



**Internal Review Services
FY 2021 Audit Plan
10/1/20 – 9/30/21**



Introduction

Government Audit Standards encourage the establishment of a risk-based approach to determine the priorities of Internal Review's (IR) activities. IR has completed a risk assessment as a means to help identify, measure, and prioritize potential engagements based on the level of risk to WYDOT. The risk assessment was utilized in compiling the below FY 2021 Audit Plan.

Background

IR came into existence in response to a mandate in Federal regulations that required State Highway Agencies maintain an internal audit function. While enacting regulations have been modified, WYDOT's primary source of federal funding, the Federal Highway Administration (FHWA) along with other federal agencies, remain strongly behind the continued presence of such internal audit groups as they provide a valuable internal control and allow for the performance of various types of audits required to receive federal funding.

IR is a staff function that reports directly to WYDOT's Director. This ensures the independence of the internal audit function and allows for agency-wide access. While primarily working at the request of the Director and Executive Staff, IR is available to assist all WYDOT programs by auditing systems, reviewing and evaluating operations, conducting quantitative and qualitative analysis, and providing various other forms of support by request or on an as needed basis. On an annual basis, IR conducts a risk assessment and submits a fiscal year audit plan to Executive Staff and WYDOT Commission for informational purposes. IR operates under Operating Policy 17-1 and follows *Government Audit Standards* in conducting all audits and non-audit services. In addition to reporting straight to the Director, IR has direct access and authorization to report to the WYDOT Commission the results of engagements especially when it concerns fraud, waste or abuse.

Internal Review's Purpose and Goals

IR's purpose is to provide critical information to decision makers to mitigate risk, ensure compliance, and improve the stewardship of WYDOT resources. IR accomplishes this purpose by conducting performance audits, agreed-upon procedures and other non-audit services as described below. The entire IR staff is committed to WYDOT's vision, mission, goals and values in addition to upholding our independence, objectivity, trust, and integrity in the work that we do. We are also committed to continuing to work collaboratively with WYDOT's Commissioners, Executive Staff, Districts, Program Managers, and Federal, State and Local entities. IR's goals are:

1. Improve internal processes, procedures and work papers
2. Assist WYDOT programs in improving processes and procedures
3. Develop staff
4. Identify assignments based on risk assessment

Internal Review's FY 2021 Risk Assessment and Audit Plan

In preparing this audit plan, we gathered information from each Executive Staff member and FHWA to discuss any areas they anticipate reviewing or have concerns about. Based on that information IR compiled a risk assessment to help identify the highest risk areas and to prioritize items that may need to be completed in FY 2021. We recognize this is a dynamic process, and adjustments are made throughout the year to meet priorities and to anticipate and respond to emerging issues with the resources available. In evaluating risk, we considered a number of factors, including:

- Mandatory requirements as set forth in Federal regulations and State statutes

- Requests made or concerns raised by Executive Staff and Program Managers
- Dollars associated with each program or entity
- New funding, regulations, statutes or initiatives
- The impact to WYDOT's vision, mission, goals and values

IR's audit plan for fiscal year 2021 includes the following types of engagements:

Performance Audits

Performance audits provide objective analysis of WYDOT's internal controls, and the efficiency and effectiveness of the Department's processes and procedures. Performance audits assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Agreed-Upon Procedures

An agreed-upon procedure is an engagement in which IR will carry out audit based on criteria agreed upon by WYDOT Programs and external entities (contractors, consultants, and local entities) to report findings and recommendations. The criteria established typically revolve around proper spending, internal controls, and compliance with state statutes, federal regulations and contract or subaward agreements.

Non-Audit Services

Non-audit services are defined as professional services other than performance audits and agreed-upon procedures provided by IR. IR conducts non-audit services including evaluations of internal controls preparing WYDOT's cost allocation plan, and compiling analysis and research. IR is prohibited from assuming management responsibilities or setting policy as it relates to WYDOT operations. Conducting non-audit services has the potential to impair IR's independence, however, IR strives to be independent and has documented and analyzed each non-audit service for threats to independence and has put safeguards in place to mitigate significant threats. If safeguards are not available, IR will not continue with the requested non-audit service.

Administrative

Administrative projects are internal to IR and entail improving audit processes, finding efficient ways to manage workloads, and obtaining and providing training.

All of these engagements are conducted and contribute to the achievement of WYDOT's mission to provide a safe, high quality, and efficient transportation system. The below information may change depending on priorities and additional requests. This document is compiled to assist IR in planning for the upcoming year and may be changed accordingly.

Performance Audits

WTDEA Relief Fund The audit will focus on WTDEA's adherence to SEMM Policy 4-23 and determining that the account balance is reconciled with support documentation and that all expenses have been authorized.

Cash Funds The audits will focus on adherence to OP 24-18, determining that cash drawers are balanced and internal controls are in place and operating.

