

Hanover County FY20 Internal Audit Plan



December 5, 2018

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Director of Internal Audit

Background

The mission of the Internal Audit Department is to enhance and protect organizational value by providing risk based and objective assurance, evidence and insight throughout the County to foster and improve organizational processes and operations.

The objectives of the Internal Audit Department are to:

- Develop, implement and execute an annual Internal Audit Plan adopted by the Board of Supervisors;
- Continually evaluate risk environments and systems of internal control;
- Follow-up on prior Internal Audit recommendations and provide departmental assistance;
- Perform special projects to support Board initiatives and assist County Administration;
- Coordinate regional and external audit services;
- Administer a hotline for reporting fraud, waste, and abuse;
- Meet department performance measurement goals; and
- Fully comply with Generally Accepted Government Auditing Standards in all audit work.

The Institute of Internal Auditor's "International Standards for the Professional Practice of Internal Auditing" states the chief audit executive (Internal Audit Director) must effectively manage the internal audit activity to ensure it adds value to the organization. The Internal Audit Director must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

The Hanover County Audit Policy requires that the annual internal audit plan and the results of audit activities be summarized for the Finance Committee of the Board of Supervisors. This FY20 Internal Audit Plan being submitted for your approval was prepared by the Internal Audit Director with concurrence from County Administration.

Audit Plan

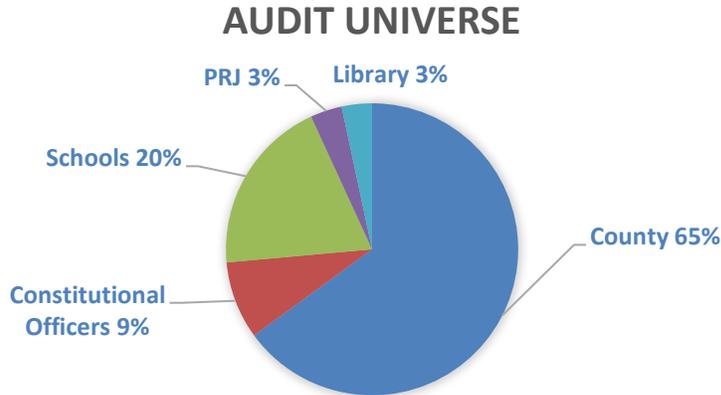
Determining which areas to focus limited audit resources is the key to a successful audit function. With this in mind, the department used a multi-faceted approach to project planning and selection. Our process includes assessing audit risk, soliciting input from County Administration and reviewing department requests and fraud, waste and abuse concerns.

Risk-based auditing examines those areas with the greatest chance of impairing the organization's achievement of its goals and objectives. To assess risk, numerous factors are considered, which include audit history, operational risk, fiscal management, customer service, system growth and/or

changes, key staff turnover and reputational sensitivity. The risk assessment process is a basis for the audit plan so that audit coverage is maximized while reducing risk exposures.

A county-wide risk assessment was completed in May 2016 and identified 227 different auditable areas in the audit universe, which represents approximately 35,000 in audit hours. A list of the auditable area identified in the audit universe is included in Appendix 1.

The composition of the audit universe is as follows:



Audit Resources

Internal Audit Office is comprised of the County Auditor and two professional audit positions. A list of the current members and their respective positions is provided below.

Name	Title
Angela W. Baxter, CPA	Internal Audit Director
Holly B. Garner	Internal Auditor
Gregory L. Harris, CPA	Internal Auditor, Information Technology Lead

Available audit resources represent the total number of staff hours available to provide direct audit services of auditable areas after indirect time for leave, holidays, continuing professional education and department administration have been removed. With the expansion of our FTE from 2.65 to 3.0, we will have approximately 4,100 direct hours available annually going forward.

The following table provides an overview of the allocation of audit resources planned for the fiscal year ending June 30, 2020. The audit plan includes time allocated for investigations resulting from the Fraud, Waste and Abuse Hotline, special projects, audits carried over from previously approved plans, as well as time for new audit areas (designated with an * in the table below).

FY20 Internal Audit Plan

The planned scope of these projects are shown in Appendix 2. Planned scope and objectives are subject to change based upon the results of the audit planning phase. The proposed audit plan includes approximately 10% more audit work than there are available hours, in order to eliminate the risk of idle time.

