</b>
<b>C.2.</b>	<b>Pending Follow-up Audit Projects for Future Audit Plans</b>		
A2016-02F2	Permitting and Inspections	200	
A2018-01F2	Evidence and Property Management	200	
A2016-05F	PRM Nonresident Fees	200	
A2016-06F	Contract Practices and Procedures	200	
A2018-04F	Performance Measures	200	
A2019-04F	Residential Solid Waste Fees	200	
A2019-06F	Code Violation Enforcement and Collections	200	
A2020-01F	Police Payroll	200	
A2021-02F	Wireless Communication Usage	200	
A2020-04F	Vector Fleet Contract	200	
	<b>Total Hours for Pending Follow-up Audit Projects</b>		<b>2000</b>

<b>D. Attestation and Required Projects for 2021-2022</b>		<b>Estimated Hours</b>	<b>Total</b>
<b>D.1.</b>	<b>Initial Attestation Project</b>		
<b>C2022-1</b>	<b>HUB ERP Oracle Access Controls Review</b>	<b>200</b>	
	<i>The review will analyze user access and test for consistency with personnel responsibilities.</i>		
	<b>Total Hours for Attestation Projects</b>		<b>200</b>
<b>D.2.</b>	<b>Required Annual Review Projects</b>		
<b>R2022-01</b>	<b>Proxy Card</b>	<b>80</b>	
	<i>The review is pursuant to City Policy #607 Proximity Card Access to review the proximity card systems to ensure proper controls were followed for activation and deactivation.</i>		
<b>R2022-02</b>	<b>Conflict of Interest</b>	<b>160</b>	
	<i>City of Fayetteville's Code of Ethics. Section 2-95(j) requires annual conflict of interest process to be conducted.</i>		
	<b>Total Hours for Required Annual Review Projects</b>		<b>240</b>

<b>E. Internal Audit Management and Administration</b>		<b>Estimated Hours</b>	<b>Total</b>
	Other City Auditor Duties	160	
	HUB - ERP Validation and Verification Project	120	
	HUB – ERP Support	200	
	Office Management/Support	1180	
	Staff Development	80	
	Approved Holidays	248	
	Approved Employee Leave <sup>2</sup>	894	
	<b>Total Audit Management and Administration</b>		<b>2882</b>
	<b>TOTAL HOURS</b>		<b>5392</b>

<sup>2</sup> Audit hours were reduced by 432 hours for maternity leave and are included in approved employee leave.

<b>F. Future Audit Projects 2022 - 2027</b>		<b>Estimated Hours</b>	<b>Total</b>
	<b>Small Asset Management<sup>3</sup></b>	<b>240</b>	
	<i>The audit will evaluate the adequacy of internal controls, effectiveness, and policy and procedure compliance of the City's small asset management system.</i>		
	<b>Downtown Parking Collection<sup>3</sup></b>	<b>960</b>	
	<i>The audit will evaluate the efficiency and effectiveness of the City's parking management contract with Republic Parking System.</i>		
	<b>Citywide Payroll Processes<sup>3</sup></b>	<b>960</b>	
	<i>The audit will assess the adequacy of internal controls governing the City's payroll process.</i>		
	<b>Off Boarding Access Rights<sup>3</sup></b>	<b>480</b>	
	<i>The audit will evaluate the internal controls related to IT access rights during employee off boarding process.</i>		
	<b>Body Camera Policy Compliance<sup>3</sup></b>	<b>480</b>	
	<i>The audit will evaluate whether body worn cameras were being used and executed in accordance with established laws, regulations, guidelines, policies and procedures.</i>		
	<b>American Rescue Plan Act (ARPA) of 2021 Compliance</b>	<b>960</b>	
	<i>The audit will determine if ARPA funds followed City Council direction and/or grantor guidelines.</i>		
	<b>Emergency Rental Assistance Program (ERAP)</b>	<b>960</b>	
	<i>The audit will determine if ERAP funds followed City Council direction and/or grantor guidelines.</i>		
	<b>CARES Act Funding</b>	<b>480</b>	
	<i>The audit will determine if CARES Act funding followed City Council direction and/or grantor guidelines.</i>		
	<b>Asset Forfeiture Program</b>	<b>320</b>	
	<i>The audit will assess compliance with applicable laws, regulations, policies and procedures.</i>		
	<b>Take Home Vehicles</b>	<b>320</b>	
	<i>The audit will assess compliance with City policies, Federal taxation regulations and internal controls related to take home vehicles.</i>		
	<b>Performance Bond Compliance</b>	<b>480</b>	
	<i>The audit will assess compliance with performance bonds and insurance requirements from contractors to cover the City against risks.</i>		
	<b>Stormwater Drainage Assistance</b>	<b>480</b>	
	<i>The audit will assess if the Drainage Assistance Program (DAP), (City Code Chapter 23-3.2), followed City Council direction.</i>		
	<b>Sales and Use Tax Administration</b>	<b>320</b>	
	<i>The audit will determine if the City is in compliance with State sales tax and use laws and regulations.</i>		
	<b>Fire Inspection Billings and Collections</b>	<b>480</b>	
	<i>The audit will assess the internal control activities in place to capture, bill, and collect fire inspections and related fees.</i>		

<sup>3</sup> Reflects projects from prior year audit plan. Due to limited resources, projects will be considered in future audit plans.

<b>F. Future Audit Projects 2022 – 2027 (Cont'd)</b>		<b>Estimated Hours</b>	<b>Total</b>
	<b>FAST Farebox Receipting</b>	<b>960</b>	
	<i>The audit will evaluate the physical security of farebox receipts, and the processes for processing, preparing for deposit, and reconciling farebox receipts in order to ensure compliance with applicable policies and procedures.</i>		
	<b>Fixed Assets</b>	<b>640</b>	
	<i>The audit will evaluate the internal controls related to tracking, documenting and surplus fleet inventory.</i>		
	<b>Accidents and Subrogation of Claims</b>	<b>480</b>	
	<i>The audit will determine the effectiveness of the City's process for seeking cost recoveries from claims involving damaged City property.</i>		
	<b>Fuel Management</b>	<b>480</b>	
	<i>The audit will evaluate the internal controls related to fuel usage at the City's fueling stations.</i>		
	<b>Dependent Eligibility</b>	<b>640</b>	
	<i>The audit will determine if dependents enrolled in the City's health and dental benefits are eligible based on eligibility requirements established by the City.</i>		
	<b>Billing and Collections of Leases</b>	<b>480</b>	
	<i>The audit will determine if property management of Airport facilities is properly managed to include billing and collections for leases.</i>		
	<b>Accounts Receivable</b>	<b>240</b>	
	<i>The audit will determine if Accounts Receivable are properly managed including collections and bad debt allowances.</i>		
	<b>Airport Parking Operations</b>	<b>640</b>	
	<i>The audit will evaluate the efficiency and effectiveness of the City's parking management contract for the Fayetteville Airport.</i>		
	<b>Airport Rental Car Concession Agreements</b>	<b>960</b>	
	<i>The audit will determine if rental car agencies accurately reported gross revenues and paid monthly fees based on contract terms.</i>		
	<b>Benefits on Leave without Pay</b>	<b>480</b>	
	<i>The audit will determine if internal controls and business processes relating to payments of benefits for employees that are on leave without pay are adequate and effective.</i>		
	<b>Cash Receipts</b>		
	<i>The audit will evaluate the current cash collection processes, policies, procedures and controls over the cashiering functions of the Parks Recreation and Maintenance Department (PRM).</i>	<b>960</b>	
	<b>Total Hours for Future Audit Projects</b>		<b>14880</b>