



AUDIT PLAN
Fiscal Years 2021-2022

Status @ 9/30/20

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Note: Red font indicates changes/updates to the original Audit Plan.

Overview

Most of the Audit Department activities are classified as Performance Audits, as defined by the Government Accountability Office (GAO). Other occasional efforts include Agreed-Upon Procedures (a type of attestation engagement subject to specific standards established by the GAO) and investigations. The Audit Plan includes audits in progress, follow-ups of prior year report recommendations, regularly scheduled audits, and additional efforts being planned, or under consideration for later years.

We expect the City Manager's Office and Department Heads to make special requests for audits or other support. Internal Audit reserves a limited amount of staff time for unplanned projects. It may be necessary to delay a scheduled audit to address a newly identified need.

Performance Audits Planned for Fiscal Year 2021

In Progress – We will complete the audits which were in progress at year-end FY 2020:

- CIP Project Management – The City Manager requested a review of Project Management related to the City's Capital Investment Plan. The Construction Manager at Risk (CMAR) method of project delivery was also evaluated. To supplement the work of Internal Audit, consultants (RSM and Talson Solutions) were engaged to review specific projects. Multiple briefings have been held and departments provided comments on Internal Audit report drafts. Further reviews were conducted in June, and a final report issuance is targeted for July 2020. (Issued 7/23/20)
- CATS BLE Professional Services (Follow-up) – An audit report was issued in March 2019. The objective of the audit was to determine whether CATS had established adequate controls over BLE professional services agreements. Auditors recommended that some overpayments to HNTB be recovered.

A follow-up audit was announced in February 2020 to address the resolution of findings and recommendations, and to examine other City contracts with HNTB. Audit fieldwork has been completed and a draft report is under review with management (CATS, Aviation, CDOT, and General Services-E&PM). Final report issuance is targeted for July 2020. (Issued 8/24/20)

- City-wide Mobile Device Usage – The objective of this is to determine whether there is adequate monitoring of the City’s mobile device/cellphone program. The audit will also seek to determine whether any cost savings can be obtained by more effective controls or administration. A draft report is under review. Final report issuance is projected for July 2020. (Issued 7/30/20)
- CATS Department Procurement – The FY 2020-2021 Audit Plan noted that City-wide and department-specific audits were under consideration. The CATS department was selected for a department-specific procurement audit. CBIZ, Inc. was engaged to assist with this effort and has completed fieldwork for the first phase of the review. (Internal Audit provided an interim report to CATS and General Services-Procurement in September. Internal Audit staff is conducting additional testing. Final report issuance is targeted for November 2020.)
- Procurement Card – The objective of the audit is to assess the performance of Procurement Management’s monitoring controls, with some focus on COVID-19 related purchases. A completion date has not yet been projected. (Issued 9/29/20)

Annual Audits

- Vice Imprest Fund Reimbursements – Upon request from Police about every two months, auditors conduct detailed reviews of imprest documentation. The purpose of each review is to verify the cash on hand and to determine whether officers of the Vice and Narcotics Division adhere to the established policies and procedures for replenishment of funds. An annual report summarizes the results.
- Revenue Collections – Finance staff and the external auditors (Cherry Bekaert) have requested regular audits of City-wide cash collections. Each year, a summary report is completed, detailing findings of several surprise audits conducted throughout the City, and an updated review of the Finance Revenue division controls. (Issued 8/21/20)

Follow-up Audits

Internal Audit regularly follows up the status of planned actions by departments, which are in response to report recommendations. When those actions are substantial, or when implementation is lengthy, a follow-up audit may be required to determine that new controls are effective. One follow-up audit was in progress at year-end (CATS BLE). At least one is under consideration, to address issues raised in the CIP Project Management report noted above.

Fiscal Year 2021-2022 Initiatives

Although unplanned needs can arise and impact the priority of audits, the following are being planned for the two-year period FY 2021-2022. Not all initiatives will be completed in FY 2021.

