OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

John A. Carey
Inspector General

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2016-AP-0001

Fiscal Year 2016

Annual Risk Assessment and Audit Plan

October 2, 2015

Insight – Oversight – Foresight

Fiscal Year 2016 Risk Assessment

The risk assessment process for Fiscal Year (FY) 2016 was conducted using a combination of several methods of research and information gathering in order to create a more robust overview of the risks for entities within the Office of Inspector General's (OIG) jurisdiction. The risk assessment was conducted using the same methodology of an audit project, using the different phases of the audit (planning/gain an understanding, risk assessment/fieldwork, and reporting) in order to gather risk factors and formulate a risk assessment matrix that would be used to rank the risks identified in order to create an audit plan.

Gain an Understanding

We used a combination of efforts in information gathering to gain an understanding of, and identify risks of, the 38 municipalities and two special taxing districts within the OIG's jurisdiction. These efforts included:

- Review of the Fiscal Year 2015 Risk assessment survey responses submitted by the municipalities and special taxing districts.
- Review of the final risk ratings assigned to each of the municipalities and organizations for FY 2015.
- Review of Council and/or Commission meeting minutes and agendas posted to the websites of the municipalities.
- Interviews with Executive Management from the Solid Waste Authority (SWA) and Children's Services Council (CSC).
- Review of the responses from the online survey to Government Employees, Citizens, Stakeholders and Contractors requesting input on risks or concerns.
- Review of news articles and blog posts for the municipalities and special taxing districts.
- Review of Comprehensive Annual Financial Reports (CAFRs) and Florida Auditor General reports for Fiscal Year 2014.
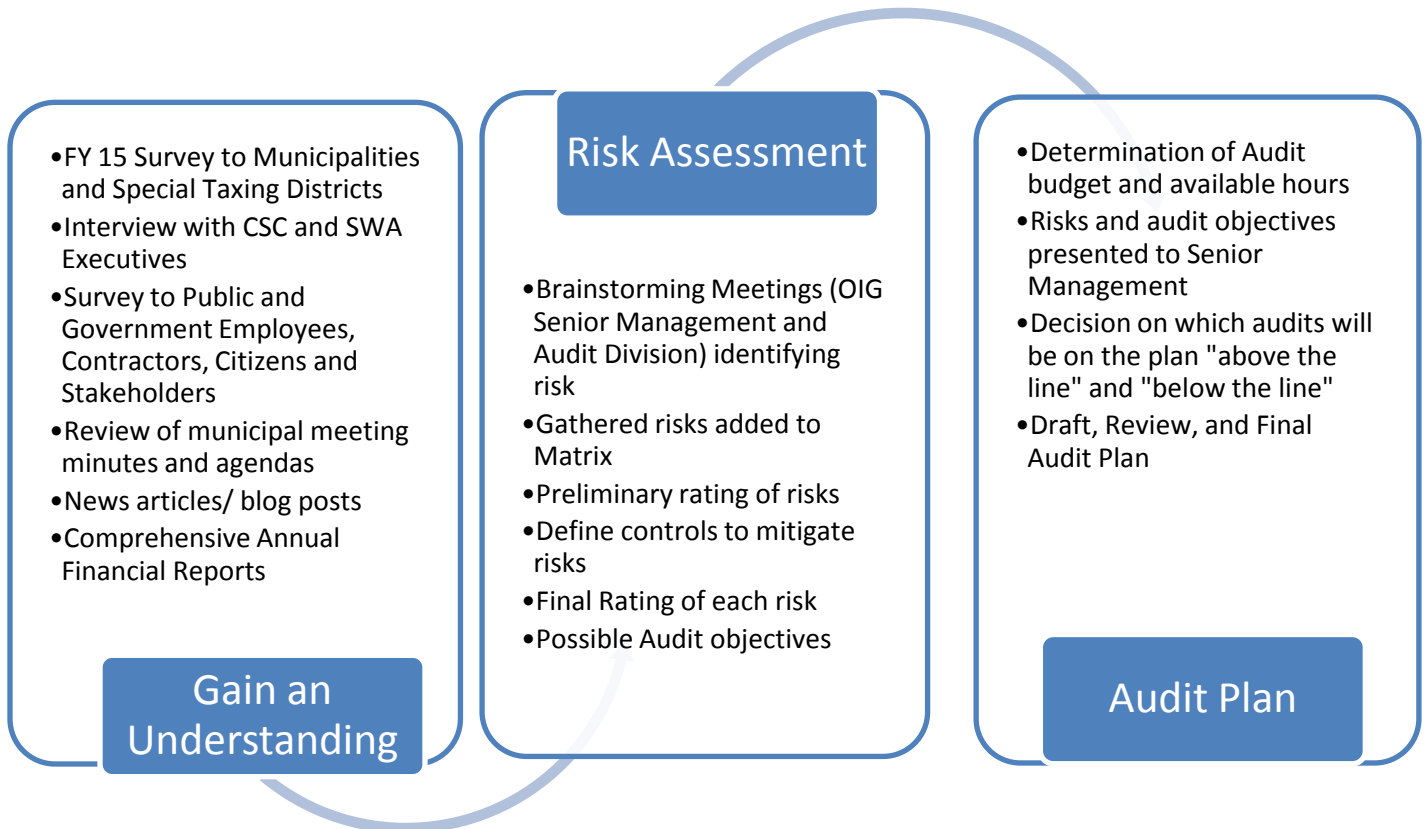
Risk Assessment

