Office of Internal Audit

FAYETTEVILLE NC
AMERICA'S CAN DO CITY

City of Fayetteville, NC
Audit Committee Meeting

January 26, 2023 @3:00 pm

3rd Floor – St. Avold Room

433 Hay Street, Fayetteville, NC 28301

FAYETTEVILLE NC

AMERICA'S CAN DO CITY

Audit Committee Meeting
January 26, 2023 @ 3:00 pm

AGENDA

1. Call to Order

2. Approval of Agenda

3. Approval of Meeting Minutes

4. Management Reports *(Summary presented by Internal Audit staff)*
   a. Quarterly Management Implementation Status Report

5. Internal Audit Activities *(Presented by Internal Audit staff)*:
   a. Procurement Card Audit
   b. FY2023 Audit Plan

6. Adjournment

Attachments:
   a) Draft Meeting Minutes – October 27, 2022
   b) Quarterly Management Implementation Status Report 2nd Quarter FYE23
   c) Procurement Card Audit (A2022-03)
   d) FY2023 Audit Plan

AUDIT COMMITTEE QUARTERLY MEETING MINUTES
WINSLOW CONFERENCE ROOM, 3ʳᵈ FLOOR
CITY HALL, 433 HAY STREET, FAYETTEVILLE
THURSDAY, OCTOBER 27, 2022
3:00 P.M.

Committee Members Present: Mayor Pro Tem Johnny Dawkins, Chair
           Council Member D. J. Haire
           Council Member Derrick Thompson (arrived at 3:02 P.M.)
           Warren (Ron) O'Brien
           Mfon Akpan

Council Members Present: Council Member Deno Hondros (arrived at 3:13 P.M.)

Staff Present: Adam Lindsay, Assistant City Manager
           Jodi Phelps, Chief of Staff
           Ms. Rose Rasmussen, Internal Audit Director
           Christina Zimmerman, Internal Auditor
           Ms. Amanda Mott, Financial Analyst
           Jody Picarella, Chief Financial Officer
           Karen McDonald, City Attorney
           Lisa Harper Assistant City Attorney (arrived at 4:00 P.M.)
           Willie Johnson, Assistant Chief Information Officer
           Assistant Chief James Nolette, Fayetteville Police Department
           Assistant Chief Kemberle Braden, Fayetteville Police Department
           Chief Ronnie Willett, Fayetteville Fire Department
           Daniel Edwards, Assistant Public Services Director
           Christopher Cauley, Economic & Community Dev. Director
           Paula Handberry, Executive Assistant to the City Council

1. **Call to Order**

   Mayor Pro Tem Dawkins called the meeting to order at 3:00 PM

2. **Approval of Agenda**

    MOTION: **Council Member Haire moved to approve the agenda**
    SECOND: **Mr. Ron O'Brien**
    VOTE: **UNANIMOUS (5-0)**

3. **Approval of Minutes**

     MOTION: **Mr. Ron O'Brien moved to approve minutes from the April 28, 2022 Meeting**
     SECOND: **Mr. Mfon Akpan**
     VOTE: **UNANIMOUS (5-0)**

4. **Discussion of Committee Officer Appointments**
   1. **Chair:**
   Mayor Pro Tem Chair asked for suggestions for the Audit Committee Chair and Vice Chair.

        MOTION: **Mayor Pro Tem Dawkins nominated Mr. Ron O'Brien**
        SECOND: **Council Member Thompson**
        VOTE: **UNANIMOUS (5-0)**

   2. **Vice-Chair:**
        MOTION: **Mayor Pro Tem Dawkins nominated Mfon Akpan**
        SECOND: **Council Member Thompson**
        VOTE: **UNANIMOUS (5-0)**

5. **Management Report – Presented by Internal Audit Director**
   1. Quarterly Management Implementation Status Report
      - Of the 10 completed audits on the CAP, 8 are ready for a follow-up from Internal Audit. Management has expressed that all recommendations have been fully implemented. One of which includes Police Department Payroll who have indicated that they implemented their last two recommendations.
      - Four of the completed audits have recommendations that are not fully implemented:
        - Solid Waste Fees: The recommendations are pending an update to the City ordinance.
        - Wireless Communication Usage: The department stated they will not be implementing the recommendation on using the small asset management system in the City's new Oracle software. The remaining outstanding recommendations were contingent upon a requested position that was not approved. So the department will be creating guidelines for the other departments on device management.
        - Vector Fleet Contract: A fleet manager was hired the end of July. The fleet manager is working on establishing policies and procedures.

- Fire Kronos Implementation: The written policies and procedures will be finalized once the KRONOS, timekeeping system, upgrade has been implemented.

Discussion ensued.

Questions:
Mr. Ron O'Brien asked for clarity as to why a department was turned down after asking for additional staff. Ms. Willie Johnson, Assistant Chief Information Officer explained that the Information Technology Department requested additional staff to assist with the wireless communications and manage mobile devices. Ms. Willie Johnson stated the new initiative was not approved for FY 2023. Conversation ensued with Mr. Adam Lindsay, Assistant City Manager explaining the process.

This report is for informational purposes and no action needed.

6. **Internal Audit Activities- presented by Internal Audit Staff**
   a. **Police Department Confidential Funds Audit**

Background
Administered and controlled cash fund used in covert operations
Budget was $100,000 per fiscal year

Scope
Covered the period of July 1, 2021 through May 31, 2022
Sampled 6 (26%) of 23 personnel
Reviewed 85 transactions totaling $24, 570

Results
Internal Audit Concludes
Confidential funds were administered in accordance with established procedures
Internal controls were satisfactory
No significant exceptions noted
Two of the outstanding audit recommendations from prior year audits have recommendations that were implemented by management

Questions

Mr. Ron O'Brien: How much is the actual budget? Assistant Chief Braden responded $100,000. Mr. O'Brien stated he misstated the question. Assistant Chief James Nolette, Fayetteville Police Department responded the budget is $25,000 quarterly and as the funds deplete, they will request additional funding. Discussion ensued.

MOTION: Council Member Haire moved to accept the Police Confidential Funds Audit
SECOND: Council Member Thompson
VOTE: UNANIMOUS (5-0)

b. Subrecipient Grant Monitoring Audit

Background

HUD oversees the Community Development Block Grant
Flexible use of funds within the following objectives:

- o Benefit low and moderate income persons
- o Prevent or eliminate slum blight; and
- o Meet urgent needs that threaten health and safety

Partner with Nonprofit organizations (subreciepients)
City must provide reasonable assurance funds usage is compliant; and
Awarded CDBG funds totaling $4,763,545

Scope

Covered the period of fiscal year 2020 to fiscal year 2022
Sampled 6 subrecipients

Council Member Haire asked for clarity on Subrecipient Grant Monitoring Audit. Ms. Rose Rasmussen, Internal Audit Director responded it's making sure the subrecipients are in compliance with requirements.

Questions:
Council Member Haire: How often is this audit performed? Ms. Rasmussen responded this is the first one. Discussion ensued

Observation 1:

Conditions

The statement of work included conflicting language and undefined costs;
The agreement templates did not contain all required information.

