

Hanover County FY22 Internal Audit Plan



December 9, 2020

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 administrative 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
- 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 audit activity priorities, consistent with the organization's goals.

The Hanover County Audit Policy requires that the annual Internal Audit Plan and audit activities be summarized for the Finance Committee of the Board of Supervisors. The Internal Audit Director prepared the FY22 Internal Audit Plan, which is being submitted for your approval with concurrence from County Administration.

Audit Plan

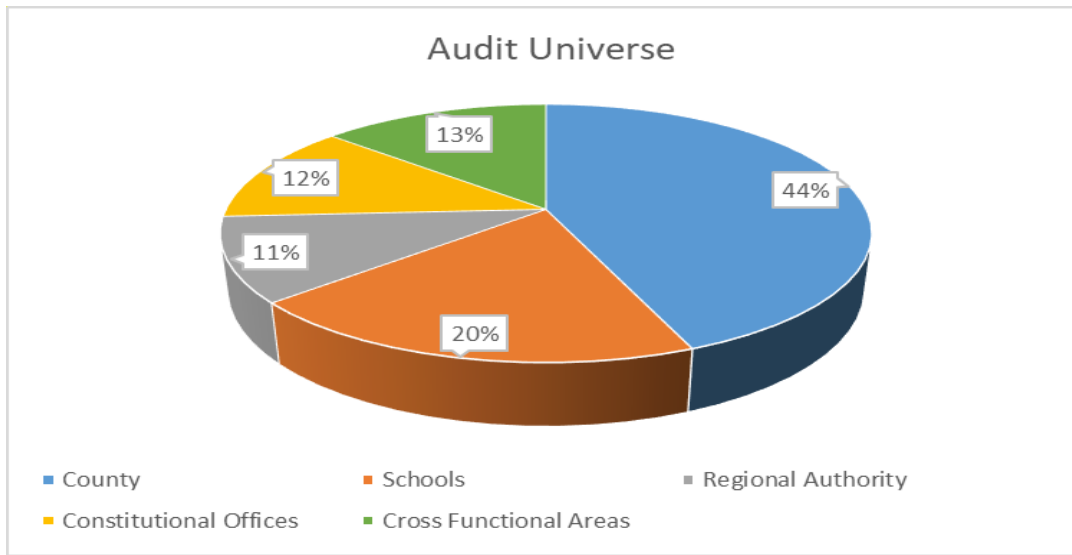
Determining which areas to focus limited audit resources on is the key to a successful audit function. With this in mind, the department used a multi-faceted approach to project planning and selection. Our process includes assessing audit risk, soliciting input from County Administration, and reviewing 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. Numerous factors are considered to assess risk, including audit history, operational risk, fiscal management, customer service, system growth and changes, key

staff turnover, and reputational sensitivity. The risk assessment process is based on the audit plan to maximize audit coverage while reducing risk exposures.

A county-wide risk assessment was completed in September 2019 using a variety of sources. These include County data, such as budget documents and the Consolidated Annual Financial Report, and department work sessions. Internal Audit identified 340 different auditable areas in the audit universe, representing approximately 42,500 in audit hours. A list of the auditable areas identified in the audit universe is included in Appendix 1.

The composition of the audit universe is as follows:



Audit Resources

The Internal Audit Department is comprised of an Audit Director and two professional audit positions. A list of the current members and their respective roles is provided below.

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

With three FTE within the department, there are approximately 4,000 direct audit resource hours available. 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 has been removed.

The following table provides an overview of the allocation of audit resources planned for the fiscal year ending June 30, 2022. The audit plan includes time allocations for audits carried over from

FY22 Internal Audit Plan

previous audit plans, new audit areas (designated with an * in the table below), and investigations resulting from the Fraud, Waste, and Abuse Hotline. Flexibility for Internal Audit to respond to unique project and audit requests as needs arise has been incorporated into the plan. Due to the size of planned audits, the proposed audit plan includes approximately 3% more audit work than available hours.

Appendix 2 outlines the planned scope of the projects. Planned audit scope and objectives are subject to change based on the results of the audit planning phase.

