Hanover County
FY21 Internal Audit Plan

December 3, 2019

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 FY21 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 September 2019 using a variety of sources. These include County data, such as budget documents and the Consolidated Annual Financial Report as well as department work sessions. 340 different auditable areas were identified in the audit universe, which represents 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:
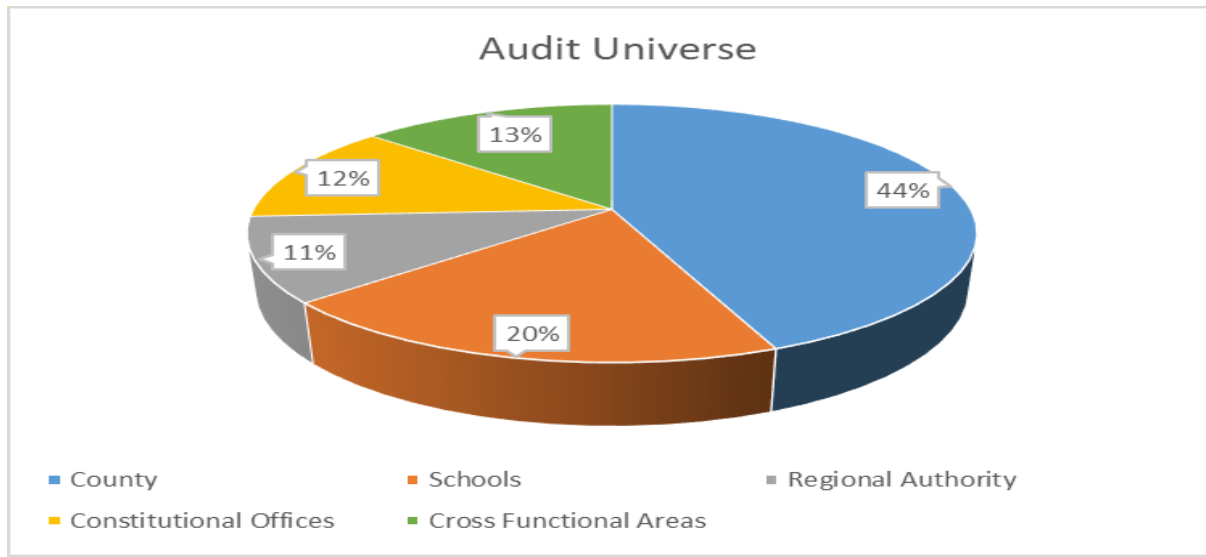
Audit Resources

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, CGAP	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. There are approximately 4,100 direct hours available.

The following table provides an overview of the allocation of audit resources planned for the fiscal year ending June 30, 2021. 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 outlined 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 6% more audit work than there are available hours, in order to eliminate the risk of idle time. The audit plan also provides for flexibility so that the department may respond to organizational needs as they arise.

FY21 AUDIT PLAN

Activity		Audit Resources in Hours	
Investigations	Fraud, Waste & Abuse Hotline		**200**
Special Projects & Department Assistance	Audits and Non-Audit	400	
	External Audit Assistance	220	
	Professional Services	140	
	FOIA Requests	40	
			800
Annual Audits Performed	Annual Follow-Up	200	
	Review of Selected Financial Transactions	200	
			400
Audits Carried Over	General Ledger Application Post Implementation Review ^*	250	
	Email Services and Applications*^	350	
			600
County Audits	Risk Management & Safety – EMEX Post Implementation Review^	425	
	Specialized Transportation*	300	
	Overtime*▲	500	
			1,225
Other Audit Areas	Pamunkey Regional Jail	200	
	Schools	900	
			1,100
			4,325

* Denotes new audit area
▲ Denotes high risk area
^ Denotes technology audit

Highlights of the FY21 audit plan include:

- ➢ Post implementation system reviews continue to be a focus.
- ➢ More global assignments are proposed which have the opportunity to touch on a larger number of departments. Prior year plans included more assignments targeted at single departments rather than topics that can be applied organizationally.
- ➢ First time audit areas represent 1,400 hours or 34% of the proposed audit plan. The plan continues to include repeat audits in areas where value is added based on risk assessment factors.
- ➢ Special projects and department assistance represent a measurable portion of Internal Audit's planned services. In this category, you will find professional services provided to professional audit and accounting organizations as well as assistance to our external auditors.

