

Information Item

Date: August 10, 2021

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager
Scott Tesh, Performance and Accountability Director

Subject:
Internal Audit Division Annual Report for FY 2020-2021 Work Plan Items

Strategic Focus Area: Service Excellence

Strategic Objective: Expand Policy, Reporting, and Oversight Mechanisms

Strategic Plan Action Item: No

Key Work Item: Yes



The City's Internal Audit Division is an autonomous assurance and consulting service designed to add value and improve the City of Winston-Salem's operations by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The organizational goals of the Internal Audit Division include assisting the management team by furnishing objective appraisals and recommendations concerning activities under their responsibility, helping safeguard public assets and promote cost effective operations, and promoting higher levels of control consciousness among employees.

To promote the quality of services provided, all activities are performed in accordance with the applicable standards of the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing and Code of Ethics. Common Internal Audit services include consulting projects, contractor and grantee monitoring, financial and compliance audits, internal control evaluations, and special projects and investigations.

At the present time, the Internal Audit Division's annual work plan usually includes the following items:

- Reviews of purchasing practices for at least two City Departments
- Review of personal identifying information controls for at least one City data group
- Inventory observations for five locations
- Compliance audit(s) based on direction from the City Management
- Other projects as identified through an internal risk assessment

The following Internal Audit Division projects were completed during FY 2020-2021 or are in progress to be completed in early FY 2021-2022:

- Inventory Observations (Winston-Salem Transit Authority, R. A. Thomas Water Plant, Fleet Services, Manson Meads, and Central Warehouse) – Performed physical counts and verified recorded cost values.
- Powell Bill Expenditure Review – Examined expenditures to be reported to the NCDOT for accuracy and compliance with state laws and regulations.
- *Cash Receipts Compliance Audit (Winston-Salem Transit Authority) – Tested compliance with state laws and regulations and department policies and procedures for the handling, receipting, and reporting of cash.
- *Residency Requirement Compliance Audit – Examined residency policy affidavits for compliance with the City Administrative Residency Requirement Policy and Residency Compliance Memo.
- Vendor Selection Compliance Audit – Examined discretionary spending over \$20,000 for compliance with City administrative policies concerning Minority/Woman Business Enterprise businesses.
- Controls over Personal Identifying Information Review (Crime and Victim Data) – Identified personal information retained in City files and databases, assessed associated internal controls intended to prevent disclosures that could lead to identify theft, and assessed existing plans and procedures for responding to a data loss event.
- Marketing and Communications Department Purchasing Practices Audit – Examined purchasing card, purchase order, and request for check transactions for compliance with City administrative policies.
- Mowing Contracts Audit Follow-up – Assessed corrective action taken toward issues identified in the fiscal year 2019 Mowing Contracts Audit.
- *Winston-Salem Fire Department Climate Assessment – Assisted WPR Consulting LLC by scheduling focus group meetings and gathering information regarding diversity, inclusion issues, and contract action items. Assisted in the facilitation of focus group meetings with city staff and community leaders. Assisted in the facilitation of a comprehensive diversity and inclusion training module.
- Automatic Vehicle Locator (AVL) Vehicle and Equipment Verification Project – Comparing vehicles and equipment within the FASTER and AVL systems and investigating the differences. This project was placed on hold due to required year-end activities. Completion is planned for early FY 2021-2022.

- Bond Financed Construction Project Audits (2 projects) – Assessing vendor’s delivery, testing amounts invoiced, and assessing the effectiveness of City administrative management. This project was placed on hold due to required year-end activities. Completion is planned for early FY 2021-2022.
- *AVL Speeding and Idling Compliance Audit – Examining speeding and idling notifications from the AVL system for compliance with the Idling and Speeding sections of the Vehicle/Equipment Management Policy. This project was placed on hold due to required year-end activities. Completion is planned for early in FY 2021-2022.

**Projects were not included in the original Internal Audit Division Annual Work Plan for FY 2020-2021.*

The following Internal Audit Division Annual Work Plan projects were deferred during FY 2020-2021 with plans to be performed at a later date:

- Ricoh Printing Services Contract Audit – This audit was deferred in the interest of obtaining a representative time period under the recently renegotiated Ricoh Printing Services Contract. This audit is included in the Internal Audit Division’s Annual Work Plan for FY 2021-2022.
- Recreation Centers Cash Control Audit – This audit was deferred due to substantially decreased cash intake at the City’s Recreation Centers as a result of the COVID-19 pandemic. This audit is included in the Internal Audit Division’s Annual Work Plan for FY 2021-2022.
- Community Development Department Purchasing Practices Audit – This audit was deferred to provide additional staff hours required for the Mowing Contracts Follow-up Audit and Winston-Salem Fire Department Climate Assessment.
- Evidence Management Compliance Audit Follow-up – This audit was deferred in the interest of adding the AVL Speeding and Idling Compliance Audit to the Internal Audit Division’s FY 2020-2021 project list. This audit is included in the Internal Audit Division’s Annual Work Plan for FY 2021-2022.

Audit reports and other activities completed by the City’s Internal Audit Division from FY 2020-2021, including findings, observations, and management responses, are detailed in Appendix A. Copies of all Internal Audit reports can be found on the City’s website (<https://www.cityofws.org/208/Internal-Audit>).

Going forward, Internal Audit Division Work Plan Status Reports will be provided to City Council on a quarterly basis.