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OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



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Fiscal Year 2017

Annual Risk Assessment and Audit Plan

October 24, 2016

Insight – Oversight – Foresight

Fiscal Year 2017 Risk Assessment and Audit Plan

The risk assessment process for Fiscal Year (FY) 2017 was conducted using a combination of several methods of research and information gathering in order to create an 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, (planning/gaining an understanding of the entity, risk assessment/analysis, and reporting) to formulate the risk assessment and develop the audit plan.

Gain an Understanding

We used a combination of efforts in information gathering to gain an understanding of, and identify risks of, Palm Beach County, the 39 municipalities, and special taxing districts within the OIG's jurisdiction. These efforts included:

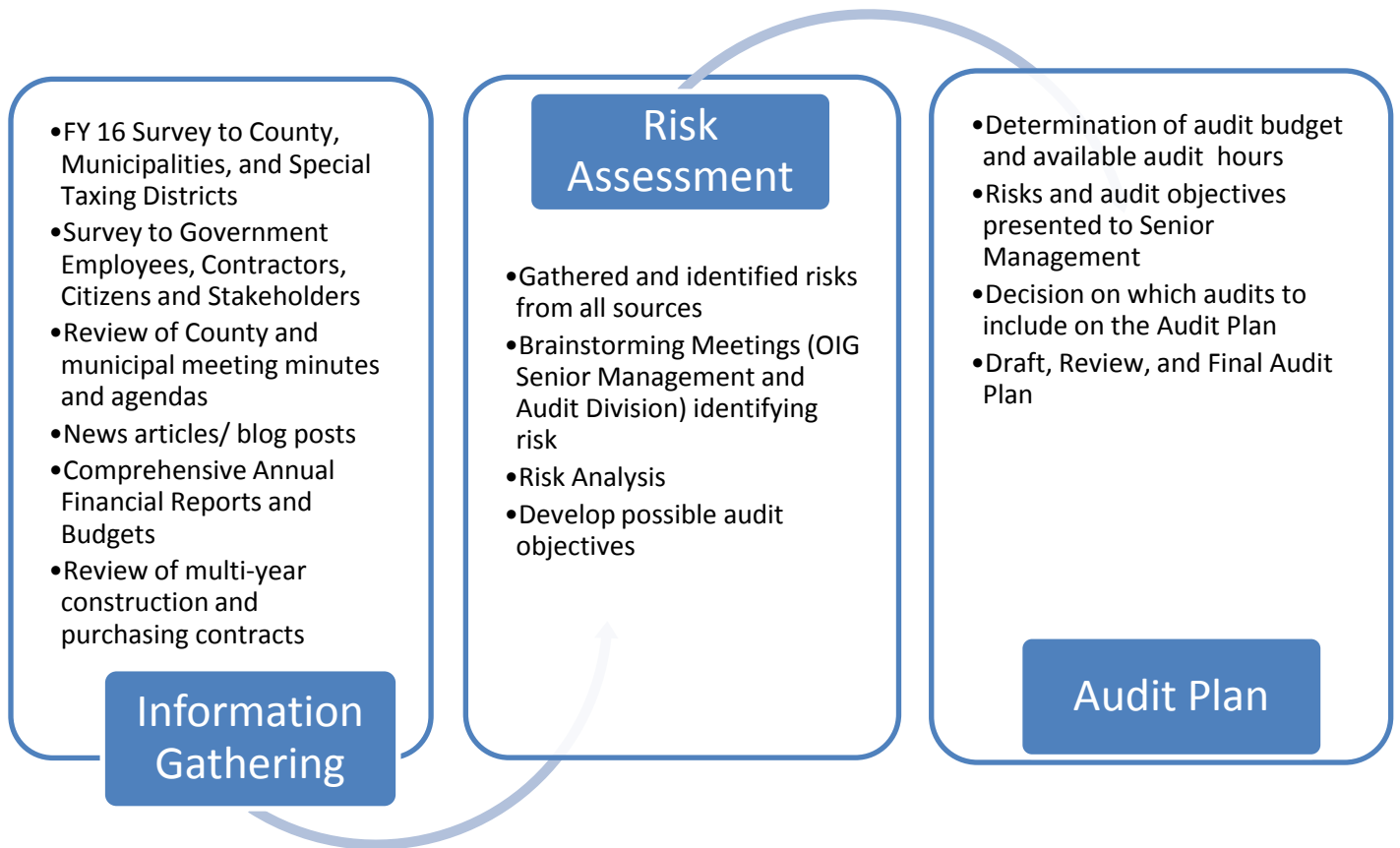
- Review of the Risk Assessment Survey responses submitted by the municipalities, Palm Beach County and special taxing districts.
- Review of risk ratings assigned to each of the municipalities and organizations.
- Review of Council and/or Commission meeting minutes and agendas posted to the websites of the County and municipalities.
- Review of the responses to our online survey that requested input on risk or concerns from Government Employees, Citizens, Stakeholders and Contractors.
- Review of news articles and blog posts for the municipalities and special taxing districts.
- Review of Comprehensive Annual Financial Reports (CAFRs) and Budget Documents.
- Review of multi-year construction and purchasing contracts.
- Review historical intake of complaints to the OIG's Investigation Division.