FY20 AUDIT PLAN

Activity		Audit Resources in Hours
<i>Investigations</i>	Fraud, Waste & Abuse Hotline	200
<i>Special Projects & Department Assistance</i>	Audits and Non-Audit	400
	Department Internal Control Self-Assessment	120
	IT Risk Assessment and County-wide Evaluation	180
		700
<i>Annual Audits Performed</i>	Annual Follow-Up	200
<i>Audits Carried Over</i>	Public Works Fees*	250
	Fire Marshall*▲	250
		500
<i>County Audits</i>	Real Estate Assessment Controls and Processes*^	350
	General Ledger Application Post Implementation Review ^*	250
	General Services –Internal Charge Processes	300
	Fuel Card	250
	Business Continuity Planning*	300
	Email Services and Applications*^	350
		1,800
<i>Other Audit Areas</i>	Pamunkey Regional Jail	200
	Schools	900
		1,100
		4,500

* Denotes new audit area

▲ Denotes high risk area

^ Denotes technology audit

Highlights of the FY20 audit plan include:

- Hanover County’s estimated audit universe is 35,000 hours. With FY20 planned resources, the internal audit life cycle is 8.48 years; recommended average internal audit life cycle is 4 years. The calculation is based upon 3.00 FTE positions.
- First time audit areas represent 1,750 hours or 43% of the proposed audit plan. The plan continues to include repeat audits in areas where value is added based on risk assessment factors.

- As the County continues to undergo significant information system modifications, special projects and department assistance represent a measurable portion of Internal Audit's planned services. In this category you will find new projects such as Department Internal Control Self Assessments and a reevaluation of the IA entity-wide risk assessment.

Previous Audit Plan Accomplishments and Modifications

To date, the following has been accomplished in regards to previously approved audit plans:

- Completed an audit of Parks & Recreation Department.
- Completed the annual follow up of outstanding audit findings.
- Maintained the Fraud, Waste and Abuse Hotline, assessing 11 allegations to date during FY19.
- Completed FOIA requests and related court case activities.
- Provided assistance to the Commissioner of the Revenue, the Treasurer's Office and Public Utilities by providing historical information regarding a variety of tax and banking topics.
- Trained employees on internal controls, ethics and fraud in conjunction with Human Resources.

Closing

The FY20 Internal Audit Plan being submitted for your approval was prepared by the Internal Audit Director with concurrence from County Administration. Your approval represents authorization to modify previously approved audit plans and perform new audits identified in the FY20 Audit Plan.

Distribution List

Cecil R. Harris, Jr., County Administrator
Kathleen T. Seay, Deputy County Administrator
Aubrey M. Stanley, Board of Supervisor – Beaverdam District
Scott A. Wyatt, Board of Supervisor – Cold Harbor District
W. Canova Peterson IV, Board of Supervisor – Mechanicsville District
Wayne T. Hazzard, Board of Supervisor - South Anna District, Finance Committee Chair

Appendix 1

Audit Universe

FINANCE

- Accounts Payable Process▲
- Budgeting Process and Control Monitoring
- Contracts
- Cost Allocation
- Debt Management
- Financial Policies
- Financial Reporting Application
- Fixed Assets
- General Accounting/Reporting & Financial Analysis▲
- General Ledger Application▲
- Grants
- Payroll▲
- Property Control and Fixed Assets
- Purchasing Card▲
- Purchasing Process▲

INFORMATION TECHNOLOGY

- Active Directory
- Application Access Control
- Back-up and Recovery Plans▲
- Change Management
- Computer Room Access
- Computer Support Ticket System
- Edge Security
- Email Servers and Applications▲
- Equipment Inventory
- External Audit Follow-up
- GIS Web-based Services
- HIPAA Data Protection▲
- Licenses and Warranties
- Non - IT Server Application Security
- Password Policies
- Remote Access
- Windows Access Control

ADMINISTRATION

- Cell Phone Service
- County Attorney
- Dashboard/Management Reporting
- Employee Benefits
- Facilities Maintenance
- Fleet Services
- Fleet Services - Radio Shop
- General Services
- Hiring Practices
- Human Resources
- Insurance/Risk Management
- Motor Vehicle Program
- Procurement Cards
- Purchasing Process
- Real Estate Assessments▲
- Splits and Transfers
- Telephone Service
- Tuition Reimbursement

PUBLIC SAFETY

- Fire/EMS
- Fire/EMS Logistics▲
- Fire Marshal▲
- Certifications and Training
- EMS Fees
- Volunteers
- 911 Communications▲
- Radio System
- False Alarm Fees
- Animal Control

HEALTH & HUMAN SERVICES

- Community Corrections
- Community Resources
- Community Services Board
 - CSB Application Systems
 - CSB Other
 - Credentialing and Physician Review Requirements▲
 - HIPPA▲
 - Medication Management▲
- Health Department
- Juvenile Court Services
- Social Services
 - Benefit Programs▲
 - Permanency▲
 - Protection