Cause & Effect
Templates were not changed when regulations were updated.
Subreciepients may be unaware of missing provisions

Recommendations
Update the templates to comply with requirements;
Annually review changes and update templates; and
Clearly define allowable costs
Management was in full agreement with recommendations.

Observation 2:

<u>**Conditions**</u>
Risk Assessment not used for monitoring;
Monitoring not provided for all subrecipients and all years; and
Checklist did not explain review process and results.

<u>**Cause & Effect**</u>
Staff needed training; and
Documentation was not saved in a common central location
Insufficient monitoring could result in audit findings.

<u>**Recommendations**</u>
Use risk assessments to create monitoring schedules
Create and implement monitoring procedures; and
Train.

Management partially concurs with the recommendations.

Observation 3:

<u>**Conditions**</u>
18 of 19 agreements executed after effective date; and
All Payments made after agreement execution.

<u>**Cause & Effect**</u>
No clear understanding of when agreements could be executed;
Subrecipients waited for payment.

<u>**Recommendations**</u>
Establish written procedures for agreement execution.

Management concurs with reservations.

> **MOTION:** **Council Member Haire moved to accept the Subrecipient Grant Monitoring Audit**
> **SECOND:** **Council Member Thompson**
> **VOTE:** **UNANIMOUS (5-0)**

    c. Current Projects

The Internal Audit are currently working on:

Assisting Finance with end of year close out and preparation for the external audit

Oracle Payroll System implementation - assisting with data validation, testing, attending meetings, and whatever else the team needs;

We are currently conducting a procurement card audit; and

Are updating our annual risk assessment. Once updated we will conduct the risk assessment and develop our annual audit work plan.

7. **Adjournment**

Mr. Ron O'Brien moved to adjourn meeting at 4:04 PM.

_____

Mayor Pro Tem Johnny Dawkins, Chair

ATTEST:

_____

Paula Handberry, Executive Assistant to the City Council

FAYETTEVILLE NC
OFFICE OF INTERNAL AUDIT

January 26, 2023

Members of the Audit Committee,

Enclosed is the updated Quarterly Management Implementation Status Report.

The attached report provides members of the Audit Committee with an update on the progress of management's implementation of recommendations made by the Office of Internal Audit. Departmental management updates will be provided quarterly at each regularly scheduled Audit Committee Meeting.

A short summary of the progress is provided to allow a quick assessment of the audit report recommendations NOT fully implemented. The attached report represents updates given by management on the progress made to implement Internal Audit's recommendations. Except as otherwise noted, no assessment on the progress of the recommendations has been performed by the Office of Internal Audit.

Please provide us with any questions or ideas for improving this report to enhance your ability to monitor the effective implementation of recommendations.

A summary of the report will be presented. We welcome discussion on the management updates.

Respectfully,
Rose Rasmussen
Internal Audit Director

Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2022-2023 (2nd Quarter)

	Date Released	Issued	Accepted	Recommendations Implemented	Partially Implemented	Not Implemented
Contract Practices and Procedures A2016-06	October 2017	3	3	3	0	0
Performances Measures A2018-04	January 2019	4	4	4	0	0
PRM Nonresident Fees A2016-05	January 2019	7	7	7	0	0
Code Violation Enforcement and Collections A2019-06	August 2019	7	7	7	0	0
Residential Solid Waste Fees A2019-04	October 2019	5	5	1	3	1
Police Payroll A2020-01	August 2020					
Police Department		14	14	14	0	0
Finance Department		4	4	4	0	0
Accounts Payable Timeliness A2020-02	January 2021	5	5	5	0	0
Wireless Communication Usage A2021-02	August 2021	7	6	2	0	4
Vector Fleet Contract A2020-04	November 2021	3	3	2	0	1
Fire Kronos Implementation A2022-01	January 2022	4	4	2	2	0
Subrecipient Grant Monitoring A2022-04	August 2022	8	8	4	4	0

*This Report does not include the Permitting and Inspections Follow-up Audit or the Evidence and Property Management Follow-up Audit.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022

A2019-04 Residential Solid Waste Fees

Status of Recommendations on October 27, 2022:			
Implemented	Partially Implemented	Not Implemented	Total
1	3	1	5
*This report reflects responses for the 4 outstanding recommendations.			

1.1	Solicit City Council's support on updates necessary to the City Code of Ordinances Chapter 22, Solid Waste as it will be essential to ensure adherence to the City Code of Ordinances;	Management will seek council direction regarding level/scope of solid waste services. Full implementation of 'Recommendation #1' is contingent upon continuation of the 'existing' level/scope of services within solid waste division with no significant additions such as service to multi-family units or commercial facilities. **Responsible Party:** Public Services Director **Implementation Date:** Management will seek Council support in the format of a preliminary work session presentation by April 30, 2020 and follow up ordinance updates by September 30, 2020 contingent upon continuation of the 'existing' level/scope of services within the solid waste division.	**Partially Implemented** The Solid Waste ordinance, with new service limits, was approved by Council on January 9, 2023. SW will present the SW fee schedule in the February general session, which is needed to accompany the new ordinance. **Additional Next Steps:** • A final review of the new ordinance changes and updates with CAO to ensure all modifications are consistent throughout the ordinance. • Adjust timeline to fit the goal of implementation of the new ordinance for July 1, 2023 to include education. (Education will extend beyond July 1, 2023.	**Partially Implemented** The Solid Waste ordinance is 90% completed. Public Services, Solid Waste Division, CMO are working to complete the SW ordinance's enforcement sections of the ordinance. Once the enforcement process is completed, SW will present the finished ordinance to Council for their approval. **Additional Next Steps:** • Review ordinance recommendations with CAO Office, CMO office and adjust as needed to align with CoF needs and strategic goals and objectives. • Implement areas of the ordinance that are currently

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	**Management Response**	**Management Follow-up Response – January 26, 2023**	**Management Follow-up Response – October 27, 2022**
A2019-04 Residential Solid Waste Fees				
			• Work with MarComm to create a plan for educating residents. For example: · Meet with all the neighborhood watch groups · Reach out to churches and assemblies · Use SW PIS and Corporate Communications for · Social media, · Flyers/Mailers, and other forms of education, etc. • Create processes/tools for RAPID SWCE to educate and enforce the new limits in the ordinance.	in the ordinance but not being implemented. • Adjust timeline to fit the goal of implementation of new ordinance for July 1, 2023 • PIS to create a plan for educating residents · Meet with all the neighborhood watch groups · Reach out to churches and assemblies • Use SW PIS and Corporate Communications for · Social media, · Flyers/Mailers, and other forms of educations etc. • Create processes/tools for RAPID SWCE to educate and enforce the new limits in the ordinance.
1.2	Coordinate with the City Attorney's office to update the City Code of Ordinances to allow solid	Management will seek council direction regarding level/scope of solid waste services. Full	**Partially Implemented** See response for 1.1	**Partially Implemented** See response for 1.1