Risk Assessment

We compiled and analyzed the information gathered above. Additional risks were considered based on the results of brainstorming meetings, and drawing upon the professional expertise and experience of the OIG staff. Risks were assessed based on their significance and impact. Any known controls to mitigate the risk or lower the impact were noted.

Audit Plan

OIG Senior Management Team reviewed the list of topics determined to be high risk. The FY 2017 Audit Plan includes planned audits and possible audits. 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). Seven planned audits and two possible audits were selected. These seven audits, along with the carryover audits from the FY 2016 Audit Plan, and the IG/Management Requested audits, comprise the FY 2017 Audit Plan.



The goal of the risk assessment process is to create an audit plan that will address high-risk concerns about entities under the jurisdiction of the OIG and to plan for the most efficient use of the OIG’s limited audit resources. Once the risk assessment was completed, Senior Management and the Inspector General met to review the audits that would be included in the Audit Plan. The Audit Plan consists of carryover audits, planned audits, possible audits, and IG/Management requested audits.

Fiscal Year 2017 Audit Plan

Carryover Audits

There are three audits included on the Fiscal Year 2016 audit plan which were started but have not been completed. These three projects are considered “carryover audits” and will be completed in Fiscal Year 2017:

Multiple Entities – Fleet/Fuel Management

- *Solid Waste Authority*
- *Village of Tequesta*
- *Palm Beach County Palm Tran Connection*

Objectives include: Determine if there are sufficient controls in place to ensure fuel, vehicles, and parts are adequately safeguarded. Are purchases made at the most cost effective rate to keep government spending low?

Planned Audits

Palm Beach County Engineering – Road Construction

This audit would include a review of the procurement and construction contract management processes.

Possible objectives: Are contract management practices adequate? Are procurement policies and procedures being adhered to? Are contract payments and deliverables being adequately reviewed and approved prior to payment?

Rationale: Road construction requires effective evaluation and supervision to mitigate risks. Large and complex construction projects are generally a higher risk activity.

Multiple Entities - Contracts & Vendors

This audit would include a review of financial management systems, contract management practices, and the controls over purchasing and payments.

Possible objectives: Are purchases and invoices being properly documented and approved to avoid possible fraud, waste and abuse? Are vendor contracts being effectively managed? Were agreed upon deliverables received?

Rationale: There was noted public concern regarding management of contracted activities. Some the municipalities, and the County, expend large dollar amounts on goods and services.

Palm Beach County Tourist Development Council

This audit would review the policies and procedures in place to effectively manage agencies and program projects under the oversight of the Tourist Development Council.

Possible objectives: Are there adequate controls to effectively manage projects, and to ensure project deliverables are received? Are performance measures reviewed and compared to strategic plans? Are controls in place to ensure proper allocation of the tourist development tax, (bed tax)?

Rationale: In recent years there have been several large contracts awarded through Tourist Development Council agencies. The Tourist Development Council has not been previously audited by the OIG.

Solid Waste Authority - Construction Contracts

This audit would review the controls in place to ensure that Solid Waste Authority construction contracts are managed effectively. This audit would include contract management, policies and procedures, pay applications, and deliverables.

