

# INTERNAL AUDIT

## DESCRIPTION

Internal Audit assists the County Manager and the Board of Supervisors by providing objective analyses, recommendations, advice and comments concerning those 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 county's Audit Committee. As a result of a consolidation of audit functions in 2020, Internal Audit also reports to the School Board's Audit Committee and provides support to the Superintendent of Schools.

Internal Audit evaluates the adequacy and effectiveness of internal controls within county agencies and School operating divisions and examines the quality of performance of these operations for improvement of accountability. Assessing quality of performance includes (1) appraising 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 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, and conduct planned internal audits to evaluate controls, recommend workable improvements, and note commendable practices that can be shared with other agencies.
- 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.

## FISCAL YEAR 2022 SUMMARY

<u>Description</u>	<u>FY20 Actual</u>	<u>FY21 Original</u>	<u>FY22 Proposed</u>	<u>Change 21 to 22</u>
Personnel	\$ 561,994	\$ 545,579	\$ 638,171	17.0%
Operation	30,792	20,956	24,452	16.7%
Capital	0	0	0	0.0%
Total	<u>\$ 592,786</u>	<u>\$ 566,535</u>	<u>\$ 662,623</u>	<u>17.0%</u>
Personnel Complement	6	6	6	0

## Internal Audit

### PERFORMANCE MEASURES

	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>Change 21 to 22</u>
<b>Workload Measures</b>				
Audit Projects: Audits, Follow Ups, Consults	30	26	35	9
<b>Efficiency Measures</b>				
Henrico County budget/audit position (mil)	\$ 221	\$ 220	\$ 234	\$ 14
Henrico County employees/audit position	1,851	1,900	1,904	4

### OBJECTIVES (CONTINUED)

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

### BUDGET HIGHLIGHTS

FY2020-21 is the second year of operation as a consolidated Internal Audit function for both the General Government and Education. The consolidation has allowed both entities to leverage resources, audit skillsets, and minimize redundancy.

The COVID-19 outbreak introduced new challenges and resulted in the department heavily teleworking and rethinking the approach to using technology to provide audit services. In this different operating environment, Internal Audit successfully conducted projects during 2020 that include, but are not limited to, the review of receipts and/or expenditures in the Division of Fire, Human Resources, the Cobbs Creek Reservoir project, certain School construction projects; and department audits related to turnover of key personnel in some General Government agencies and at various schools.

Internal Audit's budget of \$662,623 represents an increase of \$96,088, or 17.0 percent, over the FY2020-21 approved budget. The majority of the increase, \$92,592 or 96.4 percent, is driven by the personnel component and reflects salary increases related to the proposed compensation plan for FY2021-22 and the rising costs of benefits. The operating component increased from the previous fiscal year by \$3,496 (16.7 percent) primarily related to the restoration of funds previously reduced due to the COVID-19 outbreak. Representing 96 percent of the department's budget, personnel costs service levels are expected to increase in FY2021-22 on General Government and Schools audits, special projects and follow-ups as open positions frozen during the COVID-19 outbreak are filled.

Internal Audit 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 department manages the county's webpage and telephone hotline which allow citizens and

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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 department also assists the county's external auditors with the required annual financial and compliance audits to help control those related costs.

The auditing environment has become increasingly complex and challenging as the county, its agencies, and the School system implement additional technology and as regulations and accounting requirements are continuously changing. To meet these challenges and provide quality audit results, Internal Audit uses automated audit documentation and data analysis software in all of its audits to better examine activity in a cost-effective manner. The department pays annual software licensing costs to maintain current versions and vendor support for these tools. In addition, the staff maintain a variety of professional certifications and the department 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  
FY2021-22  
INTERNAL AUDITING

Account Description	Prior Year Actual	Approved Budget	Proposed Budget	Dollar Inc/Dec	Percent Inc/Dec
50100 Full-Time Salaries and Wages - Regular	429,725	414,598	483,497	68,899	16.6%
50108 Hybrid Disability Prgm (Prev Wage Adj)	0	0	706	706	100.0%
50109 Vacancy Savings	0	-11,437	-16,928	-5,491	-48.0%
50110 FICA	32,167	31,403	36,439	5,036	16.0%
50111 Retirement VRS	57,110	58,044	67,690	9,646	16.6%
50112 Hospital/Medical Plans	37,363	47,250	60,096	12,846	27.2%
50113 Group Insurance - Life (VRS)	5,629	5,721	6,671	950	16.6%
50202 Accounting And Auditing Services	17,820	0	0	0	0.0%
50220 Lease/Rent Of Equipment	0	1,100	1,100	0	0.0%
50240 Printing and Binding	0	50	50	0	0.0%
50410 Postal Services	0	50	50	0	0.0%
50412 Telecommunications	1,737	1,550	1,859	309	19.9%
50430 Mileage	0	50	50	0	0.0%
50431 Education and Training	1,935	6,972	8,675	1,703	24.4%
50450 Dues And Association Memberships	3,012	3,275	3,988	713	21.8%
50500 Office Supplies	469	950	1,300	350	36.8%
50512 Books and Subscriptions	90	1,100	1,430	330	30.0%
50514 Other Operating Supplies	93	109	200	91	83.5%
50521 Computer Software	5,636	5,750	5,750	0	0.0%
Total Department	592,786	566,535	662,623	96,088	17.0%