CITY OF CHARLOTTE

INTERNAL AUDIT

ANNUAL REPORT FY 2023

Message from the City Auditor

It is my pleasure to present the inaugural annual report for the Internal Audit Department. I recently celebrated my 25th work anniversary with the City of Charlotte – all in the Internal Audit Department. What a perfect time to reflect on all the advances we have made together.

Since this is the first Internal Audit annual report, I'll give you a brief history. Our department initially focused on audits related to the city's managed competition efforts. (I'm sure many of you are thinking "managed what?" I'm happy to provide details should your curiosity prevail). We gradually incorporated other performance audits into the audit plan as our staff grew and time permitted. Fast forward a couple of decades and we are now annually completing, on average, twelve performance audits. These audits touch all areas of city operations, from Aviation to Vision Zero. Each year, we develop an audit plan based on risk assessments developed after meeting with departments and considering council strategic priorities. This plan guides our work throughout the year.

Over the past year, we have been very busy completing projects that fulfill our mission: to provide reasonable assurance that the City has an effectively operating system of internal controls and to assist management in evaluating operations which promotes accountability and transparency in city operations.

This report highlights our major initiatives and accomplishments over the past year along with other key information. Our thanks to all employees who help us complete our audits and are committed to making the City of Charlotte an amazing place to live. Go Team Charlotte!!!

Tina Adams, CPA, CIA
City Auditor

Audit Reports Issued in FY2023

23-01: Charlotte Water Design Build Cost Analysis (RSM)

A follow-up to a report issued in May 2021.

23.02: Concourse A Closeout Services (RSM)

Identified minor variances between billed and actual costs on the Concourse A Expansion and Renovation projects.

23.03: Housing Trust Fund

HNS has established controls to propose the most appropriate developers for council selection and ensure that properties are maintained in accordance with requirements.

23.04: Private Developer Funds

CDOT can strengthen internal controls to ensure developer contributions are collected, funds are spent as intended and unused funds are returned timely.

23.05: Revenue Collections FY22

Controls over revenue collections are effective and adequately monitored, except for recording the date when checks are received.

23.06: ARPA Fund Distributions

ARPA-funded programs were established in accordance with requirements. Adequate controls over disbursements were established and incorporated most improvements recommended in the CARES Audit.

23.07: CMPD Vice Imprest 2022

CMPD's Vice Imprest Fund controls are well designed and working effectively.

23.08: Procurement Compliance

Opportunities exist to improve the effectiveness of procurement compliance reports. Procurement and Finance require additional resources and continued support to reaffirm their authority and to hold departments accountable.

23.09: Technology Vendor Management

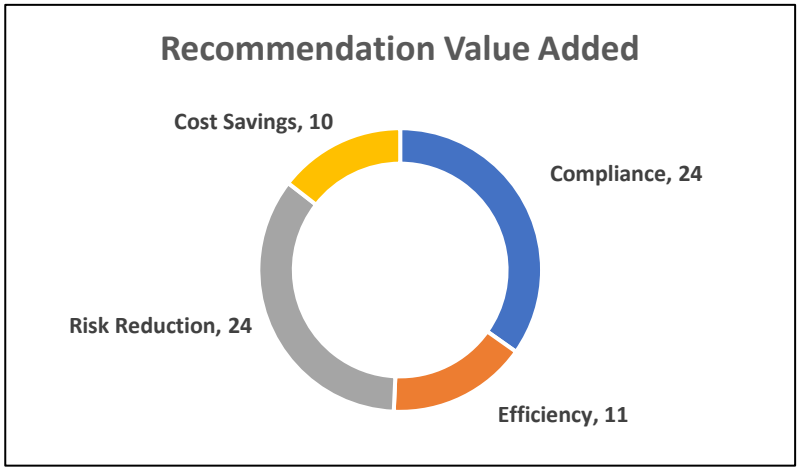
Determined whether appropriate policies, procedures, and practices exist to manage products and services provided by technology vendors. (*confidential*)

23.10: Real Estate (RSM)

