



AUDIT PLAN
Fiscal Years 2020-2021

Status @ 6/30/20

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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 2020

In Progress – We will complete the audits which were in progress at year-end FY19:

- ERP/Munis – Consultant RSM reviewed the City's ERP/Munis system. The objective of the review was to determine whether adequate controls have been established over logical security, security administration, operations and change management. In addition, select Munis workflows were reviewed to ensure adequate separation of duties and other key controls exist. (Issued 7/2/19)
- CIP Project Management – The City Manager requested that Internal Audit review Financing and Project Management related to the City's Community Investment Plan. We are reviewing industry best practices and departmental procedures to determine what works well in one or more departments, while identifying areas of potential improvement. At the City Manager's request, an evaluation of the Construction Manager at Risk (CMAR) method of project delivery is also being 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.
- Financial Consultant Contract Management – This review is related to the CIP Project Management audit. Auditors are examining departments' usage of financial

- consultants and assessing compliance with contracting and related procurement policies. (Issued 10/23/19)
- Airport Rental Cars – All rental car companies have been audited over the past three years. Aviation has requested that the rotation be continued. The current audit addresses Enterprise, National, Alamo, Hertz and Dollar rental car agencies. (Issued 11/22/19)
 - Revenue Collections FY 2019 – Auditors continued to conduct unannounced cash collection site visits throughout the City. A summary report is issued annually, documenting the program and highlighting findings, recommendations, and actions taken. This report has been provided to the external auditors since 2015. (Issued 9/27/19)

In Progress Limited Scope Audits (LSAs)

To be responsive to requests, and provide timely input to control issues, the Audit Department undertakes another type of Performance Audit – narrowly defined projects, which are termed Limited Scope Audits. Several such audits were completed in FY 2018 and FY 2019. The following LSAs were in progress at fiscal year-end:

- Terminated Employees and Electronic Devices – Determine whether adequate controls exist to safeguard City-owned mobile devices. (Issued 7/11/19)
- Paid Parental Leave – Determine policy compliance and whether adequate controls exist. (Issued 8/20/19)
- Educational Reimbursements – Reviewing policy and controls. (Issued 12/3/19)

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. (Issued 3/12/20)
- Revenue Collections – (As noted above, in progress at year-end.) Finance staff and the external auditors (Cherry Bekaert) have requested regular audits of City-wide cash collections. A summary report will be completed and a continuing plan for periodic testing will be updated, in consultation with Finance and the external auditors. (Completed for FY 2019; see above.)
- Airport Rental Cars – (As noted above, in progress at year-end.) Aviation has

requested that all rental car agencies be audited on a regular cycle. The audits are being conducted on a three-year rotation. (Issued 5/29/20)

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. Two follow-up audits are planned and additional follow-ups will be considered.

CATS BLE Professional Services – 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 concluded that the acceptance of an unfavorable indirect cost rate contributed to excess labor and overhead charges for Construction Management Services. Auditors questioned \$3-\$6 million in charges, or about 4-8% of the applicable contract with HNTB. Auditors recommended that some of these overpayments be recovered. At year-end, CATS was following up its requests of additional documentation from the contractor. (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, General Services-E&PM). Final report issuance is targeted for July 2020.

- Citywide Overtime – A follow-up to the January 2016 audit report was planned for FY 2019, but paused to allow the completion of other audits in progress. While the audit concluded that overtime was adequately monitored and well-controlled, several recommendations were made to address a few outliers. The follow-up will examine whether the recommendations have been addressed and planned studies have been completed. (Issued 2/27/20)
- Additional Follow-ups Under Consideration – If time allows, we will also consider: Charlotte Business Inclusion (2018) and Airport Parking (2016). (Not scheduled for FY 2020.)

Fiscal Year 2020-2021 Initiatives

Although unplanned needs can arise and impact the priority of audits, the following are being planned for the two-year period FY 2020-2021. Not all initiatives will be completed in FY 2020.

- Construction – Based on prior years 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 E&PM, to prioritize

- additional construction-related audits. (Current construction audit efforts are focused on the Project Management review underway, along with an examination of the CMAR method of delivery, as addressed above. Internal Audit has also contracted with audit/consulting firms to assist with additional construction-related efforts, to be determined.)
- Information Technology Security – Audit contractor RSM completed a review of the City’s IT environment and related risks in FY 2018. Internal Audit brought forward one area (Business Continuity Planning and Disaster Recovery) to management, which received funding in FY 2019. We will continue to assess additional risk areas and schedule IT audits as funding and staff resources allow.
 - 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. (The City’s Finance Department is addressing controls; Audit will coordinate with Finance before selecting areas for additional attention.)
 - Council Threshold Compliance and Controls – Following the October 2017 audit report recommendations, City Council adopted a revised procurement contract threshold in December 2018. This action raised the City Manager’s approval threshold from \$100,000 to \$500,000 for most contracts. The planned audit will assess management’s controls over the contracts covered by this change. (Issued 6/18/20)
 - Procurement – We are assessing risks and previously identified weaknesses for follow-up. In addition to the Threshold audit, Citywide and department-specific audits are under consideration. (An audit of CATS department procurement was announced in February 2020. CBIZ, Inc. was engaged to assist with this effort and has completed fieldwork for the first phase of the review. Additional fieldwork will continue into July. A draft report is expected in August.)
 - Airport Concessions – Auditors have worked with Aviation to identify one or more concessions to review each year, in addition to the rotation of rental car companies. (The airport is also included in city-wide audits, including procurement, revenue collections, etc.) This year, an overall assessment of concession contract management is under consideration.
 - 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.
- Limited Scope Audits (LSAs) – In prior years, auditors met with City departments, who identified over 30 possible audits for our consideration. Several of these were completed in 2018 and 2019 – many using the recently implemented approach which is very focused; i.e., with a limited scope. The original listing has been expanded following annual meetings with departments during our risk assessment process.
 - ❖ An audit of RNC financial requirements related to the security grant, and the City’s readiness to comply has been ongoing for several months. (Issued 2/28/20)
 - ❖ City-wide Mobile Device Usage – The objective of the audit 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.

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.
- Recommendations from each audit are tracked and followed up through completion, as determined by Internal Audit. A Recommendation Status Report will be posted online in FY 2020, and updated regularly.