Possible objectives: To determine whether internal controls are adequate to effectively manage construction projects. Are control procedures adequate to ensure that construction contracts are competitively procured, and invoices are properly reviewed and approved prior to payment?

Rationale: As a result of the complexity in coordinating various activities, and especially for large projects, construction is generally a higher risk in comparison to other business activities.

Multiple Entities - Utilities

This audit would review the controls in place to ensure utility operations are managed effectively. This audit could 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/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. Utilities have higher risks related to complex operating environments, billing, and regulatory compliance.

Possible Audits

City of West Palm Beach - Time and Attendance / Outside Employment

This audit would review the internal controls in place to record time and attendance in compliance with City policies, procedures, and ordinances.

Possible objectives: Are controls in place to guard against improper City employee time and attendance procedures and practices?

Rationale: Previous issues with time and attendance and outside employment were identified. There was a prior OIG recommendation to establish internal controls that accurately represent actual hours worked by exempt City employees and to disclose outside employment.

Palm Beach County – Grants and Aid to Community Redevelopment Agencies

This audit would review the extent to which controls are in place to ensure compliance with inter-local agreements, contract terms, policies, and procedures.

Possible objectives: Are internal policies and procedures adequate to monitor the deliverables associated with the \$30 million grants and aid appropriation?

Rationale: In the 2016 fiscal year budget, approximately \$30 million in ad valorem funding was appropriated for grants and aid to community redevelopment agencies (CRA's). There was public concern regarding CRA's. These types of grants have not been previously audited by the OIG.

IG/Management Requests

The Audit Division also conducts audits which are not planned, but are requested by agencies or deemed necessary by the OIG. These audits may result from referrals from our Investigations Division or other emerging risks, and are often considered priority projects. Because of the urgent nature of these requested audits, the planned audits in the above section are subject to change/cancellation.

Non-Audit Activities

Activities which are not included in the Audit Plan 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 2017 Audit Plan based on the Fiscal Year 2017 risk assessment has been completed. The Audit Plan has three carryover audits from the Fiscal Year 2016 Audit Plan, seven planned audits, two possible audits, as well as audits which are self-initiated or requested. We will further consider risk during each audit engagement to identify and address areas with the highest risks.

Fiscal Year 2017 Audit Plan at a Glance*

Audit	Possible Objectives
Carryover Audits	
Multiple Entities: Fleet and Fuel Management	Determine if there are sufficient controls in place to ensure fuel, vehicles, and parts are adequately safeguarded. Are purchases cost effective?
Planned Audits	
Palm Beach County Engineering – Road Construction	<ul style="list-style-type: none"> • Are procurement policies and procedures being followed? • Are contract management procedures adequate? • Are contract payments and deliverables adequately reviewed and approved?
Multiple Entities: Contracts & Vendors <ul style="list-style-type: none"> • Palm Beach County Facilities • Department of Airports 	<ul style="list-style-type: none"> • Are appropriate procurement policies and procedures being followed? • Are invoices and purchases being properly documented and approved to avoid fraud, waste, and abuse? • Are vendor contracts being effectively managed?
Palm Beach County Tourist Development Council	<ul style="list-style-type: none"> • Are there policies and procedures to effectively manage projects and deliverables? • Are performance measures reviewed and compared to strategic plans? • Are controls in place to ensure proper allocation of the bed tax?
Solid Waste Authority: Construction Contracts	<ul style="list-style-type: none"> • Are internal controls in place to properly manage construction projects? • Are control procedures adequate to ensure that construction contracts are competitively procured, invoices are adequately reviewed, and payments are properly approved?
Multiple Entities: Utilities <ul style="list-style-type: none"> • City of Lake Worth • Town of Manalapan 	<ul style="list-style-type: none"> • Are utilities using proper billing, collections and rate setting practices? • Is the customer’s confidential/ sensitive information being adequately protected?
Possible Audits	
City of West Palm: Time and Attendance /Outside Employment	Determine the adequacy of controls in place that guard against improper City employee time and attendance procedures and practices.
Palm Beach County – Grants and Aid to Community Redevelopment Agencies	Determine the adequacy of controls in place to effectively manage and monitor the deliverables associated with the \$30 million grants and aid appropriation.

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