



AUDIT PLAN
Fiscal Years 2023-2024

Status @ 03/31/2023
With Conclusions and
Hyperlinks

AUDIT PLAN

Fiscal Years 2023-2024

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

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.

The Audit Plan was developed after conducting interviews with department leadership to assess risks and controls in their respective areas. Consideration was also given to City Council's strategic priorities, as outlined in the FY 2023 Budget.

The City Manager's Office and Department Heads may 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.

FY2022 Audits in Progress

- [Airport Concourse A CMAR Projects](#) – Internal Audit engaged RSM US LLP (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. (Issued August 2022)

Conclusion – RSM noted minor variances between billed to actual costs on the Concourse A Expansion and Renovation projects (total value of \$156 million).

Action Plan – Internal Audit will follow-up the RSM recommendations and management responses to determine that planned actions are completed timely. Internal Audit will consider the impact of Aviation's responses on future construction projects during risk assessment and annual audit planning.

- [Cost Analyses of Selected Design Build Projects](#) – Internal Audit engaged RSM to analyze the project cost record and assess price differentials between actual and billed costs for select design-build projects. RSM will identify and report any opportunities for improvement in contracting approaches. (Issued August 2022)

This analysis was a follow-up to a report issued in May 2021, in which RSM recommended that the City utilize the cost-plus-fee billing method for Design Build (DB) projects.

Conclusion – RSM made observations and recommendations to improve Charlotte Water's construction cost control environment, and to help more closely align the department's administration of its design-build (DB) agreements with industry leaders.

Action Plan – Internal Audit will follow-up the RSM recommendations and management responses to determine that planned actions are completed. While this review was conducted for projects at Charlotte Water, the consultant’s recommendations should be implemented for construction projects citywide.

- [Private Developer Funds](#) – The objectives of the engagement are 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. (Issued August 2022)

Conclusion – The Charlotte Department of Transportation (CDOT) can strengthen internal controls to ensure developer contributions are collected, funds are spent as intended and unused funds are returned timely.

CDOT is committed to creating a Developer Funded Project Procedure Manual that incorporates all the tasks associated with managing a developer project throughout its life cycle. Internal Audit follow-up reviews will assess the timeliness and completion of the actions planned.

- [Housing Trust Fund](#) – The objectives of the engagement are to determine whether adequate controls exist to ensure that the Housing Trust Fund program is administered in accordance with applicable City requirements. (Issued August 2022)

Conclusion – Housing and Neighborhood Services (HNS) has established controls to propose the most appropriate developers for council selection and ensure that properties are maintained in accordance with Housing Trust Fund requirements.

Housing and 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.

- 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.
- [American Rescue Plan Act \(ARPA Funding\)](#) - Auditors will initially focus on ensuring control improvements recommended in the CARES Audit (issued September 2021) have been implemented and gaining an understanding of the process for ARPA program development and allocation. Detailed audit objectives will be communicated after discussions with staff from Economic Development, Finance, Housing & Neighborhood Services, Strategy & Budget, and any other relevant departments, about ARPA program objectives and an initial risk assessment. (Issued December 2022)

Conclusion – ARPA-funded programs were established in accordance with funding requirements. Adequate controls over the disbursement of funds were established and incorporated most control improvements recommended in the CARES Audit. One recommendation remains to be implemented.

Housing has planned actions to address the audit recommendation.

- Real Estate Services – Internal Audit has engaged RSM to determine whether the system of internal controls over the City’s real estate processes is adequate to promote the achievement of management’s objectives. RSM’s initial scope of work (Phase One) will include gaining an understanding of the processes related to acquisitions, appraisals, condemnations, dispositions, and leasing.
- Fixed Base Operations (FBO) - The objective of this audit is 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.
- Procurement Compliance – The objectives of this review are to determine the effectiveness of procurement compliance efforts and to perform department specific reviews of non-compliant areas.
- Technology Vendor Management - The objective of this review is to ensure that appropriate policies, procedures and practices exist to manage products and services provided by technology vendors.

