



# 2019 AUDIT PLAN

Internal Audit Department

**Wendell M. Davis**

County Manager

**Darlana M. Moore**

Internal Audit Director

# Auditor's Letter

We are pleased to present the 2019 Audit Plan for Durham County's Internal Audit Department.

Internal Auditing is a method of self-appraisal. It is our mission to provide an independent appraisal function within the County. To accomplish this, the County's operations are divided into audits based on our assessment of the risks involved with those operations. Next, an annual audit plan is developed to schedule a time frame for the audits.

The Internal Audit Department has created an Audit Plan of integrated audits that incorporate performance, financial and fraud detection objectives. The Plan delivers value and impact for Durham County and will be conducted following the highest professional standards.

In drafting this plan, we considered input from a wide range of sources and people. We met with senior management to gain a better understanding of their unique operational risks and challenges. Our goal is to develop continuous monitoring of diverse data sources to mitigate risk on a day-to-day basis and to identify emerging risks, allowing us to concentrate our work in areas where it will have the greatest impact.

We thank management for their support in crafting the audit plan. We are confident that once the 2019 Audit Plan is executed, the County will benefit from the improved operation of the entities involved. Please feel free to contact me directly at [damoore@dconc.gov](mailto:damoore@dconc.gov) or (919) 560-0042.

*Darlana M. Moore*



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# Audit Standards

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The Audit Charter directs the department to conduct its audit engagements in accordance with Generally Accepted Government Auditing Standards (GAGAS) as promulgated by the Comptroller General of the United States. GAGAS standards, commonly referred to as “Yellow Book Standards,” are accepted universally as auditing standards for government operations and include Institute of Internal Auditors and American Institute of Certified Public Accountant standards as applicable. GAGAS standards are intended to ensure the integrity and competency of the audit process and the quality of the audit report. The standards require independent as well as competent and able staff.

In November 2014, the department underwent its second Peer Review. Peer reviews assess an audit department's internal policies and procedures for quality control as identified by GAGAS standards. Reviews determine and provide assurance that the entity's quality control systems provide reliable information and that auditors comply with those systems. The reviewers' determined that Durham County's quality control systems were adequate and the department's audits were in compliance. The Association of Local Government Auditors (ALGA) reviewers, under the direction of its Peer Review Committee, conducted the review. The next Peer Review should be conducted prior to August 2018.



## Oversight Committee

**Arnold Gordon**

**Committee Chair**

Citizen Member

**Harrison Shannon**

**Committee Vice Chair**

Citizen Member

**James Hill**

**Committee Secretary**

County Commissioner

**Wendy Jacobs**

**Committee Member**

County Commissioner

**Manuel Rojas**

**Committee Member**

Citizen Member

**Wendell Davis**

**Non-Voting Member**

County Manager

**Heidi Carter**

**Alternate Member**

County Commissioner

# Planned Audits

	Estimated Hours	
<b>Continued 2018 Audit Projects</b>		
Accounts Payable Controls	450	
Performance Measurement and Quarterly Reporting	600	
		<b>Total</b>
		<b>1050</b>
<b>2019 Audit Projects</b>		
Sheriff Turnover Audit	800	
Countywide Payroll Overtime	960	
Peer Review	150	
Register of Deeds	450	
County Cash Audit	450	
EMS Procurement Audit	600	
Child Protective Services, Adult Protective Services, and Foster Care Audit	454	
		<b>Total</b>
		<b>3864</b>

# Planned Audits

	Estimated Hours	
<b>2018 Audit Project Follow-up</b>		
Contract Monitoring Audit	120	
Judicial Building Renovation Audit	120	
Cash Surprise Visits	50	
<b>Total</b>		<b>290</b>
<b>Audit Management and Administration</b>		
Staff Development	330	
Office Management and Support	142.5	
Approved Holidays	316	
Approved Employee Leave	247.5	
<b>Total</b>		<b>1036</b>
<b>Total Hours</b>		<b>6240</b>

# Planned Audits

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## Accounts Payable Controls

Accounts Payable is an inherently high-risk activity. The County's accounts payable program was last reviewed in fiscal year 2009. At that time, Internal Audit conducted tests to determine if fictitious or inappropriate vendors were included in the vendor inventory and if payments were accurate and timely. Internal Audit also examined the processes to determine if invoices were valid and lacking duplication. One of the recommendations at the time was that the vendor file be purged regularly to keep it free of inactive or otherwise inappropriate vendors.