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	**Management Response**	**Management Follow-up Response – January 26, 2023**	**Management Follow-up Response – October 27, 2022**
A2019-04 Residential Solid Waste Fees				
	waste services to be provided consistently and ensure the residential solid waste fees are being assessed appropriately. Any updates to the City Code of Ordinances should ensure compliance with North Carolina General Statutes.	implementation of 'Recommendation #1' is contingent upon continuation of the 'existing' level/scope of services within solid waste division with no significant additions such as service to multi-family units or commercial facilities. **Responsible Party:** Public Services Director **Implementation Date:** Management will seek Council support in the format of a preliminary work session presentation by April 30, 2020 and follow up ordinance updates by September 30, 2020 contingent upon continuation of the 'existing' level/scope of services within the solid waste division.		
2.2	Develop a process to add, activate and inactivate addresses in Fleetmind as needed to maintain current, accurate, valid data.	Management concurs with the need to develop a process to add, activate and inactivate addresses in Fleetmind to maintain a current, accurate, and valid data base. However this process is contingent upon the outcomes of	**Partially Implemented** Although some Fleetmind upgrades are complete, the Fleetmind system is not consistent. SW will complete an RFP for the Fleet-	**Partially Implemented** Although some Fleetmind upgrades are complete, the Fleetmind system is not consistent. SW will complete an RFP for the Fleet-

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022

A2019-04 Residential Solid Waste Fees

		Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
		'Recommendation #1'. Further, full implementation of these processes involves compliance and cooperation from entities outside the direct control and influence of the Solid Waste Division such as CoF's Planning Division, Cumberland County and FleetMind Vendor. Implementation dates provided below are for those activities that are within the direct control and influence of the Solid Waste Division as well as what can be accomplished within Council appropriated budgetary limits. **Responsible Party:** Public Services Director **Implementation Date:** Public Services Solid Waste Division will develop a process to add, activate and inactivate addresses in Fleetmind to maintain a current, accurate, and valid data base by June 30, 2022 contingent upon management responses.	onboarding system before the end of FY23. **Partially Implemented** Upon completing "Recommendation 1," SW will vet the onboarding data to align with any necessary ordinance revisions.	onboarding system before the end of FY23. **Partially Implemented** Upon completing "Recommendation 1," SW will vet the onboarding data to align with any necessary ordinance revisions.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022

A2019-04 Residential Solid Waste Fees

2.3	Develop comprehensive written policies and procedures to maintain Fleetmind data integrity, once the processes are established.	Management concurs with the need to develop comprehensive written policies and procedures to maintain Fleetmind data integrity. However this process is contingent upon the outcomes of 'Recommendation #1". Further, full implementation of these processes involves compliance and cooperation from entities outside the direct control and influence of the Solid Waste Division such as CoF's Planning Division, Cumberland County and FleetMind Vendor. Implementation dates provided below are for those activities that are within the direct control and influence of the Solid Waste Division as well as what can be accomplished within Council appropriated budgetary limits. **Responsible Party:** Public Services Director **Implementation Date:** Public Services Solid Waste Division will develop comprehensive written policies and procedures to maintain	**Not Implemented** Solid Waste Management will begin writing policies and procedures to maintain data integrity for Fleetmind once the Solid Waste Ordinance is updated.	**Not Implemented** Solid Waste Management will begin writing policies and procedures to maintain data integrity for Fleetmind once the Solid Waste Ordinance is updated.

Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2022-2023 (2nd Quarter)

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2019-04 Residential Solid Waste Fees				

		Fleetmind data integrity by June 30, 2022 contingent upon management responses.		

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2021-02 Wireless Communication Usage Audit				

Status of Recommendations on October 27, 2022:			
Implemented	Partially Implemented	Not Implemented	Total
2	0	4	6
*This report reflects responses for the 4 outstanding recommendations.			

1.1	Establish written guidelines that outline user department requirements for oversight and accountability. These guidelines should include but not limited to: • Identify clear delineation of responsibilities related to the City's wireless communication function within the Information Technology Department and applicable departmental personnel; • Monthly review of invoices for billing irregularity, overage charges, and zero and underutilized usage with actionable follow-up; • Documenting the business need for devices that must remain active regardless of usage; • Documenting management exceptions to City-wide	IT provided oral communication to departments regarding expectation for the monthly review of invoices. This finding is due to no management oversight by departments. In order to fully implement this recommendation, we need to centralize management of all wireless/mobile devices, which would require one FTE to manage the entire fleet of assets. Full implementation is contingent upon approval of FTE and support/collaboration from departments. **Responsible Party:** Chief Information Officer **Implementation Date:** 12/31/2022	**Not Implemented** FTE position was not approved in fiscal year 2022-2023. IT will continue to provide oral communication to departments for monthly review of invoices and account. IT has created a draft SOP that includes guidelines that outline user department requirements for oversight and accountability. The target released and implementation of the SOP by 3/31/2023.	**Not Implemented** FTE position was not approved in fiscal year 2022-2023. IT will continue to provide oral communication to departments for monthly review of invoices and account. IT will create SOP that will include guidelines that outline user department requirements for oversight and accountability by 6/30/2023.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2021-02 Wireless Communication Usage Audit				
	standards for device distribution; • Timelines and reasons for the suspension and deactivation of cellular service plans; and • Utilizing Verizon Wireless hotspots in lieu of activating cellular service on multiple devices.			
2.1	Complete and document a full inventory of all active devices to ensure existence.	Centralized inventory tracking of wireless/mobile devices will be tracked via Verizon's database. One dedicated FTE to manage the entire fleet of mobile devices coupled with support/collaboration from departments is key to fulfilling the stated recommendations. The current inventory process will be documented and revised to accomplish items 1, 2 & 5. Full implementation is contingent upon approval of hiring one FTE as well as support/collaboration from departments. **Responsible Party:** Chief Information Officer	**Not Implemented** FTE position was not approved in fiscal year 2022-2023. This is the responsibility of the department administrators. Centralized inventory tracking of wireless/mobile devices is tracked via Verizon's database. Departments are responsible for ensuring their devices are suspended and/or reassigned with the current username. This process will be documented in the SOP which will require the departments to review their accounts monthly.	**Not Implemented** FTE position was not approved in fiscal year 2022-2023. This is the responsibility of the department administrators. Centralized inventory tracking of wireless/mobile devices is tracked via Verizon's database. Departments are responsible for ensuring their devices are suspended and/or reassigned with the current username. This process will be documented in the SOP which will require the departments to review their accounts monthly.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2021-02 Wireless Communication Usage Audit				

