



2023 AUDIT PLAN

Internal Audit Department

Dr. Kimberly Sowell

County Manager

Darlana M. Moore

Internal Audit Director

Auditor's Letter

We are pleased to present the 2023 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 2023 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 or (919) 560-0042.

Darlana M. Moore



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Audit Standards

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 the 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.



Oversight Committee

Dr. Nicole McCoy
Committee Chair
Citizen Member

Arnold Gordon
Committee Vice Chair
Citizen Member

Manuel Rojas
Committee Member
Citizen Member

Brenda Howerton
Committee Member
County Commissioner

Wendy Jacobs
Committee Secretary
County Commissioner

Dr. Kimberly Sowell
Non-Voting Member
County Manager

Nimasheena Burns
Alternate Member
County Commissioner

Planned Audits

Estimated Hours

Continued 2022 Audit Projects

Accounts Payable

900

Total

900

2022 Audit Projects

Peer Review

225

Special Investigations

1000

Payroll Audit

1000

Coronavirus Relief Fund (CARES ACT) EOC

1200

Inmate Fund

700

Federal and State Asset Forfeiture

900

ERAP

900

Child Support

700

Low-Income Housing Relief Program (LIHR)

700

Total

7325

Planned Audits

Estimated Hours

2020/2021 Audit Project Follow-up

General Services Gas Card Audit

150

MAC Audit

150

Adult/Child Protective Services Audit

150

Total

450

Audit Management and Administration

Administration

1113

Staff Development

200

Office Management and Support

705.50

Approved Holidays

525

Approved Employee Leave

294

Sick Leave

187.50

Total

3025

Total Hours

11,700

Planned Audits

Accounts Payable

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.

2022 Audit Projects

Planned Audits

2023 Audit Projects

Special Investigations

This Internal Audit department will conduct an investigation of any suspected dishonest or fraudulent activity within internal departments.

Peer Review

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

Payroll Audit

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.

Coronavirus Relief Fund (CARES ACT)

The North Carolina Pandemic Recovery Office (NCPRO) disbursed \$11,720,137 of Coronavirus Relief Funds. The purpose of these funds were to provide necessary relief and assistance from the effects of COVID-19. This audit will assess whether federal and state laws are being adhered to. Also, to ensure funds are being monitored, recorded, and accounted for.

Planned Audits

2023 Audit Projects

Federal Inmate Housing

The Office of the Sheriff obtains contracts with other agencies to house inmates at a daily rate. This audit will assess whether there are adequate internal controls concerning this fund. In addition, to determine whether funds are adequately recorded, accounted for, and monitored.

Federal and State Asset Forfeiture

The forfeiture program, operating under the Comprehensive Crime Control Act of 1984 and administered by the U.S. Justice Department, has returned more than \$4.5 billion to more than 8,000 state and local law enforcement agencies, according to the "Guide to Equitable Sharing for State and Local Law Enforcement Agencies." Durham County's Office of the Sheriff received a total of \$205,682.66 from the program during fiscal years 2021 and 2022. This audit will assess whether federal and state laws are being adhered to. Also, to ensure funds are appropriately accounted for.

Emergency Rental Assistance Program (ERAP)

This program is a \$9.6 million partnership between the City and County of Durham. This program assists residents who are facing eviction due to the COVID-19 pandemic. This audit will assess whether funds are

Planned Audits

Child Support

Child support services is available to anyone in NC who needs help in collecting child support through their local Department of Social Services. This audit will assess whether this program has adequate internal controls to facilitate the program. In addition, federal, state, and local laws are adhered to.

Low-Income Homeowners Relief Program (LIHR)

This program was created to assist long-time Durham homeowners with a lower income, with their taxes. If qualified, this program will pay a certain percentage of their current tax bill. This audit will assess whether the program has adequate internal controls and follow County policies and procedures.

2023 Audit Projects

Planned Audits

2022 Audit Project Follow-up

General Services Gas Card Audit

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

Gas Card Audit

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

Adult/Child Protective Services

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

Planned Audits

Audit Management and Administration

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.

Sick Leave

This category describes leave earned for illness, medical examination, or treatment of an employee or immediate family member.

Administration

This category describes the hours used by the Audit Director for the administration of audits, investigations, and reviews.

Selection Process

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

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 those from the U.S. Government Accountability Office and the Institute of Internal Auditors.

Selection Process

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

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

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 2023 Audit Plan and for supporting the general mission of our department throughout the year.

Auditor's Authority

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 (AOC) 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

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.



2023 AUDIT PLAN

Internal Audit Department

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