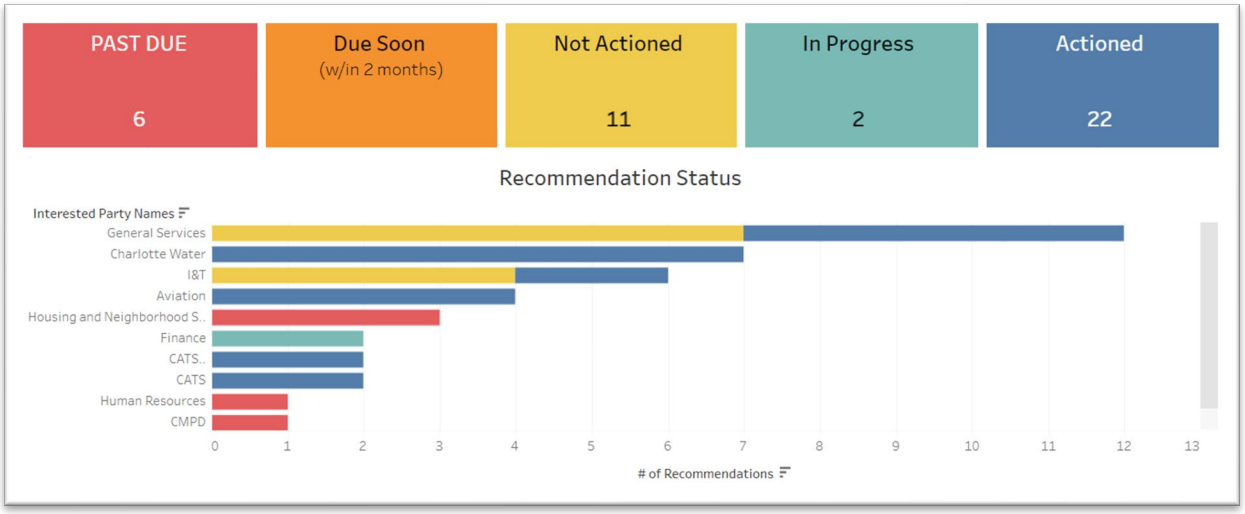
RSM noted a need for a policy outlining requirements for all departments responsible for executing real property transactions.

Audit Recommendations

We make audit recommendations to address findings noted during audits. In FY23, we made 29 recommendations focused on improving controls, with the largest percentage related to compliance and risk reduction.



Internal Audit works with departments to establish agreed-upon due dates by which the department will implement recommendations. The current status of recommendation implementation is tracked via an interactive dashboard. Below is a screenshot of the summary section of the dashboard. We follow up on open recommendations until they are resolved.



Audit Hotline

The Charlotte Employee Hotline supports honesty, integrity, and accountability in the workplace. A third-party service allows employees to report issues related to abuse, fraud, safety, and waste. Reports can be anonymous and confidential, or reporters can leave their name and contact information. The following details the types of hotline reports received and their resolution.

FY2023 Hotline Reports						
Types of Calls	**Referred to HR**	**Allegations Unsubstantiated**	**IA Reviewed w/ Dept**	**Resulted in Audit**	**Caller Terminated**	**Totals**
Employee Relations	14		3		2	**19**
Falsification of Records		1				**1**
Fraud				1		**1**
Policy Violation		1				**1**
Retaliation	3					**3**
Safety & Sanitation		1			1	**2**
Substance Abuse	1					**1**
Theft of Time	3	1				**4**
Wage & Hour Issues	3					**3**
	24	**4**	**3**	**1**	**3**	**35**

Upon receipt of a report, Internal Audit determines next steps. As the table shows, 69% of reports were referred to the Human Resources department. Of the reports managed by Internal Audit, one resulted in an audit.