## Continued 2018 Audit Projects



# Planned Audits

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## Performance Measurement and Quarterly Reporting

Durham County Government has adopted a Managing for Results model to guide its operations. That model relies heavily upon data to guide practices and to measure accomplishments.

Accomplishments are communicated via "quarterly reports" and are distributed to various stakeholders including the public as appropriate. Internal Audit's role is to assess report information for accuracy, reasonableness, and usefulness in relation to informing stakeholders about how well programs are performing and meeting established goals. In summary, the objective of the audits will be to determine if performance and quarterly reports provide information that is relevant (logically related to pertinent performance expectations) and reliable (verifiable and free from biases). Along with review of the quarterly reports, Internal Audit will conduct benchmarking exercises related to performance evaluation and reporting metrics.

## Continued 2018 Audit Projects

# Planned Audits

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## **Sheriff Turnover Audit**

This audit will verify that equipment items on hand agree with inventory records, authorized amount of cash on hand, depository account balances reconcile with receipts and records, trust ledgers reconcile to bank statements and inventory ledgers are accurate.

## **2019 Audit Projects**

## **Countywide Payroll and Overtime**

This audit will assess the adequacy of internal controls governing the County's payroll process. Audit objectives may include a review to determine if the County's payroll process employs effective controls to reasonably assure employees are paid accurately and on time, and payments are made to legitimate County employees.

## **Peer Review**

Government Audit Standards (GAO Yellow Book) and Institute of Internal Auditors (IIA Professional Practices Framework) require an evaluation of the department's methodology and quality controls.

# Planned Audits

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## 2019 Audit Projects

### **Register of Deeds**

This audit will (a) assess the adequacy of the department's internal control structure in place for the receipt, recording, depositing, reporting, and safeguarding of fees; (b) determine the effectiveness of the internal control structure over revenues; (c) determine the causes for any system weaknesses; and (d) determine compliance with applicable laws, rules, and regulations.

### **Countywide Cash Audit**

This audit will assess whether departments handling cash are following established County policies and will evaluate the current effectiveness of cash handling controls.

### **EMS Procurement Audit**

This audit will assess whether the department is complying with County procurement policies and procedures.

### **CPS, APS and Foster Care Audit**

This audit will assess whether federal, state and local laws are being adhered to concerning Adult and Child Protective Services and Foster Care.

# Planned Audits

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## **Contract Monitoring Audit**

This review will determine if previously identified audit findings have been remediated by management as stated in management's responses.

2018 Audit Project Follow-up

## **Judicial Building Renovation Audit**

This review will determine if previously identified audit findings have been remediated by management as stated in management's responses.

## **Cash Surprise Visits**

These unannounced visits will assess whether departments are effectively adhering to County policy concerning the cash handling process.

# Planned Audits

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## **Staff Development**

Professional staff of the Internal Audit department is required to obtain professional education each year.

## **Office Management and Support**

This category describes the time Audit spends in meetings or completing ad hoc and miscellaneous assignments (i.e., administrative tasks, prepping for quarterly AOC meetings, etc.).

## **Approved Holidays**

This category describes leave for approved holidays for all staff.

## **Approved Employee Leave**

This category describes leave earned and taken each year as personal leave and leave taken for medical purposes.

