



AUDIT PLAN
Fiscal Years 2017-2018
July 2016

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Overview

The majority of the Audit Division 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, 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 2017

In Progress – We will complete the audits which were in progress at year-end FY16:

- Cash Collections Follow-Up FY16 – In October 2015, auditors began conducting unannounced cash collection site visits throughout the City. A summary report is being prepared to document the findings, recommendations, and actions taken during the year.
- P-card Compliance FY15 – Auditors have completed a review of FY15 transactions and provided a summary of preliminary findings to the appropriate departments.
- Airport Rental Cars – At the request of Aviation, auditors initiated a review of Hertz and National, the two largest rental car companies based on market share in August 2015.
- Airport Parking – An Aviation-requested audit of parking revenue controls is nearing completion. In addition to cash collections, auditors are reviewing the automated parking control system, including PCI (Payment Card Industry) compliance.
- Service Contracts – Some early attention has been given to supporting documentation (e.g., RFQs, quotes and insurance certificates) that was not provided in Munis TCM (Tyler Content Management).
- CATS Blue Line Extension Construction – The audit addresses the Civil B and C contract with Lane Construction. Auditors reviewed project management controls related to inspections and measuring, payment applications, scheduling, compliance (DBE, Davis Bacon), change orders and quality control.

- Construction Manager at Risk (CMAR) – This review is focusing on the completeness of processes and controls as they relate to the City’s application of the CMAR delivery method. The majority of the review is being conducted by external consultants RSM (formerly McGladrey), under Audit staff direction.
- Grant Accounting – The preliminary objectives are to ensure that effective controls are in place for the processes and procedures of grant administration. We are reviewing the external auditor’s related work and developing an audit plan which complements their approach.
- Charlotte Business Inclusion – At the request of M&FS-Charlotte Business INclusion (CBI) management, auditors have begun reviewing controls related to MWSBE construction sub-contractors payments.

Annual Audits – The following lists efforts which have historically been completed on an annual basis, and which are expected to continue.

- Bus Operations Division Imprest Fund – We will audit the CATS Imprest Fund and include steps required to meet the needs of the external auditors for the annual (agreed upon procedures) report, as has been done for several years.
- Vice Imprest Fund Reimbursements – Upon request from Police about every two months, auditors conduct detailed reviews of imprest documentation before the fund is replenished. An annual report summarizes the results.
- Cash Collections – M&FS-Finance 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.
- Travel Advance & Expense Reimbursements – Periodic audits of employee expenses have been conducted since FY13. Annual audits of travel expenses are planned, with scopes and approach adjusted to address the audit risk assessment.

Planned / 2017 Initiatives – Although unplanned needs can arise and impact the priority of audits, the following are being planned and should be substantially completed in FY17.

- Business Investment Grants – Neighborhood & Business Services has requested a review of this program.
- Police Secondary Employment – During our audits of payroll and overtime, auditors were made aware of the complexities related to managing police officers’ work hours.
- Airport Concessions – Internal Audit will work with Aviation management to identify the priority for addressing the various concessions at Charlotte-Douglas.

Management has requested that concessions and revenue contracts (including parking, restaurants and retail) be reviewed on a rotating basis.

- Airport Rental Cars – After auditing Hertz and National/Alamo in 2016 (report to be final later in CY16), Airport management has requested that additional rental car companies be reviewed.

Under Consideration – Audit priorities are regularly updated throughout the year. Depending upon staff availability and the level of requests received, the following audits may be initiated during fiscal year 2017:

- Construction Audits – Based on review of change orders and contingency spending, Internal Audit noted opportunities to increase controls over capital expenditures. We will perform risk analysis of high profile construction projects and conduct audits of selected projects.
- 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 obtain sufficient access to ERP data, we will communicate our risk assessment and planned reviews.
- Vendor Controls – This review will include an evaluation of vendor authenticity controls, which were identified in an FY13 audit report. At that time, management responded to audit concerns that Munis would address the existing control weaknesses.

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.
- Recommendations from each audit are tracked and followed up through completion, as determined by Internal Audit.

Performance Audits Planned for Fiscal Year 2018

- a) Airport Contracts and Concessions – Internal Audit will continue to work with Aviation management to prioritize these audits on a rotating basis.
- b) Police Property – Although it has been several years since we conducted a review of Police property controls, our Vice Imprest Fund audit regularly tests a random sample of evidence. In addition, we have observed inventory counts conducted in compliance with CALEA (Commission on Accreditation for Law Enforcement)

standards. Working with CMPD, we will consider a performance audit that will build on these standards as well as review other property controls.

- c) Information Technology – In accordance with professional standards, we will evaluate IT risks which can be addressed via internal audit.
- d) Procurement – Our audit approach for 2018 and beyond will be based upon identified risks, or the need to revisit previously identified weaknesses. Procurement is of such primary importance that audit efforts in this area are expected to continue regularly.
- e) Construction – Internal Audit will continue to work with CATS, Aviation, Water and E&PM, to prioritize additional audits in this area. Auditors will follow-up previous recommendations to improve policies related to construction and will address whether departments are establishing contracts in compliance with new policies/guidelines.
- f) Finance Operations – While the City can rely upon its outside auditor to assess overall controls and determine that financial statements are fairly presented, internal audits can more closely examine operations and performance. We will work with M&FS-Finance and the outside auditors to determine areas in which Internal Audit can best provide additional assurance of effective internal controls.

Audit Division Internal Efforts

- Further develop the Continuous Auditing program
- Develop a Limited Scope audit process
- Increase IT auditing capabilities
- Expand risk analysis
- Increase awareness of Employee Hotline