

Internal Audit

PERFORMANCE MEASURES

	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	<u>Change 19 to 20</u>
Workload Measures				
Audit Projects: Audits, Follow Ups, Consults	26	26	35	9
*Efficiency Measures				
Henrico County budget/audit position (mil)	\$ 167	\$ 173	\$ 221	48
Henrico County employees/audit position	1,025	1,030	1,882	852

*FY18 and FY19 reflect only Henrico County General Government.

*FY20 reflects both General Government and Henrico County Public Schools.

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

The County Manager and Superintendent of Schools propose the consolidation of Internal Audit functions in FY20 in conjunction with the retirement of the director responsible for Education's separate audit function. This consolidation will allow both entities to leverage resources, audit skillsets, and minimize redundancy. With this consolidation, existing personnel costs associated with Education's remaining auditor and some existing operating costs historically included in the Education budget (totaling \$95,992) have been moved to the Internal Audit budget. Additionally, funds totaling \$82,140 personnel and \$2,448 operating have been allocated for an additional auditor position with corresponding operating costs to facilitate audit coverage.

The auditing environment has become increasingly complex and challenging as the County and its agencies implement additional technology and as regulations and accounting requirements are continuously changing. To meet these challenges and provide quality audit results, Internal Audit uses enhanced auditing 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 department requires all staff to maintain professional certifications and provides annual continuing education to stay current with requirements, 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.

As the majority of the department's budget (97%) consists of personnel costs, service levels will continue at current levels on General Government audits, special projects and follow ups while also expanding to ensure similar coverage

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continues at Schools. Internal Audit conducts an annual survey and finalizes a risk-based planning assessment 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 each year -- Administration, Community Services, Community Development, Community Operations, and Public Safety. Audits will also be selected from the Schools' operating divisions.

The department 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. Technical assistance will 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 costs.

Some of the internal audits conducted by the department in FY2018-19 included receipts and/or expenditures in the Police Division, Juvenile Detention, and Information Technology; telecommunication billings; and a post-implementation review of Finance's new cashier system.

Internal Audit's budget of \$651,937 represents an increase of \$186,727 or 42.4 percent over the FY2018-19 approved budget. This increase is driven by the personnel component and reflects the results of the consolidation with Education's separate audit function including a transfer of costs for one auditor as well as the addition of one auditor. For existing staff, the increase also reflects the FY19 salary increase, removal of projected vacancy savings, and the rising costs of health care benefits. The increase in the operating component also relates to the transfer and addition of corresponding costs related to new staff as a result of the consolidation effort.



**Department Operating Budget
Henrico County, Virginia
FY2019-20
INTERNAL AUDITING**

Account Description	Prior Year Actual	Approved Budget	Proposed Budget	Dollar Inc/Dec	Percent Inc/Dec
50100 Full-Time Salaries and Wages - Regular	332,692	340,581	478,567	137,986	40.5%
50108 Hybrid Disability Prgm (Prev Wage Adj)	0	0	360	360	100.0%
50109 Vacancy Savings	0	-8,134	-11,437	-3,303	-40.6%
50110 FICA	24,902	26,054	36,610	10,556	40.5%
50111 Retirement VRS	43,283	45,263	63,602	18,339	40.5%
50112 Hospital/Medical Plans	26,482	32,532	53,514	20,982	64.5%
50113 Group Insurance - Life (VRS)	4,358	4,462	6,269	1,807	40.5%
50202 Accounting And Auditing Services	23,275	0	0	0	0.0%
50211 Maintenance Service Contracts	259	330	330	0	0.0%
50240 Printing and Binding	0	50	50	0	0.0%
50310 Automotive/Motor Pool	0	55	0	-55	-100.0%
50410 Postal Services	0	50	50	0	0.0%
50412 Telecommunications	1,497	1,550	1,950	400	25.8%
50430 Mileage	0	50	50	0	0.0%
50431 Education and Training	4,188	4,540	8,675	4,135	91.1%
50450 Dues And Association Memberships	2,725	2,730	3,988	1,258	46.1%
50500 Office Supplies	626	824	1,300	476	57.8%
50512 Books and Subscriptions	370	650	2,200	1,550	238.5%
50514 Other Operating Supplies	63	150	109	-41	-27.3%
50521 Computer Software	3,378	3,600	5,750	2,150	59.7%
Total Department	468,098	455,337	651,937	196,600	43.2%