



# Internal Audit Briefing

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# Agenda

- Internal Audit
  - Mission Statement
  - Authority - Internal Audit Charter
  - Internal Audit Reporting Structure
  - Risk Assessment (Risk Categories, Risk Matrix, Heat Map, Scores)
  - FY23/24 Audit Plan Update
  - Staffing /Estimated Available Audit Hours
  - Audits planned for FY2025 (Approved)

# Mission

- ▶ Provide independent and objective assurance and management advisory services.
- ▶ Identify risks, evaluate controls, and make recommendations that will strengthen County operations.
- ▶ Help to improve County government performance and accountability by:
  - Assessing the reliability of financial and operating information
  - Evaluating the efficiency and effectiveness of departments
  - Testing the adequacy of controls for preventing waste and safeguarding assets
  - Verifying compliance with policies, procedures, and regulations
  - Advising and providing County employees with ways to increase internal control knowledge, awareness, and assessment capabilities
- ▶ All audits are conducted in accordance with The International Standards for the Professional Practice of Internal Auditing; and as applicable, in compliance with Federal, State, and local laws and regulations.

# AUTHORITY

- ▶ The purpose, authority and responsibility of the Internal Audit office is established under the Charles County Government Commissioner Standard Operating Procedure (SOP) #: CP.CAD.04.001 titled Internal Audit Charter.
- ▶ The Internal Audit Charter:
  - Establishes the position of the internal audit activity within Charles County Government.
  - Defines the scope of the internal audit activities and the types of audit services provided.
  - Authorizes access to records, personnel, and physical properties relevant to the performance of engagements.
  - Establishes the reporting relationship of the internal audit activity.
  - Defines the internal audit activity's independence, adherence to the Code of Ethics issued by the Institute of Internal Auditors and the professional standards and best practices of the profession.
- ▶ The Board of County Commissioners established the Internal Audit Oversight Committee (IAOC) under SOP #: CP.CAD.04.002 as an advisory committee to assist in oversight responsibilities.

# IAO Reporting Structure

- ▶ The Internal Audit function must be positioned independently at a level within county government that enables the Internal Audit function to discharge its services and responsibilities without interference.
  - ▶ Independence - freedom from conditions that impair the ability of the Internal Audit function to carry out its responsibilities in an unbiased manner. Senior Internal Auditor must confirm to the Internal Audit Oversight Committee at least annually the organizational independence of the internal audit function.
  - ▶ Objectivity - Internal Audit maintains an impartial and unbiased attitude when performing internal audit services and making decisions.
- ▶ The IAO reports administratively to the County Administrator
- ▶ The IAO reports functionally to the Internal Audit Oversight Committee (IAOC)
  - ▶ Specialized sub committee to maintain the IAO's independence & objectivity:
    - ▶ Commissioner President
    - ▶ County Administrator
    - ▶ County Attorney
    - ▶ Two citizens appointed with auditing experience, internal control, accounting & financial reporting

# County-Wide Risk Assessment

- ▶ An Internal Audit Plan must be created that supports the achievement of County Objectives. The Internal audit plan must be based on a documented assessment of the organization's strategies, objectives and risks.
- ▶ Standards require an organization wide risk assessment be completed at least annually as the basis for the Internal Audit plan.
  - ▶ Steps in the development of county wide risk assessment and risk-based audit plan:
    1. Define the Audit Universe - The Counties auditable units, such as business units, processes, programs and systems.
    2. Identify various categories of risk and identify potential factors that could affect the **likelihood** of occurrence:

Budget Risk	Strategic Risk	Financial Operations Risk
Information Technology Risk	Legal and Regulatory Risk	Integrity/Fraud Risk
Consumer Service/Delivery Risk	Environmental Health and Safety Risk	Personnel/HR Risk
Information and Communication Risk		

# County-Wide Risk Assessment

- ▶ Steps in the development of county wide risk assessment and risk-based audit plan (continued)
  3. Assess the likelihood of occurrence for each auditable units in the audit universe based on High, Moderate, or Low probability.
  4. Select potential risk impact categories and identify factors that could impact the risk.

