



AUDIT PLAN
Fiscal Years 2022-2023

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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 2022

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.
- 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.
- 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.

- 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.
- 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.
- 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 timeline for completion has not yet been determined.
- 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 for the Irwin Creek Sanitary Sewer Replacement project. RSM will identify and report any opportunities for improvement in contracting approaches. A timeline for completion has not yet been determined.
- 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. Final report issuance is expected by calendar year-end 2021.

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.

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.
- 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.
- 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.
- 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.

- **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.
- **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.
- **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.
- **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.
- **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.
- **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.

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.
- 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.