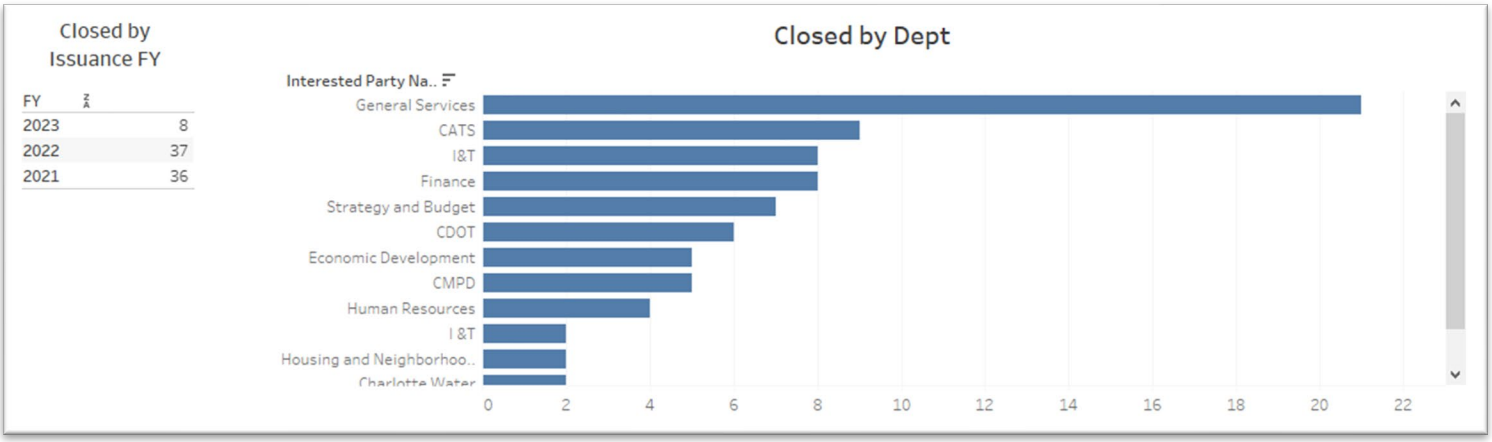
Accomplishments

CLOSED AUDIT RECOMMENDATIONS

We are happy to report that departments are implementing recommendations made. As part of the reporting process, departments set due dates for agreed-to recommendations. These are tracked by the FY each report was issued in, not when a recommendation was closed.

Report Issuance FY	Recommendations Made	Recommendations Closed	% Closed
2023	29	8	28%
2022	48	37	77%
2021	44	36	82%

An interactive dashboard is available to view closed recommendations.



Significant impacts from implemented recommendations include:

- Improved capital project management (advanced funding mechanism)
- Better management and monitoring of mobile device usage
- Increased cyber resilience (backup and recovery, patch management, vendor management recommendations)
- Enhanced construction administration for CMAR and DB projects with cost savings opportunities (Convention Center, Water Design-Build projects)

PEER REVIEW

The Government Auditing Standards manual, also known as the "Yellow Book," stipulates that each audit organization must obtain an external peer review every three years and it should be conducted by reviewers independent of the audit organization. The purpose of a peer review is to determine whether an audit organization's quality control system is suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards. Our first peer review was in 2008.

Our most recent review was completed in October 2022 for audits published during the period July 1, 2019 to June 30, 2022. We received a pass with no deficiencies. This is the best result you can get!

STAFF CONTRIBUTIONS TO THE AUDIT PROFESSION

Members of our staff contributed to the profession in numerous ways. These contributions provide staff exposure and growth, and ultimately help improve our auditing.

- ✓ The Audit Director was a member of the International Center for Performance Auditing (ICPA) Grandfathering Committee. The committee recommended criteria for granting certification to experienced performance auditors without having to take a test.
- ✓ Staff is actively involved with the Association of Local Government Auditors (ALGA)
    - Senior Auditor Will Pellisero has served as a judge for the annual Knighton report writing award and is both an ALGA mentor and a member of the Strategy Committee.
    - Audit Director served as a member of the Board Nominating Committee
    - Senior Auditor Lynette Stover serves on the Membership Committee
    - Staff participated in quality assurance peer reviews for other local government entities

OTHER STAFF HIGHLIGHTS

- ✓ Employee Relations Team (formerly known as the Queen's Team) - Senior Auditor Lynette Stover has been a member since inception
- ✓ Staff participation in the Shared Leadership Learning program
- ✓ Audit Director was part of a three-person city team selected to participate in the Leading Procurement Reform program sponsored by the Bloomberg Harvard City Leadership Initiative

AUDIT TEAM MEMBERS

Tina Adams, CPA, CIA	Director
Craig Terrell, CPA, CISA	Deputy Director
Marie Marsicano	Audit Supervisor
Lynette Stover	Senior Auditor
Will Pellisero, CPA, CIA, CISA	Senior Auditor
Danny Nuccio, CPA, CFE	Senior Auditor
Chris Douglas	Staff Auditor