

# INTERNAL AUDIT

## DESCRIPTION

Internal Audit assists the County Manager, Superintendent of Schools, the Board of Supervisors, and the School Board by providing objective analyses, recommendations, advice, and comments concerning areas reviewed to ensure an appropriate level of control at a reasonable cost. To be effective, Internal Audit must maintain independence, and therefore reports directly to the County Manager and the Audit Committees.

Internal Audit evaluates the adequacy and effectiveness of internal controls within County agencies and School operating divisions and examines the quality of performance of their operations for improvement of accountability. Assessing quality of performance includes (1) evaluating the reliability and integrity of financial and operating information and the means to process data; (2) evaluating the sufficiency of compliance with significant plans, policies, procedures, laws, and regulations; (3) ascertaining the adequacy of controls for achieving objectives including safeguarding assets and, as appropriate, verifying asset existence; and (4) examining efficient use of resources and program accomplishments.

## OBJECTIVES

- Perform an annual risk assessment, identify areas of risk for audit, conduct planned internal audits to evaluate controls, recommend workable improvements, and note commendable practices that can be shared with other County agencies and divisions within Schools.
- Follow up on prior internal audits to determine that agreed-upon management action plans have been effectively implemented to address the risks identified during the audits.
- Assist with the County's annual external audit and help facilitate the external audit of the Schools' activity funds.
- Advise County and School management, and the County's and School's Audit Committees on potential improvements in operations and results through technical assistance.
- Perform requested special audits and follow up on issues raised through the fraud reporting mechanisms and recommend corrective action as required.

## ANNUAL FISCAL PLAN SUMMARY

Description	FY24 Actual	FY25 Original	FY26 Proposed	Change 25-26
Personnel	\$ 759,929	\$ 934,339	\$ 1,029,983	10.2%
Operation	27,326	27,053	28,053	3.7%
Capital	330	-	-	0.0%
Total	<u>\$ 787,585</u>	<u>\$ 961,392</u>	<u>\$ 1,058,036</u>	<u>10.1%</u>
Personnel Complement	7	7	7	-

### Internal Audit

- Administer office activities for continuous professional education, training, and skills development, ensuring excellent quality and adherence to independent auditing with integrity.

## PERFORMANCE MEASURES

	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>Change 25-26</u>
<b>Workload Measures</b>				
Financial/Performance Audits and Projects	14	15	15	-
Non-Audit Projects: Follow-ups, Consults, Special Requests	16	10	10	-
Percentage of Audit Recommendations Agreed to by Management	100	100	100	-
Number of Management Plans Added for Audit Recommendation	58	50	50	-
External Audit Assistance Testing Areas	13	11	11	-
Hotline Concerns Handled	61	48	50	2
<b>Quality Measures</b>				
% Staff with Professional Certifications and/or Advanced Degrees	60	57	71	14
% Staff Meeting Continuing Professional Education Requirements	100	100	100	-

## BUDGET HIGHLIGHTS

Internal Audit's budget for FY26 is \$1,058,036 which represents an increase of \$96,644 or 10.1% over the previous fiscal year's approved budget. The increase is primarily from increases in salary and benefits costs. Operating budget increased by \$1,000 to help with increased costs in computer software, association memberships, telecommunications, and training.

## DEPARTMENTAL HIGHLIGHTS

With a consolidated Internal Audit function for both the General Government and Schools, both entities are able to leverage audit resources; audit skillsets; standardize audit methodologies, department processes, and tools; and minimize redundancy. The Office of Internal Audit ("the Office") continues exploring new ways to use technology to provide efficient audit services, streamline internal administrative processes, and foster greater collaboration among the team as well as agencies and departments at both entities. The Office provides feedback to both entities on their continually evolving processes and control practices.

The Office is conducting projects during FY25 that include, but are not limited to, audits of Police Division expenditures, CVTA revenues and expenses, fleet management practices, charges for services, purchasing card practices, and following security assessments of County and Schools technology environments.