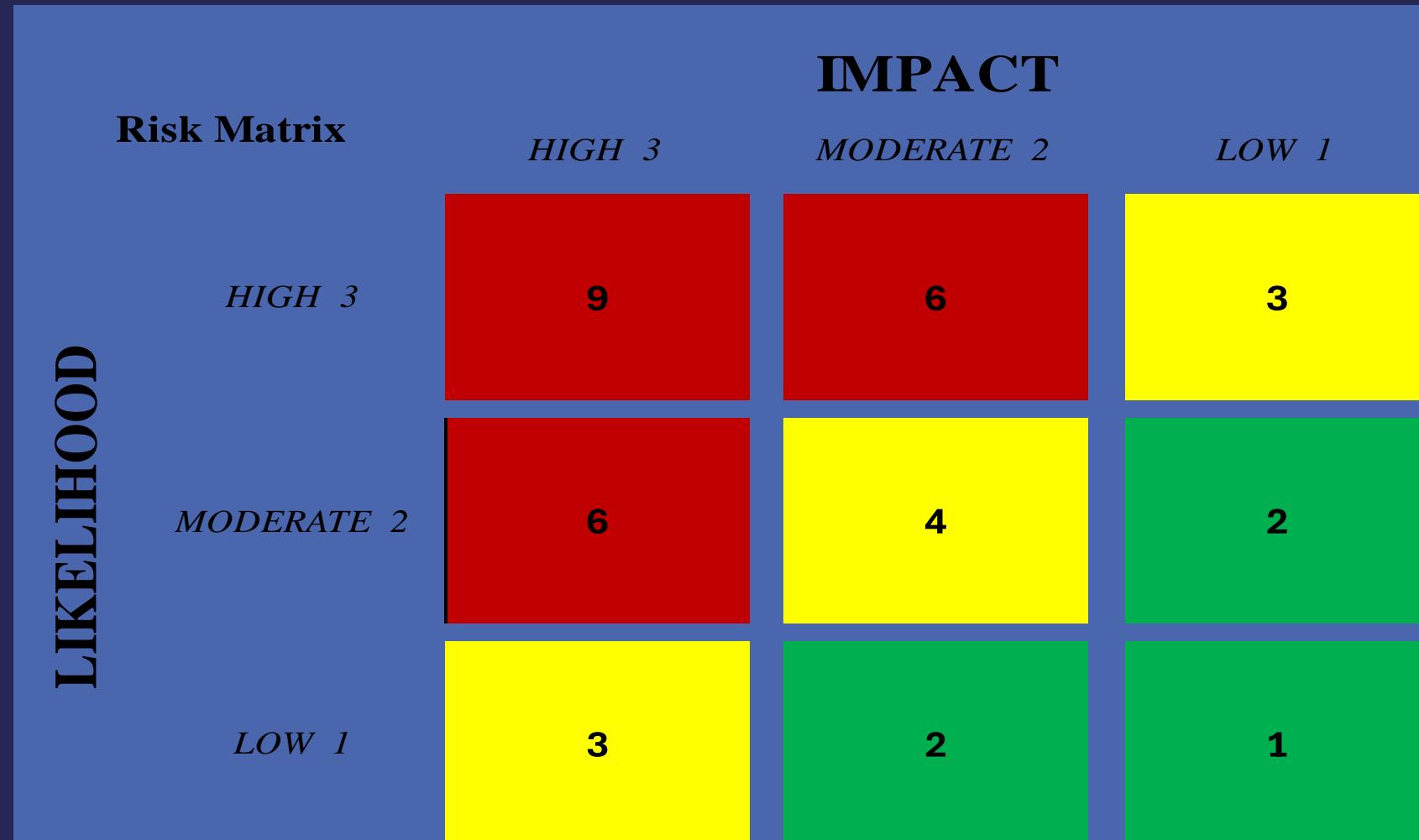
Reputation Impact	Business Operations Impact	Financial Impact

  5. Assess the impact of risk occurrence based on the various factors affecting impact.
  6. Chart results identified from assessing the likelihood of risk types/categories applicable to the county's significant audit units and the rated impact of risk occurrence. (Heat Map)
  7. Calculate total risk score for each auditable unit based on the overall likelihood and the overall impact scores for the heat map. Risk assessment scores of High (3), Moderate (2), and Low (1) were used for Likelihood and Impact ratings and to create a risk matrix.
  8. Sort the auditable units based on risk scores of high, moderate and low ranking.