COMMUNITY & ECONOMIC DEVELOPMENT

- Planning▲
- Development Agreements
- Public Works
- Public Works Fees
- Landfill Transfer Station
- Road Project Accounting
- Airport FBO/Capital Projects
- Parks and Recreation
- Parks and Recreation - User Fees▲
- Parks and Recreation - ActiveNet
- Parks and Recreation - Festival and Events
- Public Utilities - Customer Service and Administration
- Public Utilities - Operations
- Public Utilities - Capital Projects
- Public Utilities - Water Contracts
- Public Utilities - Utility Consumption
- Building Inspections▲
- Cannery

▲ Denotes high risk area

COUNTY-WIDE FUNCTIONS

- Cash Receipts/Petty Cash/Revenue Policy▲
- Communications and Utilities Taxes
- Contract Administration
- Economic Development
- Industrial Development Authority
- Process Change
- Record Retention
- Taxable Income - Uniforms

SCHOOLS - 45

CONSTITUTIONAL OFFICERS - 27

PAMUNKEY REGIONAL JAIL - 8

PAMUNKEY REGIONAL LIBRARY - 9

Appendix 2

Scope and Objectives for Audits

Project Name	Scope	Objectives
Annual Follow-Up	All audit findings originated from audits completed by Internal Audit that were unresolved at the time of the last follow-up report	Has appropriate, timely action been taken to correct conditions noted in prior audits?
Public Works Fees (Carried Over)	Policies, procedures and controls for Public Works Review of fees charged and fees due	Are public works fees charged in compliance with applicable laws, policies and procedures? Do adequate internal controls over fees exist to ensure the effectiveness and efficiency of operations?
Fire Marshall (Carried Over)	Policies and procedures of the Fire Marshall Permit and inspection records review	Are inspections, permits, and fees handled in compliance with legal and regulatory requirements? Are there adequate internal controls over Fire Marshall activities? Are there opportunities to increase the efficiency or effectiveness of permit and inspection processes?
Real Estate Assessment Controls and Processes	Policies, procedures and controls for Real Estate Assessments	Are the valuation processes for residential and commercial properties compliant with state and county codes as it relates to the assessment of real estate property? Are access controls in place for the property records database system (Vision)? Is information regarding changes or reconfigurations to an existing building or property requiring a permit from the County's Planning Department shared with the Assessor's Office? Is the Board of Equalization process properly communicated in compliance with laws, regulations and policies?

FY20 Internal Audit Plan

		When the Board of Equalization decides to make valuation changes, does the Assessor’s office process the changes appropriately and in a timely manner?
Post Implementation Review – General Ledger Application	<p>Policies, procedures, and controls for ONESolution</p> <p>Completeness and Accuracy of Records</p>	<p>Has management implemented adequate and effective controls within ONESolution to ensure sound financial management?</p> <p>Have policies and procedures been updated to reflect process changes since the implementation of ONESolution?</p> <p>Are there proper segregation of duties for the preparation/input and the authorization/review process for transactions?</p> <p>Are there adequate controls regarding system access?</p>
General Services – Internal Charges	General Services policies and procedures for Internal Billing	<p>Are internal service charge allocations well documented so that departments can understand calculations, monitor allocations for errors and make cost control decisions?</p> <p>Are there adequate internal controls over general services internal charges?</p> <p>Are there opportunities to increase the efficiency or effectiveness of internal billing processes?</p>
Fuel Card	County fuel card billing and usage	<p>Are departments and employees complying with county policies for fuel and fuel cards?</p> <p>Are employees entering accurate mileage information at the time of fuel distribution?</p>
Business Continuity Planning	Business Continuity policies and procedures	<p>Are there business continuity plans designed to develop and maintain a program that enables the County to preserve and maintain its capability to function in the event of an emergency or disaster?</p> <p>Is the process for communication between Emergency Management and the support functions adequate to ensure preparedness for emergencies and disasters?</p>

FY20 Internal Audit Plan

		Are policies and procedures compliant with applicable laws, regulations and County Code?
Email Services and Applications	Organizational policies and procedures Data management and record retention	Are employees knowledgeable about organizational policies and procedures regarding compliance email communication? Are employee's knowledgeable about applicable Federal and State laws and regulations regarding specific procedures? Are employees taking necessary precautions to keep its email safe and secure? (i.e. safeguards in place to ensure that any sensitive information transmitted is kept private?)