		Implementation Date: 12/31/2022		
2.2	Establish a centralized inventory of all devices and track all information necessary for devices to be traced to an individual, a piece of equipment, or a specific location, to include the individual responsible.	Centralized inventory tracking of wireless/mobile devices will be tracked via Verizon's database. One dedicated FTE to manage the entire fleet of mobile devices coupled with support/collaboration from departments is key to fulfilling the stated recommendations. The current inventory process will be documented and revised to accomplish items 1, 2 & 5. Full implementation is contingent upon approval of hiring one FTE as well as support/collaboration from departments. **Responsible Party:** Chief Information Officer **Implementation Date:** 12/31/2022	**Not Implemented** FTE position was not approved in fiscal year 2022-2023. This is the responsibility of the department administrators. Centralized inventory tracking of wireless/mobile devices is tracked via Verizon's database. Departments are responsible for ensuring their devices are suspended and/or reassigned with the current username. This process will be documented in the SOP which will require the departments to review their accounts monthly.	**Not Implemented** FTE position was not approved in fiscal year 2022-2023. This is the responsibility of the department administrators. Centralized inventory tracking of wireless/mobile devices is tracked via Verizon's database. Departments are responsible for ensuring their devices are suspended and/or reassigned with the current username. This process will be documented in the SOP which will require the departments to review their accounts monthly.
2.5	Establish written guidelines requiring a periodic departmental inventory for device existence.	Centralized inventory tracking of wireless/mobile devices will be tracked via Verizon's database. One dedicated FTE to manage the entire fleet of mobile devices coupled with support/collaboration from departments is key to fulfilling the	**Not Implemented** FTE position was not approved in fiscal year 2022-2023. This is the responsibility of the department administrators. This process will be documented in	**Not Implemented** FTE position was not approved in fiscal year 2022-2023. This is the responsibility of the department administrators. This process will be documented in

KEY	**Not Implemented**	**Partially Implemented**	**Implemented**	**Past Implementation Date**
	Recommendation	**Management Response**	**Management Follow-up Response – January 26, 2023**	**Management Follow-up Response – October 27, 2022**
A2021-02 Wireless Communication Usage Audit				
		stated recommendations. The current inventory process will be documented and revised to accomplish items 1, 2 & 5. Full implementation is contingent upon approval of hiring one FTE as well as support/collaboration from departments. **Responsible Party:** Chief Information Officer **Implementation Date:** 12/31/2022	the SOP which will require the departments to review their accounts monthly.	the SOP which will require the departments to review their accounts monthly.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022

A2020-04 Vector Fleet Contract Audit

Status of Recommendations on October 27, 2022:			
Implemented	Partially Implemented	Not Implemented	Total
0	1	2	3
*This report reflects responses for the 3 outstanding recommendations.			

1.3	Establish a Fleet Maintenance Committee comprised of representatives from various City departments that utilize fleet services. A Committee chair, preferably a manager from the City Manager's Office, should lead the group. The Committee's purpose should be to address fleet-related issues, such as developing fleet policies and procedures, and resolving fleet service-related issues. The Fleet Manager's role should be to staff the Committee and bring topics and analysis to the Committee for discussion.	a. Management believes establishing a "Fleet Committee" could be valuable and provide some desired clarity in accountability, areas of responsibility, establishment of agreed Standard Operating Procedures (SOP's) and process improvements. The resulting recommendations will be either implemented or submitted to the City Manager's Office for consideration(s). b. Management will establish a weekly scheduled meeting with the Fleet Management and Maintenance Staff: Fleet Manager will facilitate this meeting. In addition management will schedule a monthly meeting with the full Fleet Committee, facilitated by a Staff member from the City Manager's Office.	**Not Implemented** Currently there are meetings with Fleet and the individual departments on a bi-weekly basis. The City hired a permanent Fleet Manager 7/25/2022. Fleet has established a Centralized Fleet Maintenance Policy as a baseline for moving forward. Work on establishing the Fleet Maintenance Committee will begin after baseline data analysis sets are identified.	**Not Implemented** Currently there are meetings with Fleet and the individual departments on a bi-weekly basis. The City hired a permanent Fleet Manager 7/25/2022. Work on establishing the Fleet Maintenance Committee will begin after baseline policies and procedures and data analysis sets are identified.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2020-04 Vector Fleet Contract Audit				

		Responsible Party: Chief Financial Officer or his/her Designee **Implementation Date:** a. January 31, 2022 – Seek City Manager's Office approval to establish committee and select facilitator and members. b. February 28, 2022 – Conduct kick-off meeting		
3.2	Publish, communicate and implement written policies and procedures City-wide, to include but not limited to personnel who utilize fleet services.	a. Management will author and/or update the current policies and procedures, as relates to fleet management and maintenance. b. The policies and procedures will be developed with the assistance, concurrence of the "fleet committee" and authorized by the City Manager's Office. **Responsible Party:** Chief Financial Officer or his/her Designee **Implementation Date:** December 31, 2021	**Implemented** Baseline Centralized Fleet Maintenance Policy was approved by the City Manager on 12/22/2022 and provided to all staff through PowerDMS.	**Not Implemented** This is in progress. The Fleet Manager has reviewed and provided feedback on draft policies and procedures for the Fleet Maintenance Division. These draft policies and procedures will be submitted to the Senior Leadership Team in October 2022 for their consideration.

Office of Internal Audit
Quarterly Management Implementation Status Report
Fiscal Year 2022-2023 (2nd Quarter)

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2020-04 Vector Fleet Contract Audit				
3.3	Provide training on contract policies and procedures for compliance and monitoring.	Management will prepare and schedule appropriate training. **Responsible Party:** Chief Financial Officer or his/her Designee **Implementation Date:** March 31, 2022	**Implemented** The Purchasing Division provided training to the Fleet Manager and staff on the City's purchasing and contracting policies on several occasions, most recently on 12/29/2022.	**Partially Implemented** The Finance Department has met with the Fleet Manager to review City purchasing and contracting policies. The Fleet Manager is currently reviewing existing contracts with the Purchasing Team.

KEY	**Not Implemented**	**Partially Implemented**	**Implemented**	**Past Implementation Date**
	Recommendation	**Management Response**	**Management Follow-up Response – January 26, 2023**	**Management Follow-up Response – October 27, 2022**

A2022-01 Fire Kronos Implementation Audit				

Status of Recommendations on October 27, 2022:			
Implemented	Partially Implemented	Not Implemented	Total
2	2	0	4
*This report reflects responses for the 2 outstanding recommendations.			

1.1	Work with the Human Resource Development Department and the City Attorney's Office and establish written payroll policies.	Now that the transition is nearly complete, the department can codify its practices, aligned with the functionality of the new systems. The department has been made aware of a pending upgrade to the Kronos and Telestaff software platforms that necessitates delay of implementing any new policies until system changes are known. In the interim, the department has requested review of its payroll practices by a third party consultant. The department plans to have its new processes defined by policy no later than June 30, 2022. **Responsible Party:** Deputy Chief of Human Resources **Implementation Date:** June 30, 2022	**Partially Implemented** A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades to be completed before codifying into policy. The department has not received any feedback from the third party consultant at the time of this report. No payroll related issues were noted during the third party review. Latest update indicates Kronos upgrade tentatively planned for November 2022.	**Partially Implemented** A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades to be completed before codifying into policy. The department has not received any feedback from the third party consultant at the time of this report. No payroll related issues were noted during the third party review. Latest update indicates Kronos upgrade tentatively planned for November 2022.
1.2	Update and maintain documented payroll procedures to align with	Now that the transition is nearly complete, the department can codify	**Partially Implemented**	**Partially Implemented**

