



INTERNAL AUDIT DEPARTMENT

ANNUAL AUDIT PLAN

FY 2024

Richard Edwards
Interim Internal Audit Director

Approved by the Audit Oversight Committee on October 10, 2023



COUNTY OF DURHAM INTERNAL AUDIT DIRECTOR

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Dr. Kimberly Sowell
County Manager

October 2, 2023

Dr. Kimberly Sowell, County Manager:

Per the September 2005 Durham County Audit Department Charter, I am submitting the fiscal year 2024 Annual Audit Plan. We used a judgmental risk-based approach to select audit areas, using aspects of risk analysis completed in prior years. For example, the time span between audits of functions with prior high-risk ratings was a factor as well as current functions that have not been audited in the past. Considering the current level of experience in the Audit Department, I believe this plan will provide utility to County management as well as provide audit experience to enable the staff to grow and expand its expertise.

The Audit Committee and the Internal Audit Director understands that the role of internal audit is to provide information and analysis to assist management with its decision-making responsibilities. As such, this plan can be amended to meet the needs of management and policy makers as required.

Sincerely,

Richard Edwards,
Interim Internal Audit Director

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In accordance with the September 2005 Audit Charter, approved by the Board of County Commissioners, the Internal Audit Director has prepared an annual audit plan for fiscal year 2024. The audit plan describes audit engagements the Internal Audit Department will perform in the fiscal year 2024. The Audit Oversight Advisory Committee reviewed and approved the 2024 Plan. Current membership of the Committee is:

- Arnold Gordon, Chairman, Audit Oversight Committee
- Brenda Howerton, Chairwoman, Board of County Commissioners
- Dr. Nicole McCoy
- Manuel Rojas,
- Wendy Jacobs

The audit process is an independent, objective assurance, and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by using a systematic, disciplined approach to evaluate and recommend improvements for effective risk management, control, and governance processes.

To properly carry out its responsibilities, audit personnel are authorized full, free, and unrestricted access to County functions, activities, operations, records, data files, computer programs, property, and personnel. Authority is granted to Audit Department personnel to request reasonable assistance from appropriate County personnel in acquiring requested records, documents, and files, as well as inspection and entry privileges to all assets owned, leased, or borrowed by the County.

Currently the audit department has four filled positions, including the Interim Director and three staff level auditors.

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 Institute of Internal Auditors and American Institute of Certified Public Accountant standards as applicable. The 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.

The department underwent a Peer Review in December 2022. Peer Review is designed to provide assurance that quality control systems, including operational

policies and procedures for training, independence, and reporting, are designed to provide reliable information and that auditors comply with those systems. The result of the 2022 Peer Review was that the department operated in compliance with applicable standards.

AUDIT ENGAGEMENT SELECTION PROCESS

Engagements selected for completion in fiscal year 2024, are based upon a judgmental risk of County operations in which non-compliance and unauthorized activity could lead to financial jeopardy and a bad public image. Specific factors such as (1) financial impact, (2) program complexity, (3) prior issues, (4) perceived public interest, (5) fraud susceptibility, and (6) likelihood of bad public image were primary factors used in selecting areas for audit.

By using the above risk-based methods which are based upon professional judgment and reason, we believe this audit plan is consistent with the mission of supporting an atmosphere of continuous improvement, integrity, honesty, accountability, and mutual trust through independent appraisal of County programs, activities, and functions.

FISCAL YEAR 2024 PROPOSED AUDITS

The concept of accountability for the use of public resources and government authority is key in the governing process. According to the Government Accountability Office, management and officials are responsible for carrying out public functions and providing service to the public in accordance with five principles. Management should use resources; effectively, efficiently, economically, ethically, and equitably within the context of the statutory boundaries of the specific government program. Performance Auditing is a tool used by management to obtain objective information to assist with making the decisions required to operate responsibly. In conducting a performance audit, auditors key on at least one of the managing principles.

