



2021 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 2021 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 2021 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

Manuel Rojas
Committee Chair
Citizen Member

Arnold Gordon
Committee Vice Chair
Citizen Member

Dr. Nicole McCoy
Committee Secretary
Citizen Member

Wendy Jacobs
Committee Member
County Commissioner

James Hill
Committee Member
County Commissioner

Wendell Davis
Non-Voting Member
County Manager

Heidi Carter
Alternate Member
County Commissioner

Planned Audits

Estimated Hours

Continued 2020 Audit Projects

Countywide Payroll Audit

900

Foster Care and Adoption Eligibility

900

SSAE - 18 Review

400

Total

2200

2021 Audit Projects

Special Investigations

1000

Accounts Payable

700

Total

1700

Planned Audits

Estimated Hours

2019/2020 Audit Project Follow-up

Contract Monitoring Audit

125

Sheriff Turnover Audit

125

Total

250

Audit Management and Administration

Staff Development

120

Staff Support

946

Office Management

1,950

Approved Holidays

270

Approved Employee Leave

161.50

Total

3,447.50

Total Hours

7,597.50

Planned Audits

Continued 2020 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.

Foster Care and Adoption Eligibility Audit

This area has been a repeat finding during the Single Audit over the past few years. We will review these areas to determine internal control weaknesses and best practices.

SSAE - 18 Review

This review is designed to inventory all systems used within the County and to review the SSAE 18 reports to ascertain whether any control deficiencies exist that may affect the County financial statements.

Planned Audits

Special Investigations

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

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.

2021 Audit Projects

Planned Audits

Contract Monitoring Audit

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

Sheriff Turnover Audit

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

2019/2020 Audit Project Follow-up

Planned Audits

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

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 2021 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.



2021 AUDIT PLAN

Internal Audit Department

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