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	**Management Response**	**Management Follow-up Response – January 26, 2023**	**Management Follow-up Response – October 27, 2022**
A2022-01 Fire Kronos Implementation Audit				
	current payroll processes. The procedures should be sufficient for alternate employees to process departmental payroll.	its practices, aligned with the functionality of the new systems. The department has been made aware of a pending upgrade to the Kronos and Telestaff software platforms that necessitates delay of implementing any new policies until system changes are known. In the interim, the department has requested review of its payroll practices by a third party consultant. The department plans to have its new processes defined by policy no later than June 30, 2022. **Responsible Party:** Deputy Chief of Human Resources **Implementation Date:** June 30, 2022	A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades to be completed before codifying into policy. The department has not received any feedback from the third party consultant at the time of this report. Adequate guidance in included in the draft document to effectuate bi-weekly payroll. Latest update indicates Kronos upgrade tentatively planned for November 2022.	A written draft of the process under the current system has been completed. The department is still relegated to waiting upon the system upgrades to be completed before codifying into policy. The department has not received any feedback from the third party consultant at the time of this report. Adequate guidance in included in the draft document to effectuate bi-weekly payroll. Latest update indicates Kronos upgrade tentatively planned for November 2022.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022

A2022-04 Subrecipient Grant Monitoring Audit

**Status of Recommendations on October 27, 2022:**			
Implemented		Partially Implemented	Not Implemented	Total
0		0	8	8
*This report reflects responses for the 8 outstanding recommendations.				

	Recommendation	Management Response	Jan 26 2023	Oct 27 2022
1.1	With guidance from the City Attorney's Office, update the agreement templates with the required provisions and identifying subaward information to comply with all federal, state, and City requirements.	On July 14, 2021 the Department contracted with Civitas, LLC for on call technical assistance to ensure compliance with the Code of Federal Regulations (CFR) that pertains to all Housing and Urban Development (HUD) grant entitlements under the purview of the Economic and Community Development Department (ECD). **Responsible Party:** Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager **Implementation Date:** 07/01/2022	**Partially Implemented:** Subrecipient agreement template has been updated using the suggested template from HUD including required provisions and identifying subaward information to comply with all federal, state, and City requirements. Updated agreement will be implemented July 1, 2023.	Not Applicable – Audit report presented at October 27, 2022 Audit Committee meeting.
1.2	Annually review changes to the federal regulations and update the agreement templates accordingly.	With guidance from our technical experts, the City will base a new subrecipient agreement on the template provided on the Housing and Urban Development website and	**Implemented:** New agreement was drafted using the most current HUD sample subrecipient agreement template. Will annually update the agreement as needed.	Not Applicable – Audit report presented at October 27, 2022 Audit Committee meeting.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022

A2022-04 Subrecipient Grant Monitoring Audit				
		will check annually for an updated template.

Responsible Party: Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager

Implementation Date: 07/01/2022 | | |
| 1.3 | Clearly define allowable costs in each agreement's statement of work. | For agreements executed at the time of this audit, a review was conducted and required provisions were included, the scope of work for each agreement was clearly defined to a greater level of detail than previously provided.

Responsible Party: Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager

Implementation Date: 07/01/2022 | **Implemented:** ECD will continue to clearly define allowable costs in each agreement's scope of work and include the current required provisions. | Not Applicable – Audit report presented at October 27, 2022 Audit Committee meeting. |
| 2.1 | Use the risk assessment to create a risk based monitoring schedule for each program year. For each | The ECD uses a risk assessment annually as part of its application process for subrecipients. However, | **Partially Implemented:** ECD will continue to use a risk assessment annually to | Not Applicable – Audit report presented at October 27, 2022 |

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2022-04 Subrecipient Grant Monitoring Audit				
	subrecipient, the schedule should include, but not be limited to: • The frequency of monitoring; and • The extent of the monitoring to include if it will be on-site or virtual.	the risk assessment does not impact the frequency and depth of our annual monitoring of subrecipients. ECD will continue to monitor all subrecipients in-depth and on an annual basis at approximately the sixth month of the year-long agreements. For new subrecipients, the Department provides onsite technical training on the front-end of the contract. **Responsible Party:** Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager **Implementation Date:** 07/01/2022	determine which subrecipients will receive funding. In addition, a monitoring risk assessment tool has been created that will be an exhibit to the subrecipient contract and identify the frequency and depth of monitoring required for the subrecipient. This new monitoring risk assessment will be implemented July 1, 2023.	Audit Committee meeting.
2.2	Create and implement written procedures on subrecipient monitoring to include, but not limited to: • Documentation requirements; • Determining if costs were an eligible use of funds and in accordance with contract terms;	On August 23, 2021 the Department contracted with Urban Design Ventures, LLC to develop a program-wide standard operating procedure that includes guidance on subrecipient monitoring. This standard operating procedure will be implemented by December of 2022.	**Partially Implemented:** The implementation of the standard operating procedure manual is behind schedule, but being finalized at this time with an expected completion date of February, 2023.	Not Applicable – Audit report presented at October 27, 2022 Audit Committee meeting.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2022-04 Subrecipient Grant Monitoring Audit				
	• Checking for suspension and debarment of subrecipients and contractors of the subrecipients; • Determining if conflict of interests existed with contractors of the subrecipients, and • Conducting an inventory of property purchased using grant funds.	**Responsible Party:** Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager **Implementation Date:** 12/31/2022		
2.3	Research available training on use and monitoring of CDBG funds and have staff attend these trainings.	Training has been conducted and will be conducted annually as a refresher to all managers. **Responsible Party:** Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager **Implementation Date:** 07/01/2022	**Implemented:** An Employee Training Plan has been created that identifies the essential training needed for all staff based on position held in the department.	Not Applicable – Audit report presented at October 27, 2022 Audit Committee meeting.
2.4	Train employees on the monitoring expectations to include, but not limited to: • Providing the details necessary to show and/or explain what, when, and how each review	Monitoring of multiple subrecipients was requested but had not yet been conducted during the current program year. All monitoring has been conducted and is available for	**Implemented:** Managers have been trained to obtain and document the necessary details during a monitor review. For consistency, HUD's Managing CDBG: Subrecipient Oversight	Not Applicable – Audit report presented at October 27, 2022 Audit Committee meeting.

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	Management Follow-up Response – October 27, 2022
A2022-04 Subrecipient Grant Monitoring Audit				

	Recommendation	Management Response	Management Follow-up Response – January 26, 2023	
	area was assessed for compliance; and • Saving all monitoring documentation in a way that is accessible to all department staff.	review. Other subrecipients were monitored in the prior years but documentation was not included in the files, it has now been included. Lastly, monitoring of one subrecipient was not documented during the prior two program years so reports could not be produced. Subsequent to this Internal Audit, this subrecipient was monitored for the current program year and no significant findings were noted. Management will ensure all documentation is present prior to closeout by utilizing the newly implemented Neighborly workflow software. **Responsible Party:** Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager **Implementation Date:** 12/31/2022	Guidebook is a resource used by all managers to monitor their subrecipients. With the use of the Neighborly workflow software, managers are receiving reimbursement and performance detail from subrecipients that is accessible to all department staff.	

