

CITY OF WINSTON-SALEM
INTERNAL AUDIT ANNUAL WORK PLAN
FISCAL YEAR 2021

This Internal Audit Work Plan outlines activities to be conducted by the Internal Audit Division to achieve its goals and objectives, describes the basis for identifying specific areas of audit focus, and summarizes the intended allocation of audit resources.

The organizational goals of the internal audit function include:

- Assist the management team by furnishing objective appraisals and recommendations concerning activities under their responsibility
- Help safeguard public assets and promote cost effective operations
- Promote higher levels of control consciousness among City employees

To assist management, the internal audit function endeavors to be responsive to a variety of service requests that may arise. It is intended that proficiencies shall be maintained for the following types of services:

- Internal control evaluations
- Financial and compliance audits
- Contractor and grantee monitoring
- Special projects
- Consulting projects

These services shall be performed in accordance with the applicable standards of the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* and *Code of Ethics*. These *Standards* will be incorporated into the City of Winston-Salem Internal Audit Operations Manual that will guide recurring operations and activities, including audit planning performance, and reporting processes.

The scope of the internal audit function may extend to any aspect of City operations. Authority is granted for full, free, and unrestricted access to any and all records, properties, and personnel relevant to any City-related activity under review; including access to information that may be considered restricted or confidential.

Audit Planning Approach and Risk Assessment

The goals in developing an audit plan are to primarily focus on areas of greater risk, and to a lesser extent, obtaining coverage throughout the organization. A risk assessment is performed each year to identify potential audit targets. Risk is informally evaluated through interviews with management and staff, knowledge of operations, and current events. Executive management focus, changes in management, judgment and non-routine processes, and potential damage to reputation are also considered as well as prior audit coverage or audit coverage performed by others.

The scope of each audit engagement is determined as deemed appropriate by the circumstances; with consideration given to specific areas of perceived risk, the approach likely to produce the most effective results, and the efficiency with which the audit can be performed. The majority of audit engagements are focused on operational units under a distinct line of management. However, more effective results can sometimes be obtained by focusing the scope on a process that crosses more than one operational unit.

Internal Audit Resources

Internal Audit resources consist of two full-time staff auditors and an administrator with a goal of allocating at least 70% of total available staff hours and 50% of total administrator hours directly to internal audit project activities. This provides 3,900 total hours of direct audit effort annually. The remaining hours are allocated to staff meetings, training, and general administration.

A portion of internal audit resources are reserved for special projects that can be assigned by management throughout the year. Such projects include incident investigations, assistance with the design or implementation of process or system application changes, and assistance with the implementation of new regulations or programs. A portion of audit resources are also reserved for training to improve and maintain competencies.

Direct internal audit activities include audit engagement planning, performing audit procedures, reporting, work paper retention, and audit administration. Audit administration includes annual planning, tracking the status of prior audit findings, and other administrative responsibilities.

Fiscal Year 2021 Audit Focus

At the present time, the Internal Audit Division performs an annual compliance audit of at least one City function based on direction from the City Manager. This audit identifies applicable laws, regulations, and policies. Then tests of compliance are developed and performed.

The Internal Audit Division also performs recurring annual reviews of purchasing practices for at least two City Departments, review of personal identifying information controls for at least one City data group, and inventory observations for five locations.

The planned allocation of internal audit resources follows:

Larger Scope Projects:

- 1) Vendor Selection Compliance Audit – Examine discretionary spending over \$20,000 for compliance with City administrative policies concerning local vendors and Minority/Woman Business Enterprise businesses.
- 2) Controls over Personal Identifying Information Review (1 data group) – Identify personal information retained in City files and databases, assess associated internal controls intended to prevent disclosures that could lead to identify theft, and assess existing plans and procedures for responding to a data loss event. Coverage will be limited to crime and victim information retained.

- 3) Ricoh Printing Services Contract Audit – Assess vendor’s delivery, test amounts invoiced, test compliance with agreement terms, and assess the effectiveness of City administrative management.
- 4) Recreation Centers Cash Control Audit – Identify and evaluate controls over cash and test compliance with City administrative policies.

Other Projects:

- 5) AVL Vehicle and Equipment Verification Project – Compare vehicles and equipment within the FASTER and AVL systems and investigate differences.
- 6) Marketing and Communications Department Purchasing Practices Audit – Examine purchasing card, purchase order, and request for check transactions for compliance with City administrative policies.
- 7) Community Development Department Purchasing Practices Audit – Examine purchasing card, purchase order and request for check transactions for compliance with City administrative policies.
- 8) Bond Financed Construction Project Audits (2 projects) – Assess vendor’s delivery, test amounts invoiced, and assess the effectiveness of City administrative management.
- 9) Mowing Contracts Audit Follow-up – Assess corrective action taken toward issues identified in the fiscal year 2019 Mowing Contracts Audit.
- 10) Evidence Management Compliance Audit Follow-up – Assess corrective action taken toward issues identified in the fiscal year 2018 Evidence Management Compliance Audit.
- 11) Powell Bill Expenditure Review – Examine expenditures to be reported to the NCDOT for accuracy and compliance with state laws and regulations.
- 12) Inventory Observations (5 locations) – Perform physical counts and verify recorded cost values.

Other Projects:

- 13) Special Projects – Perform incident evaluations, longevity pay review, consultations, and other special projects as directed by management.

This audit plan may be amended during the year as circumstances dictate. Instances may occur where initial audit findings warrant an expansion of audit scope for an engagement in progress. Events may also occur where higher risk, not previously identified, is assessed for a specific area and resources are redirected.

Audit Results and Reporting

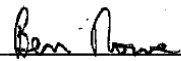
When designing the scope of audit procedures to be performed for a particular audit engagement, a general understanding of operations, related workflow, and the internal control environment is obtained and a preliminary evaluation of internal controls is performed. Based on the preliminary evaluation, specific processes with higher risk are identified and associated audit procedures are developed. The scope of procedures performed will not cover every aspect of an area's operations. Likewise, the procedures developed are designed to provide reasonable, but not absolute, assurance that all processes are functioning as intended.

Any preliminary audit findings are discussed with management to verify facts and circumstances. Recommendations to mitigate the focus of any findings are developed and offered for consideration. An audit report is drafted and shared with management along with a request for management responses. Management responses are incorporated into the report and a final report is distributed to all members of management affected including the direct reporting relationship in the City Manager's office.

Approvals:



Performance and Accountability Director

 7/14/20

Assistant City Manager