

COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND

2011 Legislative Session

Introduced: Legislative Day No. 16

Resolution No. 102-2011

Introduced by: The President of the Council

A RESOLUTION ADOPTING THE ANNUAL AUDIT PLAN FOR FISCAL YEAR 2012.

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

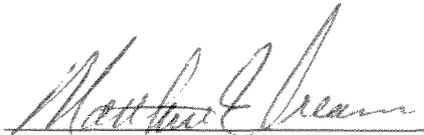
WHEREAS, the Internal Auditor has submitted an "Annual Audit Plan FY 2012" for the County Council's consideration, which outlines the performance and operational audits and activities that are to be conducted throughout Fiscal Year 2012.

NOW, THEREFORE, BE IT RESOLVED, by the County Council of Wicomico County, Maryland that the Annual Audit Plan FY 2012 submitted by the County Internal Auditor, attached as Exhibit A, is approved and adopted.

Done at Salisbury, Maryland, this 2nd day of August, 2011.

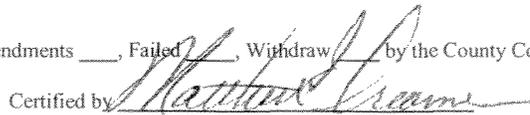
ATTEST:

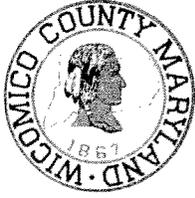
COUNTY COUNCIL OF
WICOMICO COUNTY, MARYLAND


Matthew E. Creamer,
Council Administrator


Gail M. Bartkovich,
Council President

This Resolution was Adopted , Adopted with Amendments , Failed , Withdraw by the County Council on August 2, 2011.

Certified by 
Matthew E. Creamer, Council Administrator



Wicomico County, Maryland
OFFICE OF THE INTERNAL AUDITOR
P.O. BOX 870
SALISBURY, MARYLAND 21803-0870
410-548-4696
FAX 410-548-7872

Steve Roser, CPA
Internal Auditor

**ANNUAL
AUDIT
PLAN
FY 2012**

Annual Audit Plan for FY 2012

Introduction:

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 (IA) developed the plan to comply with responsibilities established by the Institute of Internal Auditors. 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. IA will notify the County Council of any significant additions, deletions, or other changes in the Audit Plan.

The Audit Plan includes audits related to internal controls, policies and procedures, and the economic and efficient use of resources. Audits included in the Plan are:

- Selected audits not completed during the short-year Audit Plan approved by Council in Resolution 78-2009
- Landfill issues identified in a report from Robert Garvey Jr. dated June 30, 2008
- Audits recommended by IA based on FY 2010 risk-assessment along with recent observations
- Cooperation with external auditors for mutually beneficial projects

Planned audits for Fiscal year 2012 are outlined on the following pages. 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, IA 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. Estimated audit hours for each audit will be adjusted based on preliminary survey results. IA will reevaluate projects not completed for inclusion in the following year's plan.

Performance Audits

Sheriff Fees and Contract Billing Audit

Landfill Permits, Surety Bonds, and Deposits Audit

Operational Audits

Risk Management Audit

Tangible Personal Assets Audit

Various Audits of Mutual Benefit with PKS (TBD)

Time and Attendance Audit

Bi-Annual Risk-Assessment Survey

30 days**RISK MANAGEMENT AUDIT****OBJECTIVES**

To ensure:

- (a) Management is aware of all the relevant commercial and operational risks
- (b) An effective risk management strategy is defined, authorized, and implemented in order to counteract, avoid, and minimize applicable risks
- (c) Business operations and financial success of the organization are neither disrupted nor adversely affected by disasters and problems
- (d) Adequate precautions are taken to protect assets, persons, and the organization's reputation
- (e) Potential for accidents and losses is prevented or reduced
- (f) Adequate contingency plans have been developed to provide continuity of the business in the event of any form of disaster
- (g) Contingency arrangements are tested to confirm their effectiveness and relevance
- (h) Adequate and cost effective insurance cover is provided and Insurance costs are minimized
- (j) Insurance claims are made whenever relevant, and duly settled
- (k) Relevant legislation and regulations are in compliance.

SCOPE AND METHODOLOGY

Consult with the Risk Manager to determine the progress of the risk initiative. Solicit his help in the creation of a questionnaire for Departments to assess the awareness and the needs of risk management. List insurance policies in force for Wicomico County and sample for efficiency, relevance, and effectiveness. Review the procurement standards for insurance policy procurement for Wicomico County.

KEY ISSUES

- What steps has management taken to accurately identify potential risks?
- Has a documented business impact review been undertaken as the basis for determining the action required?
- Have adequate plans been developed to counteract, reduce, or avoid risks to assets, persons, and the organization's reputation?

- How can management be assured that the plans in place remain relevant and adequate?
- Have the risk assessment and action plans been suitably authorized (and how is this evidenced)?
- Are contingency plans regularly and adequately tested in order that they remain effective?
- Is all affected staff aware of their responsibilities in the event of a significant disaster or risk situation (and how is their effectiveness assessed)?
- Are all insurance requirements subject to appropriate assessment and authorization, and how is management certain that insurance cover is appropriate and adequate?
- What steps are taken to minimize and contain insurance costs?
- How can management be assured that the County complies with relevant legislation, regulations, and preventative requirements?

