

# Hanover County FY19 Internal Audit Plan



December 5, 2017

Angela W. Baxter, CPA  
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 FY19 Internal Audit Plan being submitted for your approval was prepared by the Internal Audit Director with concurrence from County Administration.

## Audit Plan

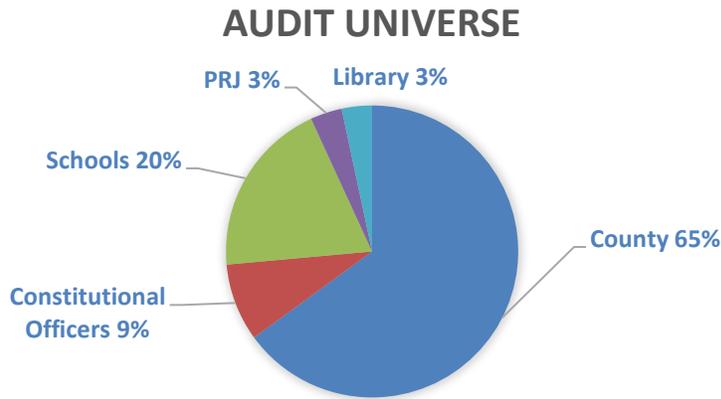
The key to a successful audit function is to determine which areas to focus our limited audit resources on. With this in mind, the department used a multi-faceted approach to project planning and selection. Our process includes assessing audit risk, soliciting input from County Administration and reviewing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

Risk-based audits examine 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:



Internal Audit resources (currently are 2.65 FTE) and professional services for information technology assistance allows for 3,699 direct available audit hour resources during FY19. Available audit resources are defined as 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.

The following table provides an overview of the allocation of audit resources planned for the fiscal year ending June 30, 2019. 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).

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.

FY19 Internal Audit Plan

**FY19 AUDIT PLAN**

Activity	Audit Resources in Hours
<i>Investigations</i>	200
<i>Special Projects &amp; Department Assistance</i>	550
<i>Annual Audits Performed</i>	200
<i>Audits Carried Over</i>	400
	120
	120
	160
	<b>400</b>
<i>County Audits</i>	150
	250
	200
	250
	250
	250
	250
	<b>1,600</b>
<i>Other Audit Areas</i>	200
	850
	<b>1,050</b>
	<b>4,000</b>

\* Denotes new audit area

▲ Denotes high risk area

Highlights of the FY19 audit plan include:

- Hanover County’s estimated audit universe is 35,000 hours. With FY19 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 2.65 FTE positions.
- First time audit areas represent 990 hours or 27% of the proposed audit plan. The plan continues to include repeat audits in areas where value is added based on risk assessment factors.
- The use of professional services for information technology assistance is accounted for in the Special Projects & Department Assistance category above. 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.

## Previous Audit Plan Accomplishments and Modifications

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

- Completed an audit of Take Home Vehicles.
- Completed the annual follow up of outstanding audit findings.
- Provided assistance to departments by providing documentation of a variety of financial systems. The focus has been on Kronos' human resources, timekeeping and payroll related systems.
- Fieldwork for the Building Inspections – Inspections/Code Compliance audit.
- Fieldwork for the Fire EMS – Certifications and Training audit.
- Maintained the Fraud, Waste and Abuse Hotline, assessing 18 allegations to date during FY18.
- Trained employees on internal controls, ethics and fraud in conjunction with Human Resources.

We are seeking approval of the following modifications to the previously approved audit plans:

- Delay the following audits due to system conversions and movement away from the AS400 platform:
  - County Policies
  - Password Policies
  - Real Estate Assessments.
- Cancellation of the Telephone Services Audit as usage evaluations are being completed with building renovations and related employee relocations.

## Closing

The FY19 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 FY19 Audit Plan.

## Distribution List

Cecil R. Harris, Jr., County Administrator  
Kathleen T. Seay, Deputy County Administrator  
Angela Kelly-Wiecek, Chair, Board of Supervisor – Chickahominy 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

**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
- Email Servers and Applications▲
- Equipment Inventory
- External Audit Follow-up
- Firewall
- GIS Web-based Services
- HIPAA▲
- Incident Reporting and Response
- 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 - CLASS
- 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

**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**

▲ Denotes high risk area

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?
Parks & Recreation – Concession Stands	Policies, procedures and controls for concession stand operations	<p>Do Concessions have adequate procedures to receive, handle, safeguard and deposit cash and cash equivalents?</p> <p>Have proper internal controls been developed for inventory?</p> <p>Does staff comply with established procedures?</p> <p>Based on an examination of expenditures and revenues, are there ways the efficiency and profitability of concession operations can be enhanced?</p>
Department of Social Services – Supported Employment Services	Policies, procedures and controls for supported employment services	<p>Have operational policies been developed?</p> <p>Are state requirements being met?</p> <p>Are there operational opportunities to improve customer service provided to those in need of supported employment services?</p>
Cell Phones	County cell phone billing and usage	Are departments and employees complying with county policies for cell phones?
False Alarm Fees	<p>Policies, procedures and controls for false alarm fees</p> <p>Review of fees charged and fees due</p>	<p>Are false alarm fees in compliance with the county revenue policy?</p> <p>Are there adequate internal controls over the assessment, follow-up and collection of false alarm fees?</p>
Debt Management	County debt policy and review of debt	Is the county in compliance with debt policy?

FY19 Internal Audit Plan

		Have appropriate internal controls been designed and implemented for debt management?
Procurement Cards	Policies, procedures, use and controls of procurement cards  Review of transactions	Are procurement card purchases being made in compliance with county and departmental policies and procedures?  Are transactions properly recorded in ONESolution?
Fire Marshall	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?
Cash Receipts – Non Treasurer	Cash collection points in the county other than the Treasurer’s office	Have departments that generate and collect revenues developed proper internal controls for cash receipt processing?  Are proper internal controls being followed in cash receipt processing?
Public Works Fees	Policies, procedures controls for Public Works  Review of fees charged and fees due	Are public works fees charged accurately?  Are there adequate internal controls over fees?
Park Maintenance	Maintenance schedules and activities for all county facilities covered by Parks & Recreation	Have maintenance schedules and standards been established for all locations?  Do maintenance activities comply with established schedules and performance standards?