FY22 AUDIT PLAN

Activity	Audit Resources in Hours	
<i>Annual Audits Performed</i>	Annual Follow-Up	200
	Review of Selected Financial Transactions	200
		400
<i>Audits Carried Over</i>	General Ledger Application Post Implementation Review*^	250
	Email Services and Applications*^	350
		600
<i>County Audits</i>	Recruitment, Selection & Hiring Practices*	500
	Public Utilities Application Post Implementation Review*^	500
		1,000
<i>Other Audit Areas</i>	Pamunkey Regional Jail	200
	Schools	900
		1,100
<i>Investigations</i>	Fraud, Waste & Abuse Hotline	200
<i>Special Projects & Department Assistance</i>	Audits and Non-Audit	400
	External Audit Assistance	220
	Professional Services	140
	FOIA Requests	40
		800
		<hr/> 4,100

* Denotes new audit area

^ Denotes technology audit

Highlights of the FY22 audit plan include:

- Post-implementation system reviews continue to be a focus area
- Global assignments that can be applied organizationally continue to be a focus
- First-time audit areas represent 1,600 hours or 39% of the proposed audit plan

Previous Audit Plan Accomplishments and Modifications

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

- Issued the Fire Marshal's Office audit report
- Completed the Annual Follow-Up for both County and Schools
- Maintained the Fraud, Waste, and Abuse Hotline, assessing 14 allegations to date during FY21
- Completed FOIA requests and related activities
- Trained employees on internal controls, ethics, and fraud in conjunction with Human Resources
- Saved \$19,775 in external audit fees for the County by providing professional services to our External Auditors

Additionally, approval to delay the Overtime audit previously approved in the FY21 audit plan is being requested. As a result of COVID-19, we recognize that several departments incurred overtime expenses in response to the pandemic, which could skew the audit.

Closing

The FY22 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 FY22 Audit Plan.

Distribution List

John A. Budesky, County Administrator

Kathleen T. Seay, Deputy County Administrator

Faye O. Prichard, Board of Supervisor - Ashland District

Aubrey M. Stanley, Board of Supervisor – Beaverdam District

W. Canova Peterson, Board of Supervisor – Mechanicsville District, Finance Committee Chairman

Susan P. Dibble, Board of Supervisor - South Anna District

Appendix 1

Audit Universe

COMMUNITY & ECONOMIC DEVELOPMENT

- Building Inspections
 - Code Enforcement
 - Customer Service and Administration
 - Inspections
 - Plan Review
- Economic Development
 - Existing Business
 - New Business
 - Economic Development Authority
- Parks and Recreation
 - Grounds Maintenance & Athletic Fields
 - Hanover Tomato Festival
 - Maintenance Inventory & Equipment
 - Recreation Programs & Events
- Planning▲
 - Code Compliance & Enforcement
 - Current Planning
 - Customer Service and Administration
 - Development Review
- Public Utilities
 - Licensing & Permit Requirements
 - Meter Reading
 - Capital Improvement Program
 - Customer User & Capacity Fees
 - Inventory Management
 - Operations & Maintenance of Public Water & Wastewater Systems
 - Water and Wastewater Regulatory Compliance
 - Water Supply & Wastewater Treatment Contract
- Management
- Public Works
 - Airport Operations & Facilities
 - Cannery
 - MS-4 Program
 - Roads and Transportation
 - Trash and Recycling

GENERAL GOVERNMENT ADMINISTRATION

- Administration Services
 - Accreditations, Certifications & Training
 - Contract Management
 - Emergency Preparedness & Response
 - Protection of Confidential Information▲
 - Record Retention
- Finance & Management Services
 - Accounts Payable Process
 - Budgeting Process and Control Monitoring
 - Cash Receipts/Petty Cash/Revenue Policy▲
 - Capital Projects
 - Community Support
 - Cost Allocation
 - Debt Management
 - Financial Policies & Regulations
 - Fixed Assets
 - General Reporting & Financial Analysis
 - Grant Management
 - Leased Property
 - Payroll Process
 - Purchasing Cards
 - Purchasing Process
- General Services
 - Facilities Management & Services
 - Fleet Management & Services
 - Fuel Management Services
 - Internal Billing & Charges
 - Motor Vehicle Program
 - OSHA Compliance & Safety
 - Facility Security
 - Risk Management & Safety
 - Take-Home Vehicles
 - Telephone System
 - Wireless Service Program

HEALTH & HUMAN SERVICES

- Community Corrections
 - Adult Drug Court
 - Pre-Trial Services
 - Probation
- Community Resources
 - Court Appointed Special Advocate Program
 - Senior Services Program
 - Specialized Transportation
 - Youth Services Program
- Community Services Board
 - Application Systems
 - Credentialing and Physician Review ▲
 - Day Health Support & Rehabilitation ▲
 - Developmental Disabilities Services ▲
 - Drug Inventory Control
 - Employment & Support Services
 - Mental Health Substance Use Disorders ▲
 - RAFT House
 - State Reporting
 - STEP VA Program (Same Day Access) ▲
- Health Department
 - Health Applications & Permits
 - Inspections
 - Opioid Crisis Programs
- Juvenile Court Services
- Social Services
 - Benefit Programs