A-40 Travel Process The audits will focus on compliance with the travel reimbursement personnel policy 2-6.

Agreed-Upon Procedures

Consultant Projects As requested by Engineering Services, IR will conduct agreed-upon procedures of consultant projects using a risk-based approach. The procedures will focus on determining if claimed costs submitted by consultants are in accordance with executed agreements and are supported by adequate documentation.

Local Airport Subawards As requested by the Aeronautics Division, IR will conduct agreed-upon procedures of local airports using a risk-based approach. The procedures will focus on determining if local airports are in compliance with state statutes, federal regulations and the terms of the subaward agreements.

Subrecipient Subawards IR will conduct agreed-upon procedures of subrecipients using a risk-based approach. The procedures will focus on determining if subrecipients are in compliance with state statutes, federal regulations, and the terms of the subaward agreements.

Non-Audit Services

Subrecipient Monitoring In order for WYDOT to meet the requirements of 2 CFR 200, IR will obtain audits or certification letters from each subrecipient of Federal funds. Additionally, if a Single Audit is required and there are findings that pertain to WYDOT funding, IR will review each subrecipient's Single Audit report and corrective action plan in order to issue a management letter per 2 CFR 200.521(c). The management letter will assist the local entity and the WYDOT Grant Administrators to determine if additional corrective action and monitoring needs to occur. Per 23 USC 106(g)(4), IR will assess if a subrecipient has adequate knowledge, internal controls and systems to receive federal awards.

Subrecipient Project Delivery System & ICQ WYDOT will ensure that subrecipients have adequate project delivery systems and sufficient accounting controls by completing an Internal Control Questionnaire to receive Federal funds per 23 USC 106(g)(4)(A).

Consultant Rates Per 23 CFR 172, WYDOT is required to establish rates with consultants conducting A/E design work using federal funds. IR does this primarily through CPA Work Paper Reviews, Cognizant Approvals, and Billing Rate Analysis using a risk-based approach. These reviews are conducted to assist Engineering Services in negotiating A/E contracts with consultants.

Improper Payment Review & Training As requested by Executive Staff and to comply with FHWA standards, IR will create testing procedures to determine if improper payments were made and provide training to WYDOT staff on allowable costs per 2 CFR 200.

Internal Controls As requested by Executive Staff, Internal Review will review current policies, procedures and systems for internal controls and determine if some internal controls can be placed in one location for easy Department access.

Administrative

Risk Assessments IR conducts annual risks assessments for change funds, local airports, subrecipients, and consultants to assist with determining specific locations and entities that will be reviewed.

BSC IR updated our BSC on 11/29/16 with help from the Strategic Performance Improvement Program. Our BSC is updated to better reflect and support WYDOT's goals. The BSC has been revised to reflect all of the work that has occurred since 2016 with output data to determine if IR has met its measurement targets.

AASHTO & WASHTO IR is a member and actively participates in the AASHTO and WASHTO Administrative Subcommittee on Internal and External Audit. IR attends the annual AASHTO meeting and monthly teleconference meetings for both AASHTO and WASHTO. During these meetings we work on evaluating and designing national standards for audit processes.

Continuing Professional Education IR is required to follow the *Government Auditing Standards* which requires IR staff to obtain 80 hours of CPE every 2 years of which at least 24 hours must be in government auditing or accounting subjects.

Provide Training IR will continue to assist with presenting a portion of WYDOT's LPA certification training offered throughout the state by WYT2/LTAP to local entities. IR also conducts training on 2 CFR 200 requirements and cash fund policies.

FY 2020 Single Audit Although WYDOT outsourced the compliance testing of WYDOT's annual financial and compliance audit, IR is still significantly involved with the audit. IR works closely with Financial Services to compile and reconcile the Schedule of Federal Expenditures (SEFA). IR also obtains support documentation, run queries, and provides other assistance and documentation as requested by the external auditor.

Internal Review Quality System Internal Review is developing a system to review the quality of our work papers to be in compliance with GAGAS 5.01-5.59 requirements.

Community Service IR continues to participate weekly in the Friday Food Bag Foundation program by delivering meals to one elementary school in Laramie County School District #1. Last year IR delivered over 1,500 bags.

FY 2020 Engagement Status

IR was able to complete many engagements in FY 2020. Some of the engagements that were not completed have either been started or will be carried forward to FY 2021. Below is a list of engagements IR completed and engagements that are currently being completed.

