

**COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND**

2018 Legislative Session

Legislative Day No. 17

**Resolution No. 81-2018**

Introduced by: The President of the Council

**A RESOLUTION ADOPTING THE ANNUAL AUDIT PLAN  
FOR FISCAL YEAR ENDING JUNE 30, 2019.**

WHEREAS, under Section 305, titled "County Internal Auditor" of the Charter of Wicomico County, Maryland, the Internal Auditor is charged with the duty to report on internal accounting controls, administrative and operating practices and procedures, and other pertinent financial and compliance matters within Wicomico County; and


WHEREAS, the Internal Auditor has submitted an "Annual Audit Plan for Fiscal Year ending June 30, 2019" for the County Council's consideration, which outlines the performance and operational audits and activities that are to be conducted throughout Fiscal Year 2019.

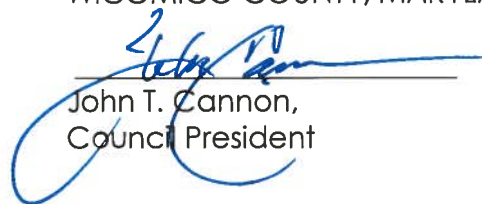
NOW, THEREFORE, BE IT RESOLVED, by the County Council of Wicomico County, Maryland that the Annual Audit Plan for Fiscal Year ending June 30, 2019 submitted by the County Internal Auditor, attached as Exhibit A, is approved and adopted.

Done at Salisbury, Maryland, this 7<sup>th</sup> day of August, 2018.

ATTEST:

COUNTY COUNCIL OF  
WICOMICO COUNTY, MARYLAND

  
\_\_\_\_\_  
Laura Hurley,  
Council Administrator

  
\_\_\_\_\_  
John T. Cannon,  
Council President

CERTIFICATION

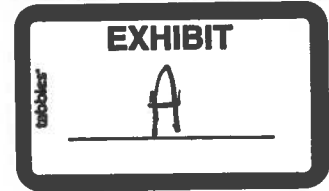
This Resolution was Adopted , Adopted with Amendments \_\_\_\_, Failed \_\_\_\_, Withdrawn \_\_\_\_ by the County Council on August 7, 2017.

Certified by   
\_\_\_\_\_  
Laura Hurley, Council Administrator



**Wicomico County, Maryland**  
**OFFICE OF THE INTERNAL AUDITOR**

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**Steve Roser, CPA/CIA/CFE**  
*Internal Auditor*  
**Levin Hitchens III**  
*Assistant Internal Auditor*

July 10, 2018

## **ANNUAL AUDIT PLAN FOR FISCAL YEAR ENDING JUNE 30, 2019**

The County Council and County Executive of Wicomico County, Maryland:

The purpose of the Audit Plan is to outline the audits and other activities for which the Internal Auditor anticipates completion during the year. The Office of the Internal Auditor and the Audit Committee developed the plan to comply with responsibilities established by the Institute of Internal Auditors. As you may be aware, the IIA Standards require an annual risk assessment and an annual internal audit plan based on that assessment. Some time ago, we decided that a full-blown assessment project might be overkill for Wicomico owing to the size of the organization, and the size of our office. It was decided instead to perform a complete risk assessment on a biennial basis and assess risk via some other less time-consuming method for the off years. The last complete assessment was performed near the end of FY2016 for FY2017. Therefore, FY2019 is a complete risk assessment year. We distributed the biennial questionnaire to all department heads and deputies (36) asking for suggested areas to audit. We reached out to all department heads multiple times and received twenty responses. The responses, along with subjective information gathered during the year and other considerations became the basis for the FY2019 annual audit plan. Other considerations include an auditor's review of fourteen areas of potential risk for an organization.

It is important to note that the Audit Plan is a working document that should be flexible in addressing current priorities in a changing environment. We are proud to point out that County management is occasionally willing to involve us in an independent capacity to assist with problem solving where appropriate. We will notify the County Council of any significant additions, deletions, or other changes to the Audit Plan.