 - Children's Services Act
 - Fraud Investigation & Complaint Resolution
 - Medicaid Expansion Program
 - Permanency Unit Programs
 - Protection Unit Programs
 - Self-Sufficiency Unit Programs

HUMAN RESOURCES

- Annual Reporting ▲
- Benefit Plans ▲
- Compensation Management
- Fair Labor Standards Act Compliance
- Family & Medical Leave Act Compliance
- HR Policy
- Leave of Absences
- Performance Management
- Position Reclassification
- Recruitment, Selection & Hiring Practices
- Retirement/VRS
- Separation Process
- Training
- Tuition Reimbursement
- Wellness Program

INFORMATION TECHNOLOGY

- Application Management & Support
- Customer Service
- Data Governance ▲
- Data Security, Backup & Recovery ▲
- Identity and Access Management ▲
- Incident Reporting & Response ▲
- IT Asset Management ▲
- IT Governance ▲
- IT Management
- Network Security & Vulnerability ▲
- Protection of Personal & Confidential Information ▲
- Windows Updates

JUDICIAL ADMINISTRATION

- Clerk of the Circuit Court
- Commonwealth's Attorney
- Court Services
- Courts
- Juvenile Court Services

OTHER

Cash and Investments
 County Attorney
 DMV Select Services
 Voter Registration

PUBLIC SAFETY

Animal Control
 Animal Control Operations
 Customer Service and Community Outreach
 Drug Inventory Control
 Emergency Communications
 911 Communications & Emergency Dispatch ▲
 Radio Shop
 Radio System
 Fire-EMS
 Business Continuity Planning (COOP)
 Communications
 EMS Education
 Fire Marshal
 Logistics
 Drug Inventory Control
 Services – Fire, EMS, Hazardous Materials,
 Disaster
 Volunteer Management
 Wireless Service Program
 Sheriff
 Administrative Operations
 Asset Forfeiture
 Community Involvement Programs
 Court Services
 Drug Inventory Control
 Evidence & Property Room
 Investigative Funds
 Investigative Operations
 Records Receipts
 Service Fees
 Sheriff Fees
 Sheriff's Cash
 Uniform Patrol Operations
 Wireless Service Program

▲ Denotes high-risk area

REGIONAL AUTHORITIES

Pamunkey Regional Jail
 Pamunkey Regional Library

SCHOOLS

Administration
 Budget & Finance
 Facilities
 Food Services
 Human Resources ▲
 Instruction
 Technology ▲
 Transportation

TAXATION

Business Licenses
 Business Property Assessment
 Collection of Delinquent Tax Receivables
 Collection of Tax Receivables
 Community Development Authorities
 Local Revenue Audits
 Other Taxes

 Personal Property Assessment ▲
 Real Estate Assessment
 Real Estate Records (Land Book) ▲
 Sales, Use & Utility Taxes (Consumption taxes)
 Tax Reconciliations
 Tax Relief and Discount Programs

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?
Review of Selected Financial Transactions	Policies, procedures, and controls for non-payroll expenditures	Are expenditures properly authorized, documented, and have a legitimate business purpose?
Post Implementation Review – General Ledger Application (Carried Over)	Policies, procedures, and controls for ONESolution	Has management implemented adequate and effective controls within ONESolution to ensure sound financial management?
	Completeness and Accuracy of Records	<p>Have policies and procedures been updated to reflect process changes since the implementation of ONESolution?</p> <p>Is 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>
Email Services and Applications (Carried Over)	Organizational policies and procedures	Are employees knowledgeable about organizational policies and procedures regarding email communication?
	Data management and record retention	<p>Are employees knowledgeable about applicable Federal and State laws and regulations regarding specific procedures?</p> <p>Are employees taking the necessary precautions to keep their email safe and secure? (i.e., safeguards in place to ensure that any sensitive information transmitted is kept private?)</p>

Recruitment, Selection, & Hiring Practices	Policies, procedures, and controls in NEOGOV	Is there an effective execution of recruiting and hiring practices?
	Completeness and Accuracy of Records	Is there effective coordination with hiring departments and clear delineation of roles and responsibilities?
		Have regulations, county, and departmental policies and procedures been complied with?
		Is there proper segregation of duties for the preparation/input and the authorization/review process for transactions in NEOGOV?
		Are there adequate controls regarding system access?
Post Implementation Review -Public Utilities Application	Policies, procedures, and controls in Infinity	Has management implemented adequate and effective controls within Infinity to ensure sound financial management?
	Completeness and Accuracy of Records	Have policies and procedures been updated to reflect process changes since the implementation of Infinity?
		Is there proper segregation of duties for the preparation/input and the authorization/review process for transactions?
		Are there adequate controls regarding system access?