Previous Audit Plan Accomplishments and Modifications

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

- ➢ Completed an audit of DSS – Employment Services.
- ➢ Completed the annual follow up of outstanding audit findings.
- ➢ Maintained the Fraud, Waste and Abuse Hotline, assessing 5 allegations to date during FY20.
- ➢ Completed FOIA requests and related activities.
- ➢ Trained employees on internal controls, ethics and fraud in conjunction with Human Resources.
- ➢ Updated our policies and procedures to incorporate 2018 Yellow Book Revisions.
- ➢ Updated our risk assessment process and updated the audit universe.
- ➢ Provided Professional Services to our External Auditors, which resulted in a $9,975 credit for the County.

Closing

The FY21 Internal Audit Plan is 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 FY21 Audit Plan.

Distribution List

Cecil R. Harris, Jr., County Administrator
Kathleen T. Seay, Deputy County Administrator
Faye O. Prichard, Board of Supervisor - Ashland District
Aubrey M. Stanley, Board of Supervisor – Beaverdam District
Scott A. Wyatt, Board of Supervisor – Cold Harbor District
Wayne T. Hazzard, Board of Supervisor - South Anna District, Finance Committee Chair

Appendix 1

Audit Universe

COMMUNITY & ECONOMIC DEVELOPMENT	GENERAL GOVERNMENT ADMINISTRATION
Building Inspections	Administration Services
Code Enforcement	Accreditations, Certifications & Training
Customer Service and Administration	Contract Management
Inspections	Emergency Preparedness & Response
Plan Review	Protection of Confidential Information▲
Economic Development	Record Retention
Existing Business	Finance & Management Services
New Business	Accounts Payable Process
Economic Development Authority	Budgeting Process and Control Monitoring
Parks and Recreation	Cash Receipts/Petty Cash/Revenue Policy▲
Grounds Maintenance & Athletic Fields	Capital Projects
Hanover Tomato Festival	Community Support
Maintenance Inventory & Equipment	Cost Allocation
Recreation Programs & Events	Debt Management
Planning▲	Financial Policies & Regulations
Code Compliance & Enforcement	Fixed Assets
Current Planning	General Reporting & Financial Analysis
Customer Service and Administration	Grant Management
Development Review	Leased Property
Public Utilities	Payroll Process
Licensing & Permit Requirements	Purchasing Cards
Meter Reading	Purchasing Process
Capital Improvement Program	General Services
Customer User & Capacity Fees	Facilities Management & Services
Inventory Management	Fleet Management & Services
Operations & Maintenance of Public Water & Wastewater Systems	Fuel Management Services
Water and Wastewater Regulatory Compliance	Internal Billing & Charges
Water Supply & Wastewater Treatment Contract Management	Motor Vehicle Program
Public Works	OSHA Compliance & Safety
Airport Operations & Facilities	Facility Security
Cannery	Risk Management & Safety
MS-4 Program	Take Home Vehicles
Roads and Transportation	Telephone System
Trash and Recycling	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 Post Implementation Review – General Ledger Application (Carried Over)	Policies, procedures and controls for non-payroll expenditures. Policies, procedures, and controls for ONESolution Completeness and Accuracy of Records	Are expenditures properly authorized, documented and have a legitimate business purpose? Has management implemented adequate and effective controls within ONESolution to ensure sound financial management? Have policies and procedures been updated to reflect process changes since the implementation of ONESolution? Are there proper segregation of duties for the preparation/input and the authorization/review process for transactions? Are there adequate controls regarding system access?
Email Services and Applications (Carried Over)	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?)
Risk Management & Safety – EMEX Post	Policies, Procedures and Controls	Has management implemented adequate and effective controls within Risk Management

Implementation Review	Completeness and Accuracy of Records	Software system (EMEX) to ensure sound financial management?
		Have policies and procedures been updated to reflect process changes since the implementation of EMEX?
		Are there proper segregation of duties for the preparation/input and the authorization/review process for transactions?
		Are there adequate controls regarding system access?
		Have critical risks to the county and schools been identified?
		Does data indicate any areas in county or schools that could reduce losses?
Specialized Transportation	Policies, Procedures and Controls	Relating to specialized transportation, are roles and responsibilities clearly defined?
	Grant Compliance	Have policies, procedures and controls been established to ensure compliance with grant requirements?
	Program Performance	
		Has the program achieved its objectives, and/or have gaps been identified?
		Are performance measures concerning program effectiveness and results complete and reliable?
Overtime	Policies, procedures, and controls in Kronos	Is overtime use compliant with established policies and applicable regulations?
	Completeness and Accuracy of Records	Are overtime calculations calculated correctly for on-call employees?
		Determine which departments are incurring overtime?
		Are there any relationships between vacancies, PTO usage and overtime?
		Is there a proper management and monitoring of overtime?