60 days**TIME AND ATTENDANCE AUDIT****OBJECTIVES**

The objectives of the audit are to:

1. Review the requirements for controls over the Munis time & attendance electronic information system
2. Review Wicomico County's policies and procedures related to Time & Attendance data input, processing, and output
3. Perform sample testing of policies and procedures related to Time & Attendance data input, processing, and output
4. Interview key personnel at Wicomico County about their adherence to applicable policies and procedures, and the workings of their Time & Attendance data input, processing, and output
5. Review security access for input and reports from Time & Attendance record files

SCOPE AND METHODOLOGY

The audit periods that will be examined on a test basis are for FY 2011. The Scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents pertaining to the following categories but is subject to change based on preliminary surveys and interviews:

- Procedure for updating of the payroll master file for newly hired and terminated employees
- Procedure for reporting hours worked
- Procedure for preparation and distribution of payroll checks
- Segregation of duties for time keeping, preparing and processing payroll, approval, and disbursement inclusive of security access to the system
- Personnel procedures for changes to payroll, including new and terminated employees, and changes in wage rates
- Personnel procedures for sick leave, personal leave, vacation leave, comp time, and catastrophic sick leave

30 days**SHERIFF FEES AND BILLING AUDIT****OBJECTIVES**

The objectives of the audit are to: 1) Review the methodology and practices for fee revenue accounting 2) Review internal controls concerning fee revenue 3) Perform sample testing related to the policies and procedures related to fee revenue accounting practices 4) Determine adherence to internal controls related to accounting for fee revenues.

SCOPE AND METHODOLOGY

The audit periods that will be examined on a test basis are for FY 2011. The Scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents pertaining to accounting practices for fee revenue.

60 days**LANDFILL PERMITS, SURETY BONDS, AND DEPOSITS AUDIT****OBJECTIVES**

The objectives of the audit are to assure that record keeping for permits, surety bonds, and deposits are adequate for stated purposes. Additionally the audit will assure that internal controls for the handling of permits, surety bonds, and cash are in place and that management and staff adhere to the internal controls.

SCOPE AND METHODOLOGY

The scope of the audit is open-ended and includes analyzing record keeping and mapping the internal control structure. Observations and inquiries with appropriate personnel will be conducted, as well as examination of various documents and system information including, but not limited to:

- Interviews with appropriate personnel with respect to procedures used in accounting for permits, surety bonds, and deposits
- Observation of the posting and reconciliation processes
- Review and testing of various records associated with the processes
- Recalculating, vouching, and tracing randomly sampled transactions
- Security evaluation and testing for records, permits, bonds, and deposits

90 days**TANGIBLE PERSONAL ASSETS AUDIT****OBJECTIVES**

Tangible personal assets are fixed assets owned or held under finance/purchase lease that are used for Wicomico County's operations and are *not* real assets (i.e. land and buildings). The audit objective is to:

1. Assure that procurement of assets meets the County's policies, procedures, and limit of authority
2. Assure that tangible fixed assets are properly recorded at cost/valuation
3. Assure that tangible fixed assets physically exist

SCOPE AND METHODOLOGY

The audit periods that will be examined on a test basis are for FY 2011. The Scope is open ended. Observations and Inquiries with appropriate personnel will be conducted, as well as examination of various documents pertaining to accounting for tangible fixed assets including, but not limited to:

- Identifying internal controls over tangible fixed assets
- Review procedures for purchasing decisions and authorization
- Review payment authorization procedures
- Review maintenance of a fixed asset register
- Determine frequency of physical checks and reconciliation of the register
- Review physical safeguard (e.g. control over unauthorized access and movements of tangible personal assets)

30 days

PKS AUDITS

OBJECTIVES

TBD

SCOPE AND METHODOLOGY

TBD

Projects with External Auditor (30 days)

Criteria for IA involvement are as follows:

- *Involvement must save the County money on the external audit*
- *Product of IA's efforts must serve a dual purpose in that the report becomes usable for Council in and of itself as an Internal Audit Report*
- *Involvement does not interfere with other projects desired by County Council*

Projects under consideration include:

- Tax Ditches
- Fire Sinking Fund
- Detention Center Inmate Accounts
- Sheriff's Escrow Accounts
- Narcotics Task Force Escrow Accounts
- Forest Conservation Fund
- Hazmat Billing
- Bail bonds
- Recreation Fund
- Agricultural Tax Fund
- Electrical Board Fund
- Civic Center Catering
- Civic Center Concessions

30 days**BI-ANNUAL RISK ASSESSMENT SURVEY****OBJECTIVES**

It is recommended that the Office of the Internal Auditor conduct full interdepartmental assessment of risk within all County Departments every other year¹. Risk as a concept is a measure of uncertainty. In the business process, including the business of Government, goals cannot be achieved without uncertainty. Risk, itself, can be a positive or negative concept. Positive risk consequences are known as opportunities. Conversely, negative risks are threats. The objective of this survey is to determine the perception of negative risk exposure within the various departments. Negative risk is defined in the survey as probability (odds) multiplied by exposure (cost). Additionally, the survey asks which, if any, areas should be audited within each department in the eyes of the participants.

SCOPE AND METHODOLOGY

The Risk Assessment Survey asks participants to evaluate thirteen areas of negative risk possibilities:

1. Access risk
2. Business interruption risk
3. Credit risk
4. Customer satisfaction risk
5. Information technology processing
6. Financial report misstatement
7. Float risk
8. Fraud risk
9. Legal and regulatory risk
10. Physical harm risk
11. Management experience risk
12. Staff turnover risk
13. Employee utilization risk

The Survey contains generic questions for other considerations and a request for overall rating for the department.

Participants will be asked to consider two elements:

1. What are the odds something can go wrong? – (Probability)
2. What is the cost if something does go wrong? – (Exposure)

¹ IPPF Performance Standard 2010.A1 requires *annual* risk assessment. The IA plans to assess risk with senior management every year as required. It is suggested, however, that an all-inclusive study of this magnitude be performed bi-annually.