The Audit Plan includes audits related to internal controls, policies and procedures, and the economic and efficient use of resources. Our Office and the Audit Committee considered numerous projects for the FY2019 Audit Plan. Total budgeted time for all projects totals exceeds our capacity to complete them. We prioritized the projects and chose seventeen that we could realistically perform over the next twelve months. Five of the audits are continuous and will be included in subsequent audit plans for the near future, to include Village Downriver, Enterprise Funds Study, Roads Division Fuel, Budget Evaluation, and Debt Service.

Audits included in the Plan are:

- Selected projects not completed during the Audit Plan approved by Council for FY2018
- Audits recommended by us based on FY2018 Annual Risk Assessment
- Selected Audits recommended by respondents to a short form audit suggestion inquiry
- Cooperation with external auditors for mutually beneficial projects

- Based on observations, perceptions, and other qualitative criteria gathered by the Auditors over the past seven and a half years

While general audit objectives are included in the Plan, specific audit objectives will be determined upon completion of preliminary surveys related to each audit. During the preliminary surveys, we will establish familiarity with the department or function by conducting background interviews and research. At that time, potential issues will be identified and the specific audit objectives and methodology will be enhanced and adjusted. We will adjust estimated audit hours for each audit based on preliminary survey results. It is possible that we may be unable to complete this audit plan in its entirety due to limitations of time, resources, and other urgent matters that come to the forefront. We will reevaluate projects not completed for possible inclusion in the following year's plan.

Operational Projects

- Village Downriver
- Tourism Advertising
- Debt Service
- Purchase Cards
- Store Accounts
- Accruals – Compensatory & Vacation
- Sick Pool

Performance Projects

- Enterprise Fund Study
- Solid Waste Inventory
- DOC Time and Motion
- DOC Inmate Accounts
- DOC Compensation & Overtime
- Vacant Positions
- Roads Division Fuel

Other Projects

- Comprehensive Budget Review
- Revenue Cap Calculation Review
- County Energy Expense Review

Preliminary scope and objectives for the planned projects are available upon request. As always, the Committee and the Auditors greatly appreciate your continued support.

Respectfully submitted,

*J. Stephen Roser, CPA*

J. Stephen Roser, CPA  
Internal Auditor



*30 days*

## VILLAGE DOWNRIVER

### **OBJECTIVES**

The objectives of the audit are to:

1. Gain an understanding of the Condo Association's methodology for requesting reimbursements for repairs
2. Assess internal controls and accountability of bank account(s) and funds
3. Ensure an adequate sinking fund is maintained to cover repairs for the foreseeable future
4. Make recommendations (if applicable)

### **SCOPE AND METHODOLOGY**

Objectives and methodology may be adjusted as information is gathered. The audit periods that will be examined are for FY 2016 to date. Scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents and system information pertaining to the arrangement and accounting for Village Downriver's sewage plant fund.



Wicomico County  
Internal Auditor

*45 days*

## **TOURISM ADVERTISING AUDIT**

### ***OBJECTIVES***

The objectives of the audit are to:

1. Gain an understanding of Tourism's approach to advertising
2. Determine County policy for advertising expenditures
3. Determine internal control over advertising expense
4. Evaluate adherence to internal controls
5. Make recommendations (if appropriate)

### ***SCOPE AND METHODOLOGY***

Objectives and methodology may be adjusted as information is gathered. The audit period that will be examined on a test basis is FY 2018. The scope is open ended. Observations, interviews, and inquiries with appropriate personnel will be conducted. We will perform inspections of selected documentation including County rules concerning advertising expense, available advertising evaluation data, and selected advertising expense invoices.



*30 days*

## **DEBT SERVICE INQUIRY**

### ***OBJECTIVES***

The objectives of the inquiry are to:

1. Review and evaluate the on-going debt service spreadsheet maintained by the County
2. Evaluate the methodology and procedures employed to update the budget
3. Compare the spreadsheet to the proposed budget for consistency
4. Understand the criteria involved in refunding
5. Make recommendations (if appropriate)

### ***SCOPE AND METHODOLOGY***

Objectives and methodology may be adjusted as information is gathered. The audit period that will be examined on a test basis is FY 2018 to date. The Scope is open ended. Observations, interviews, and inquiries with appropriate personnel will be conducted, including financial advisors. IA will perform inspections of selected documentation including:

- Journal entries related to debt instruments
- Amortizations
- Calculation working papers



*60 days*

## PURCHASE CARD AUDIT

### **OBJECTIVES**

The objectives of the audit are to:

1. Gain an understanding of the department level controls for purchase cards
2. Analyze the usage of purchase cards since they have been reintroduced into the County
3. Review internal controls over purchase card usage
4. Evaluate adherence to internal controls
5. Assess new purchase card manual
6. Make recommendations (if applicable)

### **SCOPE AND METHODOLOGY**

Objectives and methodology may be adjusted as information is gathered. The audit periods that will be examined on a test basis is FY 2017 to date. The scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents and software systems for managing purchase cards.