We compiled the information gathered into a risk assessment matrix. Additional risks were included based on the results of brainstorming meetings, drawing upon the professional expertise and experience of the OIG staff. Each risk was rated based on significance and impact. Any known controls to mitigate the risk or lower the impact were noted. We assessed a final risk rating for the identified risks.

Audit Plan

OIG Senior Management reviewed the list of topics determined to be high risk. Prospective audits were selected from this list based on factors such as impact to the community. The FY 2016 plan will include planned audits ("above the line") and possible audits ("below the line"). Planned audits

are scheduled projects. Possible audits are projects which could be scheduled if there are available resources (i.e., due to fewer than expected IG/Management requested audits, completion of all planned audits, or increased staffing). Based on input from the OIG Senior Management team, six audits were selected. These six audits, coupled with the carryover audits from Fiscal Year 2015 and the IG/Management Requested audits - which are received either through intake referrals, requests or other emerging risks - comprise the Fiscal Year 2016 Audit Plan.

Gain an Understanding

- FY 15 Survey to Municipalities and Special Taxing Districts
- Interview with CSC and SWA Executives
- Survey to Public and Government Employees, Contractors, Citizens and Stakeholders
- Review of municipal meeting minutes and agendas
- News articles/ blog posts
- Comprehensive Annual Financial Reports

Risk Assessment

- Brainstorming Meetings (OIG Senior Management and Audit Division) identifying risk
- Gathered risks added to Matrix
- Preliminary rating of risks
- Define controls to mitigate risks
- Final Rating of each risk
- Possible Audit objectives

Audit Plan

- Determination of Audit budget and available hours
- Risks and audit objectives presented to Senior Management
- Decision on which audits will be on the plan "above the line" and "below the line"
- Draft, Review, and Final Audit Plan

The goal of the risk assessment process is to create a list of audits that will address high-risk concerns about entities under the jurisdiction of the OIG and to plan for the most effective use of the OIG's limited audit resources. Once the risk assessment was completed, Senior Management and the Inspector General met to determine which audits should be included in the audit plan. The Audit Plan consists of carryover audits, planned audits, possible audits, and IG/Management requested audits. The remainder of the time is delegated to non-audit activities.

Fiscal Year 2016 Audit Plan

Carryover Audits

There are two audits which were included on the Fiscal Year 2015 audit plan which were started but have not been completed. These two projects are considered "carryover audits" and will be completed in Fiscal Year 2016:

Palm Beach County Department of Economic Sustainability (DES) – Grant Management

Objectives include: Determine if there are sufficient controls in place to safeguard grant funds against fraud, waste and abuse. Evaluate grant monitoring activities to determine effectiveness in achieving Disaster Recovery Initiative objectives. Determine whether grant funds are expended in accordance with grant agreements.

City of Delray Beach

Objectives include: Determine if purchasing activity is controlled by adequate and documented policies and procedures. Assess the validity, justification, and authorization of selected purchasing activities.

Planned Audits

City of Pahokee

This audit would include a review of financial management systems, controls over purchasing, and control environment.

Possible objectives: Is the City of Pahokee using sound financial practices to conduct city business? Are purchases made by the city being properly documented and approved to avoid fraud, waste and abuse? Is the City Commission conducting business in a manner that is transparent and in the taxpayers' best interest?

Rationale: The City has experienced a high turnover in leadership positions, including a new City Manager hired in March 2015. The city is also listed in a state of "financial emergency" by the Florida Auditor General. The current city leadership has requested the OIG's assistance.

Town of Loxahatchee Groves

This audit would include a review of financial management systems, controls over purchasing and control environment.

Possible objectives: Is the Town of Loxahatchee Groves using sound financial practices to conduct city business? Are purchases made by the city being properly documented and approved to avoid

fraud, waste and abuse? Is the Town Council conducting business in a manner that is transparent and in the taxpayers' best interest?