## Charles County, MD County Wide Risk Assessment Risk Assessment Heat Map by Department

	Department or Office	Overall Risk Rating	Budget FY24 (\$)	Full Time Employees FY24	LIKELIHOOD										IMPACT				
					Budget Risk	Strategic Risk	Financial Operations Risk	Information Technology Risk	Legal & Regulatory Risk	Integrity / Fraud Risk	Customer Service / Delivery Risk	Environment, Health & Safety Risk	Personnel / HR Risk	Information & Communication Risk	Overall Likelihood	Reputation Impact	Business Operations Impact	Financial Impact	Overall Impact
					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	FAS - Accounting	H	1,474,400	24	L	M	H	M	H	L	M	L	M	M	M	H	H	H	H
2	FAS - Budget	H	589,300	8	L	H	M	H	H	L	M	L	M	H	H	H	H	H	H
3	FAS - Information Technology	H	6,349,900	32	H	M	H	H	L	M	H	L	H	H	M	H	H	H	H
4	FAS - Purchasing	H	472,500	7	L	H	M	M	M	H	M	L	M	M	M	M	H	H	H
5	FAS - Treasury	H	1,503,000	14	M	L	M	M	M	M	L	L	L	M	M	M	M	M	M
6	DCS - Aging & Human Services	M	3,953,586	37	M	H	M	M	M	M	H	L	L	H	M	M	M	M	M
7	DCS - Housing Authority	H	11,569,140	14	H	H	M	M	H	M	M	L	L	M	M	M	M	M	M
8	DCS - Local Management Board (CCACCYF)	L	945,455	2	L	L	L	L	M	M	M	L	M	M	M	L	L	L	L
9	DES - Safety Communications	H	4,994,500	37	M	H	H	H	H	L	H	H	H	M	H	H	H	H	H
10	DES - Animal Control & Sheltering	M	2,131,100	25	M	M	M	L	M	L	L	H	H	H	M	M	M	M	M
11	DES - Emergency Medical Services / Special Operations Division	H	17,804,900	144	H	H	M	H	H	M	M	H	H	H	H	H	H	H	H
12	DES - Emergency Management	M	212,700	1	L	L	L	M	M	L	M	L	M	M	H	H	M	M	M
13	DES - Fire Alarm Reduction Unit	L	231,800	2	L	L	L	L	L	M	M	M	L	L	L	L	L	L	L
14	DES - Emergency Services Administration	M	1,028,200	6	L	H	L	L	M	L	M	M	M	M	M	H	M	M	M
15	DPW - Utilities / Technical Support Division	H	17,808,500	100	H	H	H	M	H	L	L	L	M	M	M	M	M	H	H
16	DPW - Utilities / Water and Wastewater	H	34,197,200	48	H	H	H	M	H	M	L	L	H	H	H	M	H	H	H
17	DPW - Facilities / Environmental Resources	M	22,846,700	73	H	L	L	M	H	M	M	M	M	M	M	M	M	M	M
18	DPW - Facilities / Fleet and Inventory Management	L	1,287,600	12	L	L	L	M	L	L	L	M	M	L	M	L	L	M	M
19	DPW - Facilities / Buildings and Trades	M	8,895,900	65	H	L	L	L	M	L	M	M	M	M	L	M	M	M	M
20	DPW - Facilities / Roads	M	8,773,700	42	H	M	L	L	M	M	L	M	M	M	M	M	M	M	M
21	ADM - County Administration Office Administration	M	1,317,100	7	L	L	L	L	M	M	L	M	L	M	H	H	M	H	H
22	ADM - Central Services	M	2,437,100	11	M	M	M	L	M	L	M	M	H	M	M	M	M	M	M
23	ADM - Media Services	M	3,756,600	11	M	L	L	M	L	L	L	L	L	M	M	L	M	M	M
24	ADM - Commissioner Office Administration	M	1,317,100	7	L	M	L	L	M	M	M	M	L	L	M	M	M	M	M
25	PGM - Administrative Operations	M	3,245,600	17	M	H	M	M	H	L	H	M	H	H	M	M	M	M	M
26	PGM - Planning Division	H	8,139,100	35	H	H	M	M	M	L	H	H	H	H	H	H	H	M	M
27	PGM - Transit	M	11,671,156	6	H	H	L	M	H	H	L	M	H	L	M	M	M	M	M
28	PGM - Codes, Permits and Inspection Services (CPIS)	M	8,449,700	23	H	H	L	M	H	L	M	M	M	M	L	H	M	M	M
29	PGM - Infrastructure Management	M	1,798,200	13	M	M	L	M	H	H	L	M	M	M	H	M	M	M	M
30	Economic Development	M	2,406,900	13	M	H	M	H	H	M	M	M	L	M	L	M	M	M	M
31	Human Resources	L	2,016,200	13	M	L	L	H	H	L	L	L	M	M	M	M	L	L	L
32	County Attorney	L	1,499,900	12	M	L	L	L	M	L	L	L	L	L	M	L	M	L	L
33	DRPT - Parks	M	6,299,200	60	H	H	M	M	M	M	M	M	H	L	M	M	H	H	M
34	DRPT - Recreation	M	5,562,500	70	H	H	M	M	L	M	M	H	L	M	M	M	H	H	M
35	DRPT - Tourism	L	1,619,600	9	M	M	L	L	M	M	L	L	L	L	L	L	H	L	M

