



**AUDIT PLAN**  
**Fiscal Years 2022-2023**

**Status @ 06/30/2022**  
**With Conclusions and Hyperlinks**

# AUDIT PLAN

## Fiscal Years 2022-2023

Note: Red font indicates changes/updates to the original Audit Plan, and report issuance or planned dates.

Note: Blue font summarizes report conclusions and recommendation status, with hyperlink to full report.

### Overview

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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 2022

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#### *In Progress @ 6/30/21*

- **CATS Department Procurement** – Internal Audit provided an interim report to CATS and General Services–City Procurement in September 2020. Additional audit work has been completed and a draft report was provided to management. A final report is expected to be issued by August 2021. (Issued 8/16/2021)

This audit was conducted to determine whether current policies and practices involving Charlotte Area Transit System (CATS) procurements comply with applicable City policies and procedures as CATS procurements transition into City Procurement.

**Conclusion** – CATS has not consistently followed established City policies for the procurement of goods and services. The two-year transition to City Procurement management has not been effectively implemented.

**Action Plan** – CATS and General Services have taken or begun actions (with support of Finance and Legal) to address all audit recommendations. Internal Audit follow-up reviews will assess the timeliness and completion of the actions planned. The Audit Recommendation report available online will be updated with significant completions and/or any delinquencies and deficiencies.

More needs to be done to effect the transition which began over two years ago. Internal controls will need to be regularly assessed, especially as new processes are implemented, and the responsibilities of the transit management service provider (RATP Dev NA) begin to include additional procurement activities. As a next step, Internal Audit engaged Grant Thornton to conduct a further review of CATS' procurement environment (announced in June 2021), using the Committee of Sponsoring

Organizations of the Treadway Commission (COSO). The term “COSO” refers to a framework of principles and components used to evaluate internal controls. A City-wide COSO review was completed in 2018. A follow up to that review is addressed below.

- **CARES Act Fund Distributions** – In May 2020, the City of Charlotte accepted \$154 million in CARES Act funding. Additional CARES funds were designated for Charlotte Douglas International Airport (\$135 million), CATS transit expenses (\$64 million) and Community Development Block Grant and Economic Solution Grant programs (\$8 million). Auditors focused initially on the \$50 million designated for small business recovery and \$20 million for housing relief. Small business recovery grant funding was later increased to \$58 million. A draft report was provided to management in June, targeting final issuance by August. (Issued 9/29/2021)

This audit was conducted to evaluate the City’s use of Coronavirus Aid, Relief and Economic Security Act (CARES Act) funds designated for City Council approved small business recovery and housing relief programs.

**Conclusion** – Community relief programs were adequately designed to address the economic impact from the pandemic. Controls over the distribution and monitoring of some community recovery programs should be improved to prevent and detect misappropriations. Emergency relief programs can benefit from the lessons learned during these COVID-19 responses.

**Action Plan** – The Economic Development Department and Housing & Neighborhood Services have taken or begun actions to address all audit recommendations. Internal Audit follow-up reviews will assess the timeliness and completion of the actions planned.

- **Financial Accounting Controls** – This audit will focus on assessing various internal controls using the COSO framework and recommendations outlined by Grant Thornton (GT) in its 2018 report. A draft report that summarizes the implementation status of those recommendations will be shared with Finance in July. Discussions with Finance management and final report issuance is expected to be completed in the first quarter of FY 2022. (Issued 8/26/2021)

This audit was conducted to determine whether satisfactory progress has been made in achieving the key recommendations made in Grant Thornton’s review of the City’s internal controls.

**Conclusion** – Limited progress has been made to address Grant Thornton’s most critical recommendations, which can significantly improve City-wide financial accounting internal controls.

**Action Plan** – Finance and HR have taken or planned actions to address all audit recommendations. Internal Audit follow-up reviews will assess the timeliness and completion of the actions planned.

- **Cost Allocation Plan** – The objective of the engagement will be to review the rationale and consistency of the model used to allocate costs. The audit was announced in February. Fieldwork was conducted through June, with a draft report targeted for July. Discussions with Strategy & Budget management and final report issuance is expected to be completed in the first quarter of FY 2022. (Issued 7/22/21)

This audit was conducted to evaluate the rationale and consistency of the model used to allocate costs and whether the costs allocated to City services departments are reasonable, accurate, adequately supported and in compliance with federal guidelines. The scope of the audit focused on the methodology used to develop the FY 2022 CAP.