Reports/Documents Issued

- WTDEA Relief Fund Performance Audit Letter
- Cash Fund and Deposit Performance Audit Letter
- WASCOP Indirect Cost Rate Review
- Campbell County Single Audit Desk Review
- Uinta County Single Audit Desk Review
- Fremont County Association of Governments Single Audit Desk Review
- Yellowstone Regional Airport Single Audit Desk Review
- FY 2019 2 CFR 200 Single Audit Report
- Laramie Regional Airport Agreed Upon Procedures Report
- Sign Shop Non-Audit Service Memo
- Subrecipient Monitoring Non-Audit Service Memo
- LPA Project Delivery System Internal Control Questionnaire
- Annual Risk Assessments
- Transit CARES Risk Assessment
- Consultant Overhead Rate Reviews
- IR Manual Updates
- Chip Seal/Overlay Non-Audit Service Memo

Current Engagements

- IR Quality Control System
- Cash Fund and Deposit Performance Audits

Noteworthy

IR was able to smoothly transition to distance working conditions when the Governor declared a state of emergency due to COVID-19. We had the right equipment and access parameters in place before any executive orders were announced.

Conclusion

The engagements described in the above plan have been selected based on a balancing of risk and audit resources. The plan is meant to be flexible enough to be able to respond to emerging risks. The audit work will provide independent information to WYDOT's management to improve operations, mitigate risks facing the Department, strengthen internal controls, improve accountability, and enhance the efficiency and effectiveness of the Department as a whole as we all strive to meet the Department's mission.

Contact

Maria LaBorde
Internal Review Manager
307-777-4797
maria.laborde@wyo.gov

**WYOMING DEPARTMENT OF TRANSPORTATION
INTERNAL REVIEW - AUDIT RISK ASSESSMENT FY 2020**

As of 9/8/20

Risk Criteria			
Rank	Value	Costs per financial statement, budget, PS query, etc.	How long has the program or initiative been in place?
High	5	> \$10 Mil	< 2 Years
Med	3	\$2.5 Mil - \$10 Mil	2 - 5 Years
Low	1	< \$2.5 Mil	> 5 Years

Possible Audit Areas	Type of Engagement	Executive Staff Member	WYDOT Program	Work Plan Year Carryover	Actual Dollars	New Program or Initiatives	Laws & Regulations	Link to WYDOT's Vision, Mission & Values
Change Fund Audits	Performance	Taylor Rossetti Kebin Haller	Driver Services & Patrol	Ongoing	\$57 Mil/FY 2019	> 5 Years	Simple Compliance	Moderate Impact
Improper Payment Review & Training	Non-Audit Service	Dennis Byrne	Budget, FS & Planning	New	unknown	> 5 Years	Simple Compliance	Moderate Impact
Internal Controls (list of policies, documentation of IC/processes)	Non-Audit Service	Dennis Byrne	Various	New	unknown	> 5 Years	Simple Compliance	Low Impact
A-40 (travel) process	Performance	Dennis Byrne	Financial Services	New	\$600K	> 5 Years	Simple Compliance	Low Impact

Dollars	New Programs or Initiatives	Laws & Regulations	Link to WYDOT's Vision, Mission & Values	Total Points
1	2	4	5	
5	1	1	3	10
3	1	1	3	8
3	1	1	1	6
1	1	1	1	4

PROJECTS - ONGOING/REQUIRED			WYDOT Program
Audit Areas	Type of Engagement	Executive Staff Member	WYDOT Program
WTDEA Relief Fund	Performance	Luke Reiner	WTDEA
2 CFR 200 Single Audit	Administrative	Dennis Byrne	WYDOT Admin
Subrecipient Monitoring	Non-audit Service	Mark Gillett Dennis Byrne	LGC HSO
Rates (ICAP, jets)	Non-audit Service	Dennis Byrne	Financial Services
Consultant Rates	Non-audit Service	Mark Gillett Keith Fulton	Engineering Services
Cash Drawers	Performance	Kebin Haller Taylor Rossetti	Highway Patrol Driver Services
Consultant Projects	Agreed-Upon Procedures	Mark Gillett Keith Fulton	Engineering Services
Local Airports	Agreed-Upon Procedures	Brian Olsen Dennis Byrne	Aeronautics
Local Entities/Subrecipients (non-airport subrecipients)	Agreed-Upon Procedures	Mark Gillett Dennis Byrne	LGC HSO
Project Delivery and Internal Control Questionnaires for Subrecipients	Non-audit Service	Mark Gillett	LGC HSO

Required annually per SEMM 4-23
Required per 2 CFR 200 Subpart F; IR assists external auditor with reports & collection of support documentation
Required per 2 CFR 200.331(d). IR will monitor subrecipients through financial and compliance reporting and issue management decisions per 2 CFR 200.521 (c & d)
For the ICAP updated rate for FY 2021, IR will review the rate to determine if the rate has been calculated accurately for billing to the federal government. IR will review other rates, upon request.
Required per 23 CFR 172
Required per OP 24-18
IR conducts an annual risk assessment to determine the highest risk consultants to conduct project audits of
IR conducts an annual risk assessment to determine the highest risk local airport to conduct audits of
IR conducts an annual risk assessment per 2 CFR 200.331(b) to determine the highest risk subrecipient to conduct audits of
Per 23 USC 106(g)(4), IR reviews and updates the project delivery systems and ICQ for subrecipie