*60 days*

## STORE ACCOUNTS AUDIT

### **OBJECTIVES**

The objectives of the audit are to:

1. Gain an understanding of the procedures retailers take to verify and approve transactions that are charged to in-house accounts designated for County expenditures
2. Analyze the usage of the accounts
3. Assess whether each store account's authorized user list has been updated to remove inactive employees
4. Make recommendations (if appropriate)

### **SCOPE AND METHODOLOGY**

Objectives and methodology may be adjusted as information is gathered. The audit periods that will be examined are for FY 2016 to date. The scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents and system information pertaining to the arrangement and accounting for Store Accounts.





Wicomico County  
Internal Auditor

*45 days*

## **ACCRUALS AUDIT**

### ***OBJECTIVES***

The objectives of the audit are to gain an understanding of and evaluate accounting for:

1. Vacation Time
2. Compensatory Time

### ***SCOPE AND METHODOLOGY***

Objectives and methodology may be adjusted as information is gathered. The audit period that will be examined on a test basis is FY 2017-2018. The Scope is open ended. Observations, interviews, and Inquiries with appropriate personnel will be conducted. IA will perform inspections of selected documentation including HR records and Munis data.



*30 days*

## SICK POOL AUDIT

### **OBJECTIVES**

The objectives of the audit are to:

1. Gain an understanding of sick pool protocols
2. Determine the adequacy of administrative oversight procedures
3. Determine if approving officials adequately review, approve, and certify for payment any funds related to the sick pool
4. Gain an understanding and evaluate the adequacy of accounting for sick pool accruals

### **SCOPE AND METHODOLOGY**

The audit periods that will be examined are for FY 2016 to date. Observations and inquiries with appropriate personnel will be conducted, as well as examination of various documents and system information pertaining to the County sick pool arrangement and accounting, but is subject to change based on preliminary surveys and interviews:

- Codification of the sick pool rules and regulations
- Accounting records related to sick pool accruals
- List of participants
- Minutes of County Sick Pool Committee meetings
- Schedules of requests for and payments from sick pool funds
- Annual participation statistics



*30 days*

## **ENTERPRISE FUND STUDY**

### ***OBJECTIVES***

Review and analyze financial statements for four of the County's Enterprise Funds: Wicomico Regional Airport, Wicomico County Solid Waste, Wicomico County Nursing Home, and Wicomico County Youth & Civic Center.

### ***SCOPE AND METHODOLOGY***

Objectives and methodology may be adjusted as information is gathered. We will add FY 2018's financial data as provided by the external auditors into our ten-year running analysis. The Scope is open ended and evaluation will occur mainly through analysis of Munis data. We will meet with management for each Enterprise as needed to gather additional data or insight.



Wicomico County  
Internal Auditor

*30 days*

## **SOLID WASTE INVENTORY AUDIT**

### ***OBJECTIVES***

The objectives of the audit are to:

1. Evaluate internal control over parts and tools inventory
2. Assure adherence to controls
3. Evaluate methodology for disposition of obsolete inventory
4. Review or prepare for audit by external firm
5. Make recommendations (as appropriate)

### ***SCOPE AND METHODOLOGY***

Objectives and methodology may be adjusted as information is gathered. The audit period that will be examined on a test basis is FY 2016 to date. The Scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents (subject to change based on preliminary surveys and interviews) pertaining to the following:

- Map inventory process
- Evaluate internal controls
- Inspect inventory storage
- Observe periodic inventory and test with perpetual inventory
- Test inventory for existence



*45 days*

## Corrections Time and Motion Study

### **OBJECTIVES**

The objectives of the audit are to:

1. Gain an understanding of the daily duties for Correctional Officers and Transporters at the Wicomico County Detention Center
2. Calculate and evaluate the amount of time needed for each task and the frequency of completion
3. Assess whether reasonable staffing levels exist during duties
4. Make recommendations (if applicable)

### **SCOPE AND METHODOLOGY**

The audit periods that will be examined are for FY 2019 to date. Scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents and system information pertaining to the management and accounting for Inmate Account.