KEY	Not Implemented	Partially Implemented	Implemented	Past Implementation Date
	Recommendation	**Management Response**	**Management Follow-up Response – January 26, 2023**	**Management Follow-up Response – October 27, 2022**
A2022-04 Subrecipient Grant Monitoring Audit				
3.1	The Economic & Community Development Department management should establish written procedures to have agreements ready to be fully executed once funds are appropriated by City Council.	Management is in agreement with the recommendation, but there are circumstances that could affect its implementation which have to be resolved. This deficiency is attributable to three causes: 1) Nearly full turnover of staff, 2) Influx of work due to COVID recovery funding, and 3) delays in "loading" the budget in the financial system due to a misunderstanding of 24 CFR Part 570.200(h). The Department will monitor agreements to ensure that they will be executed within the month of July annually and will work with Finance to ensure funds are made available in a timely manner.

Responsible Party: Director of Economic and Community Development, Economic and Community Development Assistant Director, and Business Manager

Implementation Date: 08/01/2022 | **Partially Implemented:** ECD's standard operating procedures manual will be completed by February 2023. An updated subrecipient agreement template will be implemented July 1, 2023. Managers will prepare their agreements and route for signatures in July. | Not Applicable – Audit report presented at October 27, 2022 Audit Committee meeting. |

Office of Internal Audit

Compliance Audit 2022-03
Procurement Card

January 2023

Internal Audit Director
Rose Rasmussen

Internal Auditor
Christina Zimmerman

OUR MISSION

Provide independent, objective assurance and consulting services designed to
add value and improve the City of Fayetteville's operations.

Internal Audit Director
Rose Rasmussen
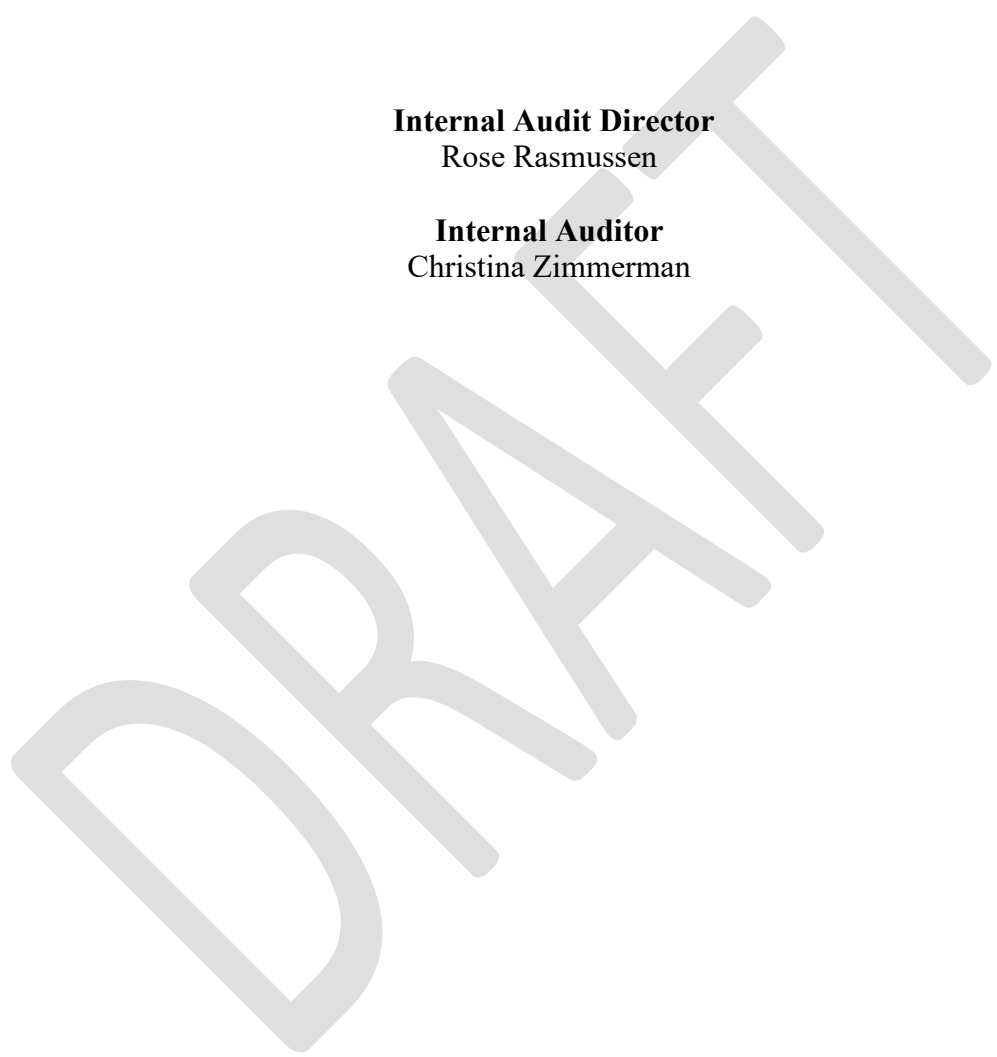
Internal Auditor
Christina Zimmerman

TABLE OF CONTENTS

Internal Audit | Fayetteville, NC (fayettevillenc.gov)

Mailing Address: 433 Hay Street, Fayetteville, NC 28301

Procurement Card
Highlights

Objective:

To determine if the procurement card program was managed in compliance with policies and procedures and rebates were received as required.

Scope:

- Procurement card activity starting July 1, 2021 through July 31, 2022.

- 590 (6.7%) transactions totaling $88,274.45 included in sample.

Background:

- Procurement cards (charge cards) are issued to certain employees in all City departments to make small dollar purchases, generally less than $1,000.

- The Finance Department administers the procurement card program.

- Cardholders must follow City Procurement Card Program Revision 2 Policy #312 and complete training based on the policy annually.

- 244 cards were active as of October 26, 2022.

- 8,785 transactions were completed totaling $1,533,062.82 between July 1, 2021 to July 31, 2022.

Highlights:

- The City's procurement card Policy #312 no longer reflected current business practices and included all controls needed.
- The two main causes for the overall change in business practices was the:
  - Implementation of Oracle, the City's new enterprise resource planning (ERP) system, in March 2022, and
  - Effects of the COVID-19 Pandemic which included:
    - Increased online shopping,
    - Remote work, and
    - Increased turnover in positions with difficulty filling those vacancies.
- 9 purchases were shipped to home addresses. All sampled items were observed in the applicable workplaces during surprise inventories.
- Policy did not require a clear business purpose. 49% of transactions reviewed did not provide more information than was already on the receipt which included 85 food related transactions totaling $9,703.79.
- Written guidelines were not established on requesting card limit increases. Therefore, the method used to request these increases was inconsistent.
- The City received a rebate totaling $23,429.61 for calendar year 2021.

Conclusion:

Based on the audit work performed, Internal Audit concluded the procurement card program was generally in compliance. However, controls could be improved by updating Policy #312 along with corresponding training materials.

Internal Audit will conduct an ongoing review of approval workflows in Oracle HUB to determine if proper review and approvals are being completed.

BACKGROUND

Procurement cards (charge cards) are issued to certain City employees to aid in the purchasing process for small dollar purchases, generally less than $1,000. Some travel and training costs may also be handled through the procurement card process. Procurement cards have proven to be a cost effective method of obtaining low cost supply and service items. Rather than making multiple small payments to many vendors, the City makes one payment to the procurement card vendor, Bank of America.