**Conclusion** – The City’s Strategy and Budget Department (S&B) has developed a CAP that appropriately allocates support costs to City service departments.

**Action Plan** – S&B will update the methodology used for the CAP templates and will modify CAP procedures. Internal Audit is satisfied with responses to audit recommendations and will conduct follow-up to review implementation of actions planned.

- **I&T Patch Management** – Internal Audit engaged Focal Point Data Risk to complete the majority of this audit. The objectives of the engagement will be to assess processes and controls associated with the patch management of servers, databases, firewalls and applications. Discussions with I&T management and final report issuance is expected to be completed in the first quarter of FY 2022. (Issued 12/29/2021)

This audit was conducted to assess controls related to IT patch management. The City’s Internal Audit Department engaged Focal Point Data Risk, LLC for this effort. The audit focused on patch management procedures, roles and responsibilities, inventory and system processes, patch testing and approval, the security exception process, and reporting. Detailed results of this audit are confidential, in accordance with state statutes (G.S. §§ 132-6.1 and 132-1.7).

**Conclusion** – The City has implemented some processes and procedures that incorporate industry best practices relevant to the patch management process; however, the results of testing performed identified various controls that were not designed appropriately, or controls that were not operating effectively.

- **Airport Concourse A CMAR Projects** – Internal Audit engaged RSM to complete a review of Turner Rodgers direct and indirect charges, including labor, travel, vehicle and subcontractor expense to verify compliance with contract terms. RSM will identify and report any opportunities for improvement within the monitoring and administration processes of the CMAR agreement. A draft of the RSM report was shared and discussed with Aviation in March. Final report issuance is expected in July.
- **Cost Analyses of Selected Design Build Projects (formerly Water Irwin Creek Design Build Project)** – Internal Audit engaged RSM to analyze the project cost record and assess price differentials between actual and billed costs the Irwin Creek Sanitary Sewer Replacement project. RSM will identify and report any opportunities for improvement in contracting approaches. Additional projects have been selected for review. A draft report was shared with Charlotte Water in March. Final report issuance is expected in July.
- **CATS COSO Review** – Internal Audit engaged Grant Thornton to perform a review of the CATS’ procurement control environment using the Committee of Sponsoring Organizations of the Treadway

Commission (COSO) framework. Fieldwork will continue through July and August. [Recommendations provided to management.](#)

### 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 2/14/2022)

**Conclusion** – CMPD’s Vice Imprest Fund controls are satisfactory and working effectively.

- [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 9/28/2021)

This audit was conducted to determine whether departments have maintained effective controls over revenue collections and whether Citywide collection activities are adequately monitored. Internal Audit has conducted several unannounced site visits each year since 2015, and shares results with the City’s external auditors.

**Conclusion** – Some revenue controls were not working effectively. The vacant RCO position and challenges in the current work environment, have led to inadequate monitoring of collection activities.

**Action Plan** – Finance, General Services-Procurement and Charlotte Water have taken or planned actions to address all audit recommendations. Internal Audit follow-up reviews will assess the timeliness and completion of the actions planned.

### 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. Audits are under consideration to address issues raised in the Convention Center Renovation CMAR audit report (issued April 2021), the Backup and Recovery audit report (issued February 2021) and the CARES Act Funds Distribution audit noted above. In addition, audits in progress (including CARES Act Fund Distribution and CATS Procurement) may result in follow-up audits.

### Fiscal Year 2022-2023 Initiatives

Although unplanned needs can arise and impact the priority of audits, the following are being planned for the two-year period FY 2022-2023. Not all initiatives will be completed in FY 2022.