## **Audit Management and Administration**

# Selection Process

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## **Determining what to Audit**

Developing the audit plan is an ongoing process, conducted by assembling ideas from a variety of sources, examining a broad range of County activities, and then assessing risk factors in tandem with additional considerations. By evaluating potential audits from a variety of perspectives, the Audit Department seeks to provide widespread audit coverage both in terms of the types of audits performed and the entities assessed. This approach results in a diverse list of departments, programs, activities, and contracts that are examined to determine the extent to which they are operating efficiently, effectively, and in accordance with program or contract requirements.

# Selection Process

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In developing a list of potential audits, ideas come from a variety of sources:

- Assessments of operations and controls derived from previous internal and external audits, including independent audits of the County's Comprehensive Annual Financial Report (CAFR), the audit of federal compliance, and audit management letters;
- Input from operational management, and staff;
- Benchmarking against the audit priorities of other governmental entities;
- Consideration of current local events, financial conditions, major capital projects, and public policy issues; and
- Established industry risk-assessment criteria, including from the U.S. Government Accountability Office and the Institute of Internal Auditors.

# Selection Process

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A functional audit plan will assess a broad range of County activities, including:

- Organizational units within a County agency;
- Individual County programs and activities;
- Transaction cycles or processes that affect more than one County function or department, such as contract procurement and purchasing, cash handling, human resources, and/or information technology;
- Individual financial statement accounts and transactional areas, such as capital assets, leave liability, accounts payable, and payroll; and
- Contracts and agreements between the County and third parties.

Potential audits are identified and prioritized using a risk-based approach by examining a variety of factors that may expose the County to fraud, misappropriation of funds, liability, or reputational harm.



# Selection Process

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Accordingly, risk factors are assessed by reviewing:

- Size of department, program, activity, or contract
- Size of budget
- Compliance and regulations
- Pending or recent legislation
- Complexity of transactions
- Fiscal sustainability
- Critical IT systems (hardware and software)
- Management accountability
- Quality of internal control systems
- Age of program, operation, or contract
- Audit history
- Public health and safety
- Critical infrastructure
- Short-term and long-term strategic risks
- Related litigation
- Relevant case law
- Emerging risk areas

# Selection Process

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Risk factors are periodically evaluated and modified as necessary. In tandem with risk-based considerations, some additional considerations also provide practical guidance in determining which audits to pursue. First and foremost, resource constraints within the Internal Audit Department inherently limit the amount of audit work performed in one year.

After the plan is finalized, new information may come to light; situations, initiatives, priorities, and risks within the County may change. The flexible nature of the audit plan as a living document provides the discretion to change course when it is in the best interest of the County.

The Internal Audit Department extends its gratitude and appreciation to the County Manager and the County's operational management for providing input on the 2019 Audit Plan and for supporting the general mission of our department throughout the year.

# Auditor's Authority

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The Internal Audit Department provides independent oversight of how tax dollars are spent to fund the County's many services, initiatives, and programs. Section II of the the Audit Charter establishes this independence and provides for the Auditor's general authority and duties. The Charter also establishes the Audit Committee, through which we report our audit findings.

## **Audit Director**

The County's Audit Charter establishes the reporting structure. The Internal Audit Director reports to the County Manager for day- to-day operations. The Audit Oversight Committee (ACO) has oversight responsibilities of the audit function and activities. The Internal Audit Director is independent from all other elected officials and operational management.

## **Audit Committee**

The County Charter establishes an independent Audit Committee, chaired by a member citizen, two additional citizen members, two County Commissioners, the County Manager (ex-officio), an additional County Commissioner (alternate member), and the Audit Director.