Rationale: There was noted public concern regarding the Town's management and contracting activities.

Multiple Entities - Fleet/Fuel Management

This audit would determine the extent to which controls are in place to ensure vehicles and fuel purchases managed by selected entities are being used appropriately.

Possible objectives: How are the selected entities protecting fuel card purchases from wasteful/abusive spending? Are vehicles and parts purchased at the most cost effective rate to keep government spending low? Are vehicles purchased using government funds being tracked and used efficiently?

Rationale: Entities with Fleet and/or Fuel programs have a significant risk of wasteful and abusive spending on fuel purchases, vehicle parts and repairs, and fuel card purchases.

Multiple Entities – Utilities

This audit would determine the extent to which controls are in place to ensure that the utilities managed by selected municipalities are managed effectively. This audit would include a review of rate setting practices, billing and collections policies, and security over personally identifiable information.

Possible objectives: Are utilities using proper billing, collections and rate setting practices? Is the customer's confidential and/or sensitive information (credit cards, social security numbers, etc.) adequately protected? Are municipalities conducting utilities activities in accordance with interlocal agreements and Florida statutes?

Rationale: There was noted public concern over management of utilities including rate setting, cash handling, and security over private information.

Possible Audits

Follow-Up - City of South Bay:

This audit would determine the extent to which audit recommendations from two previous audits have been implemented.

Rationale: Audit follow-up is important, especially where an entity has had repeated reported deficiencies, to evaluate the progress management has made in correcting reported deficiencies. The Government Auditing Standards (GAS 6.36) states that auditors should evaluate whether management has taken appropriate action to address findings and recommendations.

This audit would determine the extent to which controls are in place to guard against inappropriate access of electronic information at selected entities.

Rationale: As entities move further toward IT-driven environments, restricting access of confidential and/or sensitive information to only authorized individuals is an important public concern.

IG/Management Requests

The audit office conducts audits which are not planned, but are requested by municipalities or deemed necessary by the OIG. These audits are considered priority projects. Because of the urgent nature of these requested audits, the planned audits in the section above are subject to change/cancellation.

Non-Audit Activities

Activities which are not included in the audit plan as "audit program activities" are considered "non-audit activities". These activities include, but are not limited to, Professional Development, Strategic Planning and Risk Assessment, quarterly audit follow-up, special projects and Quality Control and Assurance.

Conclusion

The Fiscal Year 2016 Audit Plan – based on the Fiscal Year 2016 risk assessment – has been completed. The Audit Plan has 2 carryover audits from the Fiscal Year 2015 Audit Plan, 4 Planned Audits and 2 Possible Audits in addition to the audits which are received from Investigations intake and self-initiated municipality requests. We will further consider risk with each audit to ensure that the audit engagement is identifying the highest risk and impact.

Fiscal Year 2016 Audit Plan at a Glance*

Audit	Possible Objectives
Carryover Audits	
Palm Beach County DES	Determine if there are sufficient controls in place to safeguard grant funds against fraud, waste and abuse.
Delray Beach - Finance	Determine if purchasing activity is controlled by adequate and documented policies and procedures.
Planned Audits	
City of Pahokee	• Is the City of Pahokee using sound financial practices to conduct city business? • Are purchases made by the city being properly documented and approved to avoid fraud, waste and abuse? • Is the City Commission conducting business in a manner that is transparent and in the taxpayers' best interest?
Town of Loxahatchee Groves	• Is the Town of Loxahatchee Groves using sound financial practices to conduct city business? • Are purchases made by the city being properly documented and approved to avoid fraud, waste and abuse? • Is the Town Council conducting business in a manner that is transparent and in the taxpayers' best interest?
Multiple Entities: Fleet/Fuel Management	• How are the selected entities protecting fuel card purchases from wasteful/abusive spending? • Are vehicles and parts purchased at the most cost effective rate to keep government spending low? • Are vehicles purchased using government funds being tracked and used efficiently?
Multiple Entities: Utilities	• Are utilities using proper billing, collections and rate setting practices? • Is the customer's confidential and/or sensitive information (credit cards, Social Security Number, etc.) protected from fraudulent use? • Are municipalities conducting utilities activities in accordance with interlocal agreements and Florida statutes?
Possible Audits	
Follow Up Audit: South Bay	Determine the extent to which audit recommendations from two previous audits have been implemented.
Multiple Entities: IT Security	Determine the extent to which controls are in place to guard against inappropriate access of electronic information at selected entities.

IG/Management Request audits, due to their nature, are not included.