- American Rescue Plan Act Funding (ARPA): Similar to the review conducted for CARES Act Fund Distributions audit noted above, the objective of this audit will be to evaluate the City's use of ARPA funds, to ensure that programs are established in accordance with the funding act and any individual grant recipients meet eligibility requirements. **Audit announced in April 2022. A timeline for completion has not yet been determined.**
- Aviation - Fixed Based Operations (FBO): The objective of this audit will be to determine if the Airport has designed an adequate system of controls. These should ensure revenue is accurately reported and the FBO is in compliance with the terms and conditions of the contract. **Audit announced in June 2022. A timeline for completion has not yet been determined.**
- Aviation - Concessions: Each year we work with Aviation to identify one or more concessions to review, in addition to the rotation of rental car companies. One or more specific audits will be identified prior to the fiscal year-end.
- **CATS - Advertising Revenue Contract:** Upon request from CATS, the objective will be to assess controls related to transit advertising revenue processes and determine whether revenue has been accurately reported, billed and collected. **(Issued 4/28/22)**

The scope of the audit focused on the design of internal administrative controls over the contract with Vector Media for advertising services from August 2016 through July 2021.

**Conclusion** - CATS did not implement internal controls to ensure that all amounts due under the advertising concession agreement were accurately reported, billed, and collected.

**Action Plan** - CATS is evaluating the option to bring the advertising program in-house. Should CATS decide to contract for advertising services in the future, it has agreed to implement the recommendations in this report.

- CDOT - Private Developer Funds: The objective of this audit will be to determine whether adequate controls exist to ensure all developer contributions owed are collected, funds are spent as intended, and any unused funds are returned timely to developers. **A draft report was shared with CDOT in June. A final report is expected in August.**
- **CMPD - Body Worn Camera:** CMPD requested this audit. The objectives will be to determine whether cameras are being used in accordance with state statutes and department policies; to compare BWC practices and controls in other cities; and to evaluate whether the use of cameras meets the policy objectives of promoting transparency and accountability. **(Issued 4/18/22)**

The scope of the audit focused on the design of internal controls. Due to a state statute preventing outside parties from viewing BWC footage, auditors were unable to test the effectiveness of several controls. The scope included: CMPD policies on BWC, CMPD training materials, hardware and software used by CMPD, and data generated during BWC program use.

**Conclusion** – CMPD has adequately designed controls for the BWC program, particularly ones ensuring critical events are recorded. Implementation of audit recommendations will help ensure the control system operates effectively and is adjusted as needed over time.

**Action Plan** - CMPD has taken or planned actions to address all audit recommendations.

- **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.
- **General Services – Procurement:** As noted above, one procurement-related audit was in progress at year-end (CATS department). Additional departmental audits are under consideration. **Audit announced June 2022.**
- **General Services - Real Estate:** Internal Audit will conduct a risk assessment to determine a specific scope of work to ensure that the City effectively and efficiently acquires property for City projects and manages assets. **Audit announced in April 2022.**
- **Housing and Neighborhood Services –** Given the City’s focus on housing services (including affordable housing and housing rehabilitation) and discussions with Housing and Neighborhood Services management, Internal Audit is conducting an initial risk assessment to determine areas for audit consideration. **A draft report will be shared with management in July. A final report is expected by August.**
- **I&T - Cybersecurity:** Selected areas will be reviewed to determine whether the City has established effective cybersecurity policies and procedures to promote the protection and resilience of critical technology infrastructure.
- **I&T - Technology Vendor Management:** The objective of this review will be to ensure that appropriate policies, procedures and practices exist to manage I&T-related products and services provided by all types of technology vendors. This includes the search for and selection of vendors, management of relationships, management of contracts, and reviewing and monitoring vendor performance for effectiveness and compliance. **Audit announced in June 2022.**
- **Internal Controls –** As noted above, a financial controls related audit was in progress at year-end. We are assessing the risks of identified weaknesses for follow up.
- **Convention Center Renovation Follow-Up -**The objectives of the audit are to determine whether recommendations from the prior audit were implemented and if the CMAR Holder-Edison Foard-Leeper (HEFL) has complied with contract terms through closeout.

## Other Commitments

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- 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.
- Recommendations from each audit are tracked and followed up through completion, as determined by Internal Audit. A Recommendation Status Report is available to departments. With departmental assistance, the Recommendation Status Report – in dashboard form – is updated regularly for management’s review. The dashboard is viewable internally on CNET.