# Auditor's Authority

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## **Comprehensive Access**

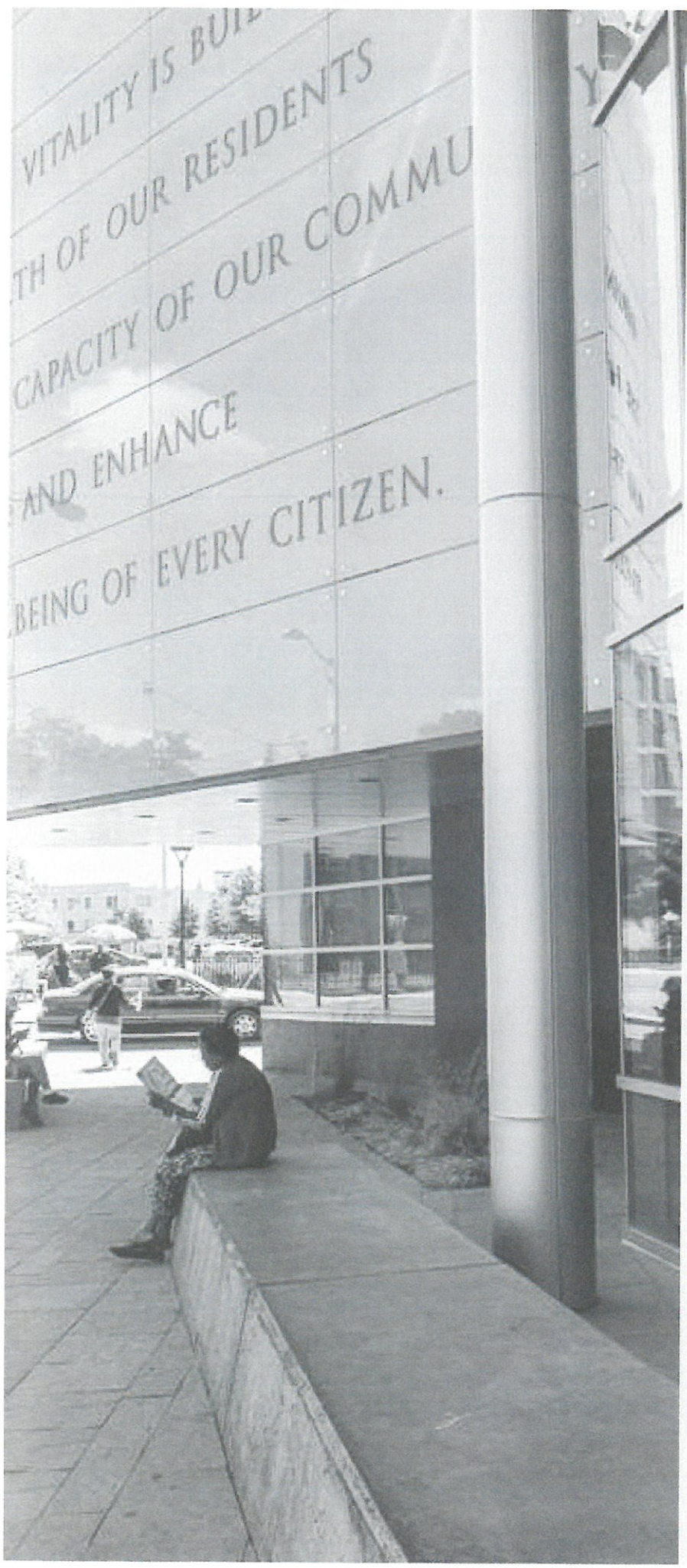
The County Charter authorizes the Audit Director and staff to have access to all officers, employees, records, and property maintained by Durham County, and to all external entities, records, and personnel related to business interactions with the County.

## **Audit Response Requirements**

The County Charter requires that audited County departments formally respond to all audit findings and recommendations, establishing the Audit Department's ability to work in conjunction with these departments while maintaining its independence.

## **Adherence to Professional Audit Standards**

The Internal Audit Department conducts all audits in accordance with Generally Accepted Government Auditing Standards promulgated by the United States Comptroller General.



# 2019 AUDIT PLAN

Internal Audit Department

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