- Emergency Procurement Controls – An April 2020 Council resolution invoked special exceptions to facilitate COVID-related purchases. This audit will review such transactions initiated throughout the City. (Audit announced 7/10/20; fieldwork will continue through October 2020. Final report issuance is targeted for November 2020.)
- CARES Act Fund Distributions – In May 2020, the City of Charlotte accepted \$154 million in CARES Act funding, with \$70 million designated for Housing and Small Business Recovery Task Force oversight. These funds were intended to address the economic fallout of the COVID-19 pandemic in the United States. Auditors will focus initially on the \$50 million designated for small business recovery and \$20 million for housing relief. (Audit announced 7/15/20; audit fieldwork was completed in September. A draft report for review with management is targeted for October 2020.)
- Procurement – We are assessing risks and previously identified weaknesses for follow-up. As noted above, two procurement-related audits were in progress at year-end (CATS department and Procurement Card). Additional departmental audits are under consideration.
- Construction – Based on prior year audits, Internal Audit noted opportunities to increase controls over capital expenditures. We will perform risk analyses of high profile construction projects and conduct audits of selected projects. Internal Audit will continue to work with CATS, Aviation, Water and General Services, to prioritize additional construction-related audits, in addition to the follow-up audit noted above.
 - An audit of the Convention Center Renovation CMAR was announced August 6, 2020. Talson Solutions has been engaged to assist with this audit of the Holder-Edison-Foard-Leeper (HEFL) agreement. Audit fieldwork is expected to continue through October 2020. A draft report for discussion with management is projected for December 2020.
 - An audit of Water Design-Build construction was announced September 16, 2020. RSM has been engaged to assist with the evaluation of controls over the administration of design-build construction contracts. A completion date has not yet been projected.

- Information Technology Security – Audit contractor RSM completed a review of the City’s IT environment and related risks in FY 2018. Internal Audit has engaged consultant Focal Point to conduct audits with a focus on reducing risks related to cyber-attacks, data leakage, ransomware and other adverse events. We will continue to assess additional risk areas and schedule IT audits as funding and staff resources allow. (An audit of IT Backup Controls was announced August 7, 2020. The firm Focal Point Data Risk has been engaged to assist with the review of the City’s IT backup processes and controls. A completion date has not yet been projected.)
- Financial Accounting Controls – Contractor Grant Thornton (GT) completed a review of controls in February 2018, using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, and identified many opportunities for improvements. Internal Audit will select key issues from the GT report for review.
- Cost Allocation Plan – Overhead costs of support services are attributed to the supported departments. For example, the cost of Legal, Human Resources and Audit services are allocated to the departments which receive those services. This audit will review the rationale and consistency of the model used to assign costs.
- Fraud Awareness and Prevention – While the risk of fraud is considered in every audit, we have not previously conducted testing for the sole purpose of detecting fraud or fraud risks. As audit staff obtains sufficient access to ERP data, we will communicate our risk assessment and planned reviews.

Other Commitments

- An Employee Hotline administered by the Internal Audit Division was introduced in September 2014. Investigations will be conducted as necessary, based upon information supplied by anonymous phone calls to a third-party call center. In FY 2019, an on-line reporting capability was added to the program.
- Management transitions occur periodically within the City. When a department head or Assistant City Manager separates from the City, Internal Audit conducts a close-out review to assess whether policies and procedures have been completed timely, including the return of assets and access to City data. An annual summary of these reviews will be completed.
- Recommendations from each audit are tracked and followed up through completion, as determined by Internal Audit. A Recommendation Status Report has been developed and will be available to departments in FY 2021. With

departmental assistance, the Recommendation Status Report – in dashboard form – will be updated regularly for management’s review. Initially, the dashboard will only be viewable internally. At calendar year-end 2020, we will determine whether the dashboard will be circulated externally by posting a link on the City’s Audit website. (The Dashboard was provided to departments in July 2020.)