The City uses the mandatory contract through the State of North Carolina to administer its purchasing card program. Under this contract, there is no charge for issuance or maintenance of the cards. The Finance Department Purchasing Division is responsible for administering the procurement card program.

All cardholders must follow the City's Procurement Card Program Revision 2 Policy #312 when utilizing their cards. The Finance Department pushes the policy and training on the policy to cardholders annually through PowerDMS, a policy management and training software. Some departments have created additional controls in an effort to ensure procurement cards are used responsibly and expenses are reported accurately and timely.

Procurement cards are utilized by all City departments. During the scope of the audit, July 1, 2021 to July 31, 2022, there were a total of 8,785 transactions totaling $1,533,062.82 on 286 procurement cards as shown below. A report provided by Purchasing showed 244 active cards as of October 26, 2022 which is nine less than the 253 active as of February 17, 2017 reported in the Procurement Card Audit Report A2015-03F dated August 2017.

Department	Number of Cards	Number of Transactions
Airport	10	301
Budget & Evaluation Office	4	18
City Attorney's Office	4	62
City Manager's Office	13	305
Development Services	5	220
Economic & Community Development	5	116
Finance	14	169
Fire	30	1,288
Human Relations	4	178
Human Resource Development	16	254
Information Technology	14	302
Marketing & Communications	8	91
Mayor, Council and City Clerk	5	298
Parks & Recreation	60	2,630
Police	50	1,332
Public Services	32	874
Transit	12	347
Total	**286**	**8,785**

AUDIT OBJECTIVE

The objective of the audit was to determine if the procurement card program was managed in compliance with policies and procedures and rebates were received as required.

AUDIT SCOPE

The scope of the audit included procurement card activity starting July 1, 2021 through July 31, 2022. The departments included in the sample were selected based on the percent of each department's procurement card expenditures to their total budget. In addition, Internal Audit conducted an initial review of vendor names to determine if the purchases appeared consistent with cardholders' duties. This was taken into consideration when selecting the departments. For the eight departments selected, 590 transactions totaling $88,224.50 were reviewed.

Department/Division	Number of Cards	Number of Transactions	Total Expenditures
Airport	1	39	$ 7,575.28
City Manager's Office	2	46	8,036.52
Economic & Community Development	1	41	6,653.83
Human Relations	3	32	3,158.86
Marketing & Communications	1	15	2,880.68
Mayor, Council and City Clerk	1	58	7,076.35
Parks & Recreation	6	201	32,066.99
Public Services	6	158	20,775.99
Total	**21**	**590**	**$ 88,224.50**

AUDIT METHODOLOGY

To determine compliance, Internal Audit:

- Reviewed City of Fayetteville Procurement Card Program Revision 2 Policy #312;
- Interviewed personnel from the following departments:
  - Airport,
  - City Clerk's Office
  - City Manager's Office,
  - Economic & Community Development,
  - Finance,
  - Human Relations,
  - Marketing & Communications,
  - Parks & Recreation, and
  - Public Services;
- Reviewed Bank of America reports for cardholder information and procurement card activity from July 1, 2021 to July 31, 2022;
- Reviewed procurement card training logs from PowerDMS, a policy management and training software;
- Reviewed any procurement card related documentation necessary to complete the audit to include:
  - Documentation used to set up cardholders;
  - Documentation used to request card limit increases;
  - Paper logs used prior to Oracle implementation;
- Reviewed JD Edwards and Oracle, the City's former and current enterprise resource planning (ERP) systems, for employment status of each cardholder, procurement card expenditures, credits, rebates and associated transactions and attached documentation; and
- Conducted surprise inventories for departments audited.

FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES

Finding 1
Procurement Card Program Revision 2 Policy #312 was not updated.

Criteria: Policies are an essential control that establish expectations. According to the Government Accountability Office's Standard for Internal Control, management should periodically review policies and procedures to ensure they remain relevant.

Condition: Procurement card Policy #312 did not reflect current business practices and include all controls needed. The following observations were noted:

- Nine purchases were shipped to employees' home addresses. A sample of these items was selected for surprise inventories. All sampled items were observed in the applicable workplaces. The departments stated employees used their personal accounts for online purchasing and forgot to change the shipping address.

  The City's new ERP software, Oracle, directly links employees to several online vendors to select items for purchase, creates a requisition and once approved the City will be invoiced. Utilizing this function would eliminate the risk of shipping items to home addresses. However, the purchase may take longer under the requisition process.

- Policy #312 did not require cardholders to provide the business purpose for each transaction. Of the 590 transactions, 291 (49%) transactions did not include more information than was already provided on the receipt. In addition, 85 were food related purchases totaling $9,703.79 with no additional documentation to support the business purpose other than the receipt as required by policy. However, food purchases are more likely to be scrutinized by external parties.

- In March 2022 the City implemented Oracle. However, the policy had not been updated to reflect the new processes established due to the implementation.

- The vendor procurement card software allowed the City to establish monthly limits for each card. For eight of 21 cardholders reviewed, the current monthly limit was greater than the limit requested on the initial procurement card application. The written approval by the department director or designee requesting the increase was inconsistent for five of the eight cardholders. Written documentation was not provided for the remaining three. The policy did not provide guidance on the process to request a limit increase.

Cause: With a revision date of May 18, 2016, Policy #312 no longer reflected current practices within City operations. Two major factors in change of practices was the COVID-19 pandemic and ERP system implementation.

COVID-19 was declared a pandemic in 2019 and effects of the pandemic remain today. Some of the effects that contributed to the shift in business practices included increased online shopping, remote work and increased turnover in positions with difficulty filling those vacancies.

In addition, the City implemented Oracle in March 2022, changing the way procurement card expenditures were processed and approved.

Effect: Fraud risks when using personal online shopping accounts include:
- Accidental charges of personal items on the City procurement cards; and

- Items ordered on the City procurement card and shipped to home addresses without someone ensuring the items are being used for business purposes.

In addition, without a business purpose, someone not familiar with the work the department performs or not in the department at the time may not understand why the purchase was necessary. When the business purpose is not clear it presents a reputation risk and could be seen as wasteful or not being transparent about the use of City resources.

Recommendation

Finance Department management should update Policy #312 along with corresponding training materials and include but not limit the update to:
- Use of the Oracle online purchasing platform;
- Restrictions on use of personal online shopping accounts;
- Restrictions on shipping to home addresses;
- Requirements and definition of business purpose with examples provided;
- Documentation requirements and restrictions for food purchases;
- Current business processes, i.e. changes due to Oracle HUB implementation; and
- A formal process for card and transaction limit increase requests.

Management's Response

Management concurs with the recommendation. Policy #312 and training materials will be updated and distributed to City Pcard holders. Policy #312 needs updated to reflect the current Oracle business processes to include documentation requirements and business purpose. Policy #312 will also be updated to include restrictions on personal shopping accounts, shipping to home addresses, and limitations on food purchases. Management will establish a formal process for credit limit increase requests.

Responsible Party: Chief Financial Officer or designee

Implementation Date: July 1, 2023

CONCLUSION

Based on the audit work performed, Internal Audit concluded the procurement card program was generally in compliance. However, controls could be improved by updating Policy #312 along with corresponding training materials. Internal Audit will also conduct an ongoing review of the approval workflows in Oracle HUB to determine if proper review and approvals are being completed.