Performance Audits Planned for Fiscal Years 2023 - 2024

Although unplanned needs can arise and impact the priority of audits, the following are being planned for the two-year period FY 2023-2024. Not all audits will be completed in FY 2023.

- Risk Management – Worker’s Compensation, Safety and Occupational Health: Preliminary planning for this review will consider the relationship between enterprise risk management, occupational health and safety programs and their impact on workers’ compensation claims. Final audit objectives will be communicated to management and may focus on one or more areas, including the effectiveness of the City’s third-party administrator for workers’ compensation claims.
- Police Recruiting – CMPD has a set of standards for hiring sworn officers that exceeds standards for the state. The objective of this review will be to determine whether changes to existing standards could result in an increased number of candidates that can effectively serve the community.
- Real Estate Services – As noted above, RSM is conducting a citywide risk assessment of real estate services. Based on the results of that assessment, additional audits of specific departments or areas will be performed, such as leases, appraisals, property exchanges, condemnations, and the use of landbanks.
- User Fees – The City has established both regulatory user fees (to recoup costs associated with providing specific services that are required by law) and non-regulatory fees (to recoup costs of services not related to regulations). The objective of this audit will be to determine whether the City evaluated and set fees in accordance with the City’s User Fee Ordinance and GFOA recommendations.
- Housing and Neighborhood Services – Housing Rehabilitation Program: The objectives of this audit will be to determine whether adequate controls have been established and implemented to ensure that the program is administered in accordance with applicable City or regulatory requirements; program activities are documented and monitored; and disbursements are for eligible, reasonable, and adequately supported costs.
- General Services - Charlotte Business Inclusion/B2Gnow: Internal Audit completed a review of the CBI program in 2018, prior to the implementation of B2Gnow, a diversity and procurement management software. The objectives of this review will be to determine whether adequate controls have been established to help ensure CBI goals are achieved and to determine whether system controls are in place to help ensure the reliability of B2Gnow data and reports.
- CDOT – Vision Zero: The objective of the audit will be to evaluate the effectiveness and efficiency of traffic control operations in relation to pedestrian safety. This will include determining whether adequate controls have been established to help ensure the goals of the City's Vision Zero program are met.
- I&T – Data Governance: The objectives of this audit will be to evaluate the City’s data governance policy as compared to industry best practices and to determine whether departments follow the data

governance policy, including ensuring that all data is cataloged.

- CMPD – Secondary Employment Equity: The objective of this review will be to determine whether the program is designed to equitably assign officers throughout the community.
- Citywide Management of Small Tools and Expendable Equipment: The objectives of the audit will be to evaluate whether adequate internal controls exist to track and monitor assets under the five-thousand-dollar (\$5,000) threshold.

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 January 2023)

Conclusion – CMPD’s Vice Imprest Fund controls are well designed and working effectively.

- [Revenue Collections](#) – Finance staff and the external auditors (Cherry Bekaert) have requested regular audits of citywide 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 September 2022)

Conclusion – Controls over revenue collections are effective and adequately monitored, except for recording the date when checks are received.

Finance has planned actions to address the audit recommendation. Internal Audit follow-up reviews will assess the timeliness and completion of the actions planned.

Internal Audit will be shifting the focus of our future efforts related to revenue audits. Finance’s Internal Control Division will be conducting site visits and will monitor the work the Revenue Division of Finance is performing. Internal Audit will focus on department related revenue process audits rather than surprise cash counts and site visits.

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 follow-up recommendations from prior construction/project management audits as well as the CATS Advertising audit (issued April 2022). Audits in progress (including Technology Vendor Management and Real Estate Services) may also result in follow-up audits.

Audits Under Consideration

Audit priorities are regularly updated throughout the year based on risk assessment, staff availability and the level of requests received. Audits in the following areas may be initiated during FY 2023 – 2024.

- **I&T – ERP Replacement Project:** The City is in the process of searching for an ERP replacement system. In coordination with I&T, Internal Audit may initiate reviews of critical implementation processes which could include data conversion and governance, testing and defect management, and security and internal controls of the selected system.
- **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.
- **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.

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 or on-line reports to a third-party call center.
- 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.