*45 days*

## Corrections Inmate Account Audit

### **OBJECTIVES**

The objectives of the audit are to:

1. Gain an understanding of the how the Inmate Account is funded
2. Assess internal controls and accountability of bank account(s) and funds
3. Ensure the funds are being spent in a manner that is appropriate and to the benefit of the inmates
4. Make recommendations (if applicable)

### **SCOPE AND METHODOLOGY**

The audit periods that will be examined are for FY 2016 to date. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents and system information pertaining to the management and accounting for Inmate Account.



Wicomico County  
Internal Auditor

*45 days*

## COMPENSATION & OVERTIME AUDIT

### **OBJECTIVES**

The objectives of the audit are to:

1. Evaluate and compare periods of differing overtime policies
2. Assist Corrections management in understanding results of Singer Study
3. Make recommendations (if applicable)

### **SCOPE AND METHODOLOGY**

Objectives and methodology may be adjusted as information is gathered. The audit periods that will be examined are for FY 2016 to date. Scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents.



*60 days*

## VACANT POSITIONS AUDIT

### **OBJECTIVES**

The objectives of the audit are to:

1. Analyze the vacant positions at beginning of fiscal year
2. Assess effort to fill positions by departments when position remained vacant
3. Make recommendations (if applicable)

### **SCOPE AND METHODOLOGY**

Objectives and methodology may be adjusted as information is gathered. The audit periods that will be examined are for FY 2016 to date. Scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents.





*60 days*

## **FUEL FOLLOW-UP INQUIRY**

### ***OBJECTIVES***

The objectives of the inquiry are to:

1. Review and evaluate internal controls currently implemented for fuel system at Roads Division
2. Gain an understanding of any new procedures, software, or third-party fuel systems (if any) that County has started using since most recent follow-up
3. Make recommendations (if appropriate)

### ***SCOPE AND METHODOLOGY***

Objectives and methodology may be adjusted as information is gathered. The audit period that will be examined on a test basis is FY 2018 to date. The Scope is open ended. Observations, interviews, and Inquiries with appropriate personnel will be conducted. IA will perform inspections of selected documentation or systems including:

- Fuelmaster data
- Roads Division pumping facility
- Work orders and other related documentation
- Other vendor data (if appropriate)



Wicomico County  
Internal Auditor

*90 days*

## **BUDGET EVALUATION**

### ***OBJECTIVES***

The objectives of the evaluation are to review the budget, provide trend analysis, and statistical analysis.

### ***SCOPE AND METHODOLOGY***

Objectives and methodology may be adjusted as information is gathered. The period that will be examined on a test basis is the proposed FY 2020 County Budget. The Scope is open ended and evaluation will occur mainly through analysis of Munis data.



*30 days*

## **REVENUE CAP**

### ***OBJECTIVES***

The objectives of the evaluation are to review and evaluate:

1. The revenue cap formula as presented by management
2. The calculation of the revenue cap
3. The proposed budget for its adherence to the revenue cap
4. Make recommendations (if appropriate)

### ***SCOPE AND METHODOLOGY***

Objectives and methodology may be adjusted as information is gathered. The period that will be examined on a test basis is the proposed FY 2020 County Budget. The Scope is open ended and evaluation will occur mainly through analysis of Munis data, SDAT report, the Executive's Proposed Budget and attachments, along with any other relevant documentation. Interviews may be held with Finance, Administration, and other personnel as needed.



*60 days*

## ENERGY AUDIT

### **OBJECTIVES**

The objectives of the audit are to:

1. Develop a comprehensive analysis of county energy usage
2. Create templates and trend analysis for to assist management with decisions regarding changes in county energy policy
3. Make recommendations (if applicable)

### **SCOPE AND METHODOLOGY**

The audit periods that will be examined are for FY 2018 to date. Observations and inquiries with appropriate personnel will be conducted, as well as examination of various documents and system information pertaining to energy billing.