



AUDIT PLAN
Fiscal Years 2024-2025

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Overview

Most of the Audit Department activities are classified as Performance Audits, as defined by the Government Accountability Office (GAO). Other occasional efforts include Agreed-Upon Procedures (a type of attestation engagement subject to specific standards established by the GAO) and investigations. The Audit Plan includes audits in progress, follow-ups of prior year report recommendations, regularly scheduled audits, and additional efforts being planned, or under consideration for later years.

The Audit Plan was developed after conducting interviews with department leadership to assess risks and controls in their respective areas. Consideration was also given to City Council's strategic priorities, as outlined in the FY 2024 Budget.

The City Manager's Office and Department Heads may make special requests for audits or other support. Internal Audit reserves a limited amount of staff time for unplanned projects. It may be necessary to delay a scheduled audit to address a newly identified need.

FY2023 Audits in Progress

- General Services - Cemetery Fees: The objectives of this review will be to determine that cemetery fees are charged and collected in accordance with City policy.
- General Services - Convention Center Renovation Project Follow-Up: The objectives of the audit are to determine whether recommendations from the prior audit were implemented and if the CMAR Holder-Edison Foard-Leeper (HEFL) has complied with contract terms through closeout.
- Storm Water – Design Build Contracts: This audit will assess whether the system of internal controls over the administration of design-build construction contracts is adequate and appropriate for promoting effective contract monitoring and administration. The scope of work will include procurement, contracting, cost proposal evaluation and invoicing.
- Aviation - Fixed Base Operations (FBO): The objective of this audit is to determine if the Airport has designed an adequate system of controls. These should ensure revenue is accurately reported and the FBO is in compliance with the terms and conditions of the contract.

- **Citywide User Fees:** The City has established both regulatory user fees (to recoup costs associated with providing specific services that are required by law) and non-regulatory fees (to recoup costs of services not related to regulations). The objective of this audit is to determine whether the City evaluated and set fees in accordance with the City's User Fee Ordinance and GFOA recommendations.
- **Housing and Neighborhood Services – Housing Rehabilitation Program:** The objectives of this audit are to determine whether adequate controls have been established and implemented to ensure that the program is administered in accordance with applicable City or regulatory requirements; program activities are documented and monitored; and disbursements are for eligible, reasonable, and adequately supported costs.
- **General Services - Charlotte Business Inclusion/B2Gnow:** Internal Audit completed a review of the CBI program in 2018, prior to the implementation of B2Gnow, a diversity and procurement management software. The objectives of this review are to determine whether adequate controls have been established to help ensure CBI goals are achieved and to determine whether system controls are in place to help ensure the reliability of B2Gnow data and reports.
- **CDOT – Vision Zero:** The objective of the audit is to evaluate the effectiveness and efficiency of traffic control operations in relation to pedestrian safety. This will include determining whether adequate controls have been established to help ensure the goals of the City's Vision Zero program are met.

Performance Audits Planned for Fiscal Years 2024 - 2025

Although unplanned needs can arise and impact the priority of audits, the following are being planned for the two-year period FY 2024-2025. Not all audits will be completed in FY 2024.

- **Aviation – Concession Audits:** Aviation has requested a review of off-site parking facilities. The objective of the review will be to determine that operators have complied with the off-site parking agreements and have accurately reported and paid revenue due to the City. Other concession audits may be performed (food and beverage, rental cars).
- **CATS – Transit Operations:** A third party manages the bus drivers, maintenance and parts room workers employed by Transit Management of Charlotte, Inc. (TMC). Auditors will review the agreement between the City and the third-party management company and identify opportunities to improve the organizational structure of CATS or the third-party management company. Auditors will also determine if CATS has established appropriate contract management practices in overseeing the third-party management company.
- **Charlotte Fire – Permits, Inspections and Plan Reviews:** Charlotte Fire collects over \$5 million per year for issuing permits and performing inspections and plan reviews. This audit will focus on the controls in place related to the billing and collection of revenue, including the systems used to schedule, prioritize, and record the results of the work performed.
- **Charlotte Water – New Services:** Over \$40 million per year is collected for new connection fees, tap fees and system development fees. The objective of this audit will be to determine whether adequate controls are in place for the billing and collection of these fees.
- **Citywide Management of Small Tools and Expendable Equipment:** The objectives of the audit will be to evaluate whether adequate internal controls exist to track and monitor assets under the five-thousand-dollar (\$5,000) threshold.
- **CMPD – Criminal Investigations Communications:** CMPD has requested a review to analyze the criminal investigations communication process. The preliminary objective is to examine investigative information flow and the policies, processes, and systems associated with it.
- **CMPD - Police Recruiting:** CMPD has a set of standards for hiring sworn officers that exceeds standards for the state. The objective of this review will be to

determine whether changes to existing standards could result in an increased number of candidates that can effectively serve the community.

