



AUDIT PLAN
Fiscal Years 2025-2026

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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.

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 2025 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.

FY2024 Audits in Progress (at June 30, 2024)

- **CMPD - 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. *(Issued July 2024)*
- **CDOT – Vision Zero:** The objective of the audit is 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. *(Issued July 2024)*
- **Citywide Management of Small Tools and Expendable Equipment:** The objective of the audit is to evaluate whether adequate internal controls exist to track and monitor assets under the five-thousand-dollar (\$5,000) capital threshold. *(Issued August 2024)*
- **I&T - Cybersecurity Program Assessment:** Consultant Ernst and Young, LLP (E&Y) is completing a cybersecurity program assessment. The assessment will include 24 domains that map to the National Institute of Standards and Technology (NIST) cybersecurity framework (CSF). *(Issued August 2024)*

- **Aviation – Off-site Parking:** Aviation requested a review of off-site parking facilities. The objective of the review is to determine whether operators have complied with the off-site parking agreements and have accurately reported and paid revenue due to the City.
- **CATS – Leases:** The objective of this audit is to evaluate the effectiveness of CATS' lease management practices. The audit aims to assess compliance with lease agreements, ensure proper revenue collection, and identify any potential risks or inefficiencies in lease administration. Specific methodology will include:
 - Revenue verification
 - Tenant occupancy
 - Oversight of third-party vendor responsible for lease administration
- **Charlotte Fire – Permits, Inspections and Plan Reviews:** Charlotte Fire collects over \$5 million per year for issuing permits and performing inspections and plan reviews. This audit is focusing on the controls in place related to the billing and collection of revenue, including the systems used to schedule, prioritize, and record the results of the work performed.
- **Charlotte Water – Design Build Follow-Up:** Consultant RSM completed a performance audit and subsequent cost analysis in May 2021 (Report #21-11) and August 2022 (Report #23-01), respectively. This audit will determine whether sound procurement and contract management practices are being followed in connection with water-related design-build construction contracts.
- **Charlotte Water – New Services:** Over \$40 million per year is collected for new connection fees, tap fees and system development fees. The objective of this audit is to determine whether adequate controls are in place for the billing and collection of these fees.
- **CMPD – Criminal Investigations Communications:** CMPD requested a review to analyze the criminal investigations communication process. The preliminary objective is to examine investigative information flow and the policies, processes, and systems associated with it.
- **Finance Risk Management - Safety and Occupational Health:** The objective for this review is to determine whether adequate controls exist to ensure that the Safety and Health program is being administered in accordance with the applicable policy and regulatory requirements. The review may include accident investigation, hazard recognition and control, and safety and health training.

Performance Audits Planned for Fiscal Years 2025 - 2026

Although unplanned needs can arise and impact the priority of audits, the following are being planned for the two-year period FY 2025-2026. Not all audits will be completed in FY 2025. Please note that this schedule was prepared to minimize the impact to the departments most involved in the configuration and implementation of the City's new ERP system.

- **CATS – Transit Operations:** A third party manages the bus drivers, maintenance and parts room workers employed by Transit Management of Charlotte, Inc. (TMC). Auditors will review the agreement between the City and the third-party management company and identify opportunities to improve the organizational structure of CATS or the third-party management company. Auditors will also determine if CATS has established appropriate contract management practices in overseeing the third-party management company.
- **CMPD – Animal Control:** The primary objective of this audit is to evaluate the performance of the animal control function in accordance with established policies, regulations, and best practices. Specific objectives may include:
 - Assessing the effectiveness of animal control procedures in responding to animal-related incidents, complaints, and emergencies.
 - Evaluating the efficiency of resource utilization, including personnel, equipment, and budget allocation, in carrying out animal control activities.
 - Reviewing the compliance of animal control operations with relevant local, state, and federal laws, regulations, and ordinances.
 - Identifying areas for improvement and making recommendations to enhance the overall effectiveness and efficiency of the animal control function.
- **I&T – Cybersecurity:** Consultant Ernst and Young completed a cybersecurity program assessment of 24 identified domains in FY24. Further review of the most critical domains will be conducted to determine whether the City has established effective cybersecurity policies and procedures to promote the protection and resilience of critical technology infrastructure.
- **Citywide Usage of Automatic Vehicle Locator (AVL) Technology:** The objective of this audit is to evaluate compliance with the Automatic Vehicle Locator (AVL) Policy. The audit will assess departments' use of various AVL systems to enhance operational performance, ensure accountability, and prevent unauthorized use of municipal vehicles.
- **Planning – Green Area Guideline:** The primary objective of this audit is to ensure compliance with the Green Area Guidelines as outlined in UDO – Article 20 and

the Charlotte Tree Ordinance (21-8) to ensure proper calculation and collection of payment-in-lieu fees where applicable, and that all funds are appropriately deposited into the Tree Conservation Fund.

- **Housing and Neighborhood Services – Service Requests:** CharMeck 311 serves as the customer contact center providing information and services for customers in the City of Charlotte and Mecklenburg County. This audit is designed to address the key risks associated with overseeing service requests, including those made using the CLT+ app. It aims to ensure that all request channels (call center, online, chat, CLT+) operate securely, efficiently, and in compliance with relevant regulations, ultimately enhancing user satisfaction and service delivery effectiveness.
- **Aviation:** During quarterly meetings with Aviation, potential audits are discussed and prioritized. Aviation requests specific audits based on potential impact and feasibility. Audits will aim to identify and mitigate risks associated with concession operations and management agreements. Key focus areas will include revenue assurance, regulatory compliance, revenue diversion and performance metrics.
- **Citywide - Unspecified Services Contracts:** The objective of this review would be to assess the effectiveness of controls and practices in managing unit price or unspecified services contracts, ensuring that risks related to cost, scope, quality, and compliance are adequately mitigated. Specific objectives may include contract review, cost management, billing and payment controls, and reporting and documentation.

Annual Audit

- **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.

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 the CBI/B2Gnow (issued June 2024) and Vision Zero (issued July 2024) audits. Audits in progress (including Fire Permits, Inspections and Plans Reviews) 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 2025 – 2026.

- **CATS – Asset Management:** The objective of this audit is to assess the effectiveness of CATS' management practices and its compliance with Federal Transit Administration (FTA) rules and regulations. The audit aims to identify any control deficiencies in asset management processes, ensure the proper utilization of resources, and verify adherence to regulatory requirements.
- **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, Charlotte Water and General Services to prioritize additional construction-related audits.
- **General Services – Procurement:** After the implementation of the City's new ERP system, auditors will verify that City staff has configured the new system to adequately address prior procurement recommendations. Focus areas will include blanket purchase orders and after-the-fact purchase orders.
- **Human Resources – ERP Payroll Testing:** After implementation of the new ERP system, the objective of this audit will be to ensure the system's HR module accurately and efficiently processes payroll, adhering to relevant policies, regulations, and standards, while safeguarding against potential risks. Key risks to be addressed include data accuracy, insufficient access controls, inadequate segregation of duties, incorrect payroll calculations, and integration issues.

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 member of senior leadership with access to critical or sensitive data, systems or property separates from the City, Internal Audit conducts a close-out review to assess whether policies and procedures have been completed timely.

- The City is transitioning to a new ERP system. Included in the project are new audit management, risk management, and internal controls modules that required staff time to configure and implement. Additional modules are planned that may include the identification and establishment of various continuous auditing and monitoring systems.
- 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.