## Risk Assessment (Risk Matrix and Risk Scores)



### FY25 Summarized Risk Assessment

Department or Office	Budget FY24 (\$)	Full Time Employees FY24	Overall Likelihood	Overall Impact	Overall Risk Rating	# Score
DES - Emergency Medical Services / Special Operations Division	17,804,900	144	H	H	H	8
DES - Safety Communications	4,994,500	37	H	H	H	8
DPW - Utilities / Water and Wastewater	34,197,200	48	H	H	H	8
FAS - Information Technology	6,349,900	32	M	H	H	7
DPW - Utilities / Technical Support Division	17,808,500	100	M	H	H	7
FAS - Budget	589,300	8	M	H	H	6
FAS - Purchasing	472,500	7	M	H	H	6
PGM - Planning Division	8,139,100	35	H	M	H	6
FAS - Accounting	1,474,400	24	M	H	H	6
FAS - Treasury	1,503,000	14	M	H	H	6
DCS - Housing Authority	11,569,140	14	M	H	H	6
PGM - Administrative Operations	3,245,600	17	M	M	M	5
DRPT - Parks	6,299,200	60	M	M	M	5
DCS - Aging & Human Services	3,953,586	37	M	M	M	5
DRPT - Recreation	5,562,500	70	M	M	M	5
ADM - County Administration Office Administration	1,317,100	7	M	H	M	5
DPW - Facilities / Roads	8,773,700	42	M	M	M	4
PGM - Transit	11,671,156	6	M	M	M	4
PGM - Codes, Permits and Inspection Services (CPIS)	8,449,700	23	M	M	M	4
Economic Development	2,406,900	13	M	M	M	4
DPW - Facilities / Environmental Resources	22,846,700	73	M	M	M	4
PGM - Infrastructure Management	1,798,200	13	M	M	M	4
DES - Animal Control & Sheltering	2,131,100	25	M	M	M	4
DES - Emergency Services Administration	1,028,200	6	M	M	M	4
ADM - Central Services	2,437,100	11	M	M	M	3
ADM - Commissioner Office Administration	1,317,100	7	M	M	M	3
DES - Emergency Management	212,700	1	M	M	M	3
DPW - Facilities / Buildings and Trades	8,895,900	65	M	M	M	3
ADM - Media Services	3,756,600	11	L	M	M	3
DPW - Facilities/ Fleet and Inventory Management	1,287,600	12	L	M	L	2
DRPT - Tourism	1,619,600	9	L	M	L	2
Human Resources	2,016,200	13	M	L	L	2
DCS - Local Management Board (CCACCYF)	945,455	2	M	L	L	2
County Attorney	1,499,900	12	L	L	L	1
DES - Fire Alarm Reduction Unit	231,800	2	L	L	L	1

# FY23/24 Audit Plan Update

The prior year audit plan included a total of 8 audit units, some of which would cover several divisions within the same departments. 5 of the 8 audit units presented in the plan were completed. 1 additional audit mandated by SOP was added and completed. 2 audits from the prior year plan were moved to the FY25 plan.

Inventory audits were completed for 3 departments in DPW and included a separate fuel inventory audit which included reviews of fuel usage reports for Sheriff's department, LaPlata government, and other user of CCG fuel facilities.

Continuous audit initiatives were begun for purchase cards and small procurement cards. Identifying positions requiring state/federal certification if any. Identify process for grant renewals.

The FY23/24 Audit plan concentration was specifically designed to review county operations related to cash management and inventory control.

Competed Audits can be found on the Internal Audit page of the County website.