### *Internal Audit*

The Office conducts annual surveys and finalizes risk-based planning assessments to select and perform routine audits of the effectiveness of controls in a number of areas. The goal of the audit planning process is to select auditable areas of risk in the major General Government operating segments and School locations and operating divisions each year.

The Office allocates a number of hours to assist the County's external auditors with the required annual financial and compliance audits to help control those related costs. This assistance allows the Office to lend its understanding of County operations in areas of compliance for audit efficiency. It also enables the Office to recommend process improvements which may be of value to the County but not focal to the external audit. The Office also helps to facilitate the external audit of the Schools' student activity funds.

The Office manages the County's webpage and telephone hotline which allow citizens and employees to report concerns of potential government fraud, waste, and abuse. These resources may generate additional special projects in the form of investigations or evaluations of controls to sufficiently respond to any reported concerns.

Technical assistance is and will continue to be provided to County agencies and School divisions as requested. The Office provides audit perspectives on controls in draft policies; processes being modified; and systems being implemented. The Office also participates in financial and compliance-related trainings of School leaders and responsible staff.

The auditing environment has become increasingly complex and challenging as the County, its agencies, and the School system continually implement new programs and technology and as regulations and accounting requirements are continuously changing. To meet these challenges and provide quality audit results, the Office uses automated audit documentation and data analysis software in its audits to better examine activity in a cost-effective manner. The Office pays annual software licensing costs to maintain current versions and vendor support for these tools. In addition, the staff maintain and/or pursue a variety of relevant professional certifications and the Office provides for annual continuing education to stay current with requirements, potential business risks, and the latest audit techniques. The software licensing costs as well as the continuing education costs are the two largest components of the operating budget for Internal Audit.



# Department Operating Budget Henrico County, Virginia FY2025-26 INTERNAL AUDITING

Account Description		Prior Year Actual	Approved Budget	Proposed Budget	Dollar Inc/Dec	Percent Inc/Dec
50100	Full-Time Salaries and Wages - Regular	566,533	693,384	769,600	76,216	11.0%
50108	Hybrid Disability Prgm (Prev Wage Adj)	426	1,245	945	-300	-24.1%
50109	Vacancy Savings	0	-25,119	-27,489	-2,370	-9.4%
50110	FICA	41,221	50,915	56,115	5,200	10.2%
50111	Retirement VRS	94,299	121,342	134,681	13,339	11.0%
50112	Hospital/Medical Plans	49,806	77,588	81,354	3,766	4.9%
50113	Group Insurance - Life (VRS)	7,644	9,707	10,775	1,068	11.0%
50121	VRS Hybrid Deferred Contribution	0	5,277	4,002	-1,275	-24.2%
50220	Lease/Rent Of Equipment	0	1,100	1,100	0	0.0%
50240	Printing and Binding	0	50	50	0	0.0%
50270	Other Contractual Services	63	0	0	0	0.0%
50410	Postal Services	1	50	50	0	0.0%
50412	Telecommunications	1,590	1,750	1,860	110	6.3%
50430	Mileage	0	50	50	0	0.0%
50431	Education and Training	6,918	8,675	8,753	78	0.9%
50450	Dues And Association Memberships	4,013	3,988	4,300	312	7.8%
50500	Office Supplies	672	1,300	1,300	0	0.0%
50512	Books and Subscriptions	0	1,140	1,140	0	0.0%
50514	Other Operating Supplies	75	200	200	0	0.0%
50521	Computer Software	13,994	8,750	9,250	500	5.7%
50811	Machinery and Equipment-New Less Than \$10,000	264	0	0	0	0.0%
50815	Computer Equipment-New Less Than \$10,000	66	0	0	0	0.0%
<b>Total Department</b>		<b>787,585</b>	<b>961,392</b>	<b>1,058,036</b>	<b>96,644</b>	<b>10.1%</b>