Four audit engagements are included in the 2024 audit plan. In consideration of staff experience, estimated completion dates were omitted. However, as staff develop a greater level of operational expertise, experience, and efficiency completion estimates will be set. At that point, completion estimates and projections will be more useful for establishing and achieving goals for the department. Currently, the combined performance auditing experience for the three staff level auditors is approximately fifteen months. The entire staff has recently completed a course in Basic Government Auditing presented by the USGA Graduate School. The following pages describes the proposed audit engagements in this plan.

PLANNED ENGAGEMENTS FOR FY 2024

Department/Audit Subject	Page
Fire Marshall Fire Department Expenditure Reporting	5
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Office of the Sheriff Concealed Carry Gun Permit Controls	8

SUMMARY OF PROPOSED AUDIT ENGAGEMENTS FOR FY 2024

Department: Fire Marshall/Fire Departments

Subject: Expense Reporting and Compliance

Audit Description: Durham County Fire protection is conducted by six fire districts some of which are supported by special taxes assessed and collected by the County for the specific districts. Fire district funds are dispersed directly to fire departments for their annual operating cost as approved by the County Fire Marshall. In fiscal year 2022-23 the approved budget for these six districts was approximately \$11.2M including approximately \$1.2M supplemented by the County.

This audit engagement is intended to determine if revenues provided to the fire departments are used appropriately, as described by County Policy and contract provisions, and that expenditures are reported timely and accurately. Internal Audit has not previously conducted an audit of Fire Department expenditure management.

Audit Focus:

- Expenditure reporting and compliance

Anticipated Benefit:

- Enhanced internal controls.

Department: Public Health

Subject: Grants Management Processes and Controls

Audit Description: The Department of Public health was financed by approximately \$9.4M in Intergovernmental funds in fiscal year 2022-23. Intergovernmental funding refers to funding or financial resources from other governmental sources including State, Federal, or other local governments. Intergovernmental revenue is received in the form of grants or reimbursements for costs incurred. The funds help finance health education and outreach programs for Durham County citizens.

This audit is intended to determine if the Department of Public Health is managing grants in accordance with Federal, State, and Durham County policy and whether expenditures are appropriate in accordance with applicable terms and requirements. Internal Audit has not previously conducted an audit engagement regarding grants in the Department of Public Health.

Audit Focus:

- Performance
- Compliance

Anticipated Benefit:

- Compliance Assurance

Department: Emergency Medical Services
Subject: Billing and Collection Procedures

Audit Description: The Emergency Medical Services (EMS) unit bills all customers, including private pay customers, the same rate for its services. The rate is 200 percent of Medicare reimbursement for the service. To bill its customers, EMS entered into a contract with EMS Management and Consultants, Inc., for billing and timely collections. EMS entered into a contract with Bull City Financial Solutions to collect from delinquent clients.

We selected this EMS contract management audit to determine if the contractors are complying with the terms of the contract and if not, what is being done to remediate non-compliance, if any. Additionally, we will compute the collection rate and compare it to comparable counties in the state. If collection rates do not compare favorably to other counties, we will gather information from counties with higher collection rates to obtain suggestions for how to improve in Durham County.

Audit Focus:

- Contract Management and Compliance

Anticipated Benefit:

- Enhanced Contract Management.

Department: Office of the Sheriff

Subject: Concealed Carry Permitting Controls

Audit Description: Residents in Durham County along with residents in other North Carolina counties are allowed to carry concealed handguns if they have valid permits. In Durham County, the Office of the Sheriff has the responsibility and authority to issue such permits. The permitting requirements are established by state statute and require numerous steps to complete. Some of the requirements are that residents provide valid addresses, provide fingerprints, and take firearms training. There is a rigorous process with strict rules for permit renewal as well as the rigorous initial application process. Additionally, fees are associated with the permitting process.

The audit will determine if the Office of the Sheriff has adequate processes that comply with State statutes. Additionally, the audit will determine if adequate processes and controls are in place to account for revenues in compliance with Durham County financial policy.

Auditor Focus:

- Compliance
- Cash Handling Controls

Anticipated Benefit:

- Enhanced internal controls.