# FY23/24 Audit Plan Update

## FY23/24 Audit Plan completed audits

### ► **Cash Management**

- Department of Public Works - Facilities/Environmental Resources Receipts
- Planning and Growth Management Receipts
- Department of Recreation Parks and Tourism Receipts
- Department of Recreation Parks and Tourism Receipts

### ► **Grant Management**

- Department of Community Services

### ► **Inventory Management**

- Department of Public Works – Fleet and Inventory Management
- Department of Public Works – Utilities
- Department of Public Works – Fleet and Inventory Management – Fuel Inventory
- Department of Public Works – Building and Trades – Tool Inventory

### ► **Business Expenses (SOP Mandated)**

- Charles County Commissioners Office

# Calculation of Estimated Audit Hours Available

Audits included in the FY 2025 Annual Audit Plan are based on estimated available audit staff hours. Our audit plan is based on 2,440 direct audit hours to be provided by two (2) audit professionals in FY 2025.

Currently the Charles County Government Internal Audit Department is staffed by the Senior Internal Auditor and a Junior Internal Auditor.

- **Audit support:** other assigned projects, presentation preparation, research and development for future audit issues, etc.
- **Administrative:** completion of office duties, self evaluations, security training and other required training

Total Annual Available Hours Per Full Time Employee (FTE)	
Annual Totals	Hours
Based on 52 Weeks	3,900
Less Hours for	
Annual Leave (8 hours x 12 months)	-192
Sick Leave (7.5 hours x 12 months)	-180
Holidays/Floating Holidays/Personal Day	-300
Total Available Work Hours	3,228
Training/CPE 40 hours per auditor plus 10 for additional certifications	-100
Audit Support/Miscellaneous (5 hours x 43 weeks) (2)	-430
Administrative/Non-CPE Training (3 hours x 43 weeks) (2)	-258
Total Available Audit Hours	2,440

# FY 2025 Audit Plan (Approved)

- ▶ For each engagement in the Audit Plan, we have listed the department, and estimated hours to complete the audit.
- ▶ The Audit Plan is subject to change for such events where the Internal Auditor, or Internal Audit Oversight Committee (IAOC) assesses it is warranted to substitute, postpone, or cancel a scheduled audit due to timing, priority, resources, and/or other risk considerations. Such modifications will be noted in Status Reports submitted to the IAOC. The acceptance of the Status Report by the IAOC authorizes any changes noted.
- ▶ Of the 35 potential audit units included in the risk assessment, we have assessed 11 as being high risk, 19 as moderate risk, and 6 as low risk. Each of the high-risk divisions is prevalent in daily internal government operations and each one also interfaces on a continuous basis with citizens of Charles County.
- ▶ The IAO continues to explore any possibilities of automation to assess areas of operations for the purpose of generating continuous audit reporting.

# FY2025 Audit Plan (Approved)

<b>Audit</b>	<b>Hours</b>
Charles County Public Library (Management Request) - Performance Operations	300
Commissioner Business Expenses (Mandated)	225
DES - Emergency Medical Services/Special Operations Division <b>EMS Billing Process</b>	300
DES - Safety Communications - <b>Safety Communications</b>	300
Department of Public Works - Utilities Technical Support - <b>Capital Improvement Projects</b>	300
Department of Public Works - Utilities Water and Wastewater - <b>Compliance Audit</b>	225
Fiscal and Administrative Services - Purchasing - <b>Procurement</b>	300
Fiscal and Administrative Services - Treasury - <b>Cash Management</b>	300
Fiscal and Administrative Services - Information Technology - <b>Identity and Access Management</b>	150
Continuous Auditing Objectives - Purchase Cards/Small Procurement Cards/Certifications	150
Munis Enterprise Resource Planning System - Department Specific - <b>Workflow and Access Controls Review</b>	TBD
Personally Identifiable Information - Department Specific - <b>Data Storage/Information Technology</b>	TBD



**Charles County Government**  
200 Baltimore Street • La Plata, MD • 301-645-0550  
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[www.CharlesCountyMD.gov](http://www.CharlesCountyMD.gov)



### **About Charles County Government**

The mission of Charles County Government is to provide our citizens the highest quality service possible in a timely, efficient and courteous manner. To achieve this goal, our government must be operated in an open and accessible atmosphere, be based on comprehensive long- and short-term planning and have an appropriate managerial organization tempered by fiscal responsibility. We support and encourage efforts to grow a diverse workplace. Charles County is a place where all people thrive and businesses grow and prosper; where the preservation of our heritage and environment is paramount; where government services to its citizens are provided at the highest level of excellence; and where the quality of life is the best in the nation.

It is the policy of Charles County to provide equal employment opportunity to all persons regardless of race, color, sex, age, national origin, religious or political affiliation or opinion, disability, marital status, sexual orientation, genetic information, gender identity or expression, or any other status protected by law.