Internal Audit would like to thank department personnel for their assistance and numerous courtesies extended during the completion of this audit.

Office of Internal Audit

Annual Audit Plan

Fiscal Year 2023

Internal Audit Director
Rose Rasmussen

Internal Auditor
Christina Zimmerman

OUR MISSION

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville's operations.

Internal Audit Director
Rose Rasmussen

Internal Auditor
Christina Zimmerman

Internal Audit | Fayetteville, NC (fayettevillenc.gov)

Mailing Address: 433 Hay Street, Fayetteville, NC 28301

OFFICE OF INTERNAL AUDIT

January 26, 2023

Members of the Audit Committee

Enclosed is the proposed Fiscal Year 2023 Audit Plan for the Office of Internal Audit.

The development of this year's plan was significantly impacted by vacant positions, the assistance provided to Finance for yearend closeout and the City's Oracle implementation project.

There were two audits and one consulting service that we did not start in FY2022 due to the HUB Oracle implementation that will roll into the FY2023 plan. In addition, the proposed FY2023 plan includes consulting services related to the implementation and additional hours reserved for support of the City's HUB Oracle implementation project.

Although the FY2023 Adopted Budget included funding for three audit positions, the FY2023 Proposed Audit Plan only includes hours for the Audit Director and one Auditor as of September 6, 2022. The audit, reviews and consulting services totaled 2,462 hours for the FY2023 audit plan.

The results of the FY2023 Audit Plan are presented along with the estimated time allocation for audits and projects. Actual scheduling of selected projects may be affected by personnel turnover, special audits, and unforeseen circumstances in these projects.

Due to the staff vacancies, the FY2023 plan includes only one new compliance audit (Confidential Funds), one follow-up audit, and three consulting services.

I welcome discussion on the proposed audit plan and request approval.

Respectfully,
Rose Rasmussen
Internal Audit Director

A. Audit Projects Carried Forward from 2022 Work Plan		
A.1. Name of Audit Projects In-Progress	**Potential Risks**	**Estimated Hours**
A2022-04 Sub Recipient Grant Monitoring	*Fines; Loss of future grant funds; repayment of funds; Subrecipients not paid timely; theft*	**10**
A2022-05 Police Department Confidential Funds	*Theft, misuse or loss of funds*	**20**
Total Hours for Audit Projects In-Progress		**30**

A.2. Name of Audit Projects For Completion	**Potential Risks**	**Estimated Hours**
A2022-02 Kronos Implementation (Police)	*Employees paid incorrectly; Violations of FLSA resulting in fines; theft*	**270**
A2022-03 Procurement Card Program	*Theft, misuse or loss of funds*	**440**
A2020-02F Accounts Payable Timeliness	*Vendors not paid timely; overspending; unable to take advantage of discounts offered; theft*	**180**
Total Hours for Audit Projects for Completion		**890**

TOTAL HOURS FOR AUDIT PROJECTS CARRIED FORWARD FROM 2022 WORK PLAN   **920**

B. New Audit Projects for 2022-2023		
B.1. Name of Initial Audit Projects	**Potential Risks**	**Estimated Hours**
A2023-01 Police Department Confidential Funds[1]	*Theft, misuse or loss of funds*	**160**
TOTAL HOURS FOR NEW AUDIT PROJECTS FOR 2022-2023		**160**

C. Follow-up Projects for 2022-2023		
C.1. Name of Follow-up Audit Projects	**Potential Risks**	**Estimated Hours**
A2018-01F2 Evidence and Property Management	*Theft; misuse; loss or premature destruction; legal claims over items seized/obtained; unable to return items to owners timely; unsafe environment for employee's due to biohazards, pests, etc.*	**200**
TOTAL HOURS FOR FOLLOW-UP AUDIT PROJECTS		**200**

---

[1] Project will be started but not completed during the fiscal year.

D. Required Reviews and Consulting Services for 2022-2023

D.1. Name of Required Annual Reviews	Potential Risks	Estimated Hours
R2023-01 Proxy Card	*Unsecure, unsafe buildings*	**200**
R2023-02 Conflict of Interest	*Kickbacks*	**220**
Total Hours for Required Annual Reviews		**420**

D.2. Name of Consulting Services	Estimated Hours
C2022-01 HUB ERP Oracle Access Controls Review	**200**
C2022-02 Finance Yearend Closeout	**275**
C2022-03 HUB Accounts Payable Module[2]	**85**
Total Hours for Consulting Services	**560**

TOTAL HOURS FOR REQUIRED REVIEWS AND CONSULTING SERVICES 980

E. Internal Audit Management and Administration

E.1. Description	Estimated Hours
Office Management/Support	**1158**
HUB Oracle Implementation Support	**200**
Staff Development	**80**
Approved Holidays	**176**
Approved Employee Leave	**286**
Total Hours for Audit Management and Administration	**1900**

TOTAL HOURS FOR FY 2022-2023 WORK PLAN 4160

F. Future Audit Projects 2023 - 2028

F.1. Name of Future Follow-up Audit Projects	Estimated Hours
A2016-02F2 Permitting and Inspections	**200**
A2016-06F Contract Practices and Procedures	**200**
A2016-05F PRM Nonresident Fees	**200**
A2018-04F Performance Measures	**200**
A2019-04F Residential Solid Waste Fees	**200**
A2019-06F Code Violation Enforcement and Collections	**200**
A2020-01F Police Payroll	**200**
A2021-02F Wireless Communication Usage	**200**
A2020-04F Vector Fleet Contract	**200**
A2022-01F Fire Kronos Implementation	**200**
A2022-04F Subrecipient Grant Monitoring	**200**
Total Hours for Future Follow-up Audit Projects	**2200**

---

[2] Additional testing will be included in the A2020-02F Accounts Payable Timeliness, due to the HUB Oracle Implementation.

F.2. Name of Future New Audit Projects	Estimated Hours
Small Asset Management[3]	240
Downtown Parking Collection[3]	960
Citywide Payroll Processes[3]	960
Off Boarding Access Rights[3]	480
Body Camera Policy Compliance[3]	480
American Rescue Plan Act (ARPA) of 2021 Compliance	960
Emergency Rental Assistance Program (ERAP)	960
CARES Act Funding	480
Asset Forfeiture Program	320
Take Home Vehicles	320
Performance Bond Compliance	480
Stormwater Drainage Assistance	480
Sales and Use Tax Administration	320
Fire Inspection Billings and Collections	480
FAST Farebox Receipting	960
Fixed Assets	640
Accidents and Subrogation of Claims	480
Fuel Management	480
Dependent Eligibility	640
Billing and Collections of Leases	480
Accounts Receivable	240
Airport Parking Operations	640
Airport Rental Car Concession Agreements	960
Benefits on Leave without Pay	480
Cash Receipts	960

Total Hours for Future New Audit Projects	**14880**
TOTAL HOURS FOR FUTURE AUDIT PROJECTS	**17080**

---

[3] Reflects projects from prior year audit plan. Due to limited resources, projects will be considered in future audit plans.