- Finance - Risk Management: Worker's Compensation, Safety and Occupational Health: Preliminary planning for this review will consider the relationship between enterprise risk management, occupational health and safety programs and their impact on workers' compensation claims. Final audit objectives will be communicated to management and may focus on one or more areas, including the effectiveness of the City's third-party administrator for workers' compensation claims.
- I&T – Public Safety Technology: At the request of I&T, this audit will evaluate internal controls established to promote the reliability and integrity of public safety systems (including Radar and LiDAR) maintained by the Electronic Maintenance Support Team.
- I&T – Cybersecurity: Selected areas will be reviewed to determine whether the City has established effective cybersecurity policies and procedures to promote the protection and resilience of critical technology infrastructure.

Annual Audit

- Vice Imprest Fund Reimbursements – Upon request from Police about every two months, auditors conduct detailed reviews of imprest documentation. The purpose of each review is to verify the cash on hand and to determine whether officers of the Vice and Narcotics Division adhere to the established policies and procedures for replenishment of funds. An annual report summarizes the results.

Follow-up Audits

Internal Audit regularly follows up the status of planned actions by departments, which are in response to report recommendations. When those actions are substantial, or when implementation is lengthy, a follow-up audit may be required to determine that new controls are effective. Audits are under consideration to follow-up recommendations from the Charlotte Water Design-Build audit (issued August 2022) and CATS Procurement audit (issued August 2021). Audits in progress (including CBI/B2Gnow and Vision Zero) may also result in follow-up audits.

Audits Under Consideration

Audit priorities are regularly updated throughout the year based on risk assessment, staff availability and the level of requests received. Audits in the following areas may be initiated during FY 2024 – 2025.

- ARPA: The City has over \$60 million in unprogrammed ARPA funds and over \$20 million in programmed funds remaining for workforce development, small business innovation, revenue replacement, and digital inclusion. Internal Audit will coordinate with the City's external auditor and consider additional audits of ARPA funded programs based on risk.
- Construction: Based on prior year audits, Internal Audit noted opportunities to increase controls over capital expenditures. We will perform risk analyses of high-profile construction projects and conduct audits of selected projects. Internal Audit will continue to work with CATS, Aviation, Charlotte Water and General Services to prioritize additional construction-related audits.
- ERP Replacement Project: The City is in the process of implementing the new ERP system. In coordination with I&T, Internal Audit may initiate reviews of critical implementation processes which could include data conversion and governance, testing and defect management, and security and internal controls.
- General Services – Procurement: It has been several years since Internal Audit last reviewed P-Card transactions. Although the City has seen a reduction in the number of "After-the-Fact" (ATF) purchase orders (POs), the risk of non-compliance remains high. Audit objectives would include the review of P-Card transactions and ATF POs.
- CATS – Light Rail Maintenance: The objectives of this audit will be to determine whether controls over light rail maintenance and record keeping are adequate and that CATS' policies, practices and procedures comply with State and Federal regulations.

Other Commitments

- An Employee Hotline administered by the Internal Audit Division was introduced in September 2014. Investigations will be conducted as necessary, based upon information supplied by anonymous phone calls or on-line reports to a third-party call center.
- Management transitions occur periodically within the City. When a member of senior leadership with access to critical or sensitive data, systems or property separates from the City, Internal Audit conducts a close-out review to assess whether policies and procedures have been completed timely.
- The City will start transitioning to a new ERP system. Included in the project are new audit management, risk management, and internal controls modules that will require staff time to configure and implement. This may include the identification

and establishment of various continuous auditing and monitoring systems and techniques.

- Recommendations from each audit are tracked and followed up through completion, as determined by Internal Audit. A Recommendation Status Report is available to departments. With departmental assistance, the Recommendation Status Report – in dashboard form – is updated regularly for management's review. The dashboard is viewable internally on CNET.