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OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General
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2022-AP-0001
Fiscal Year 2022
Annual Risk Assessment
and Audit Plan
September 23, 2021

Insight – Oversight – Foresight

Fiscal Year 2022 Risk Assessment and Audit Plan

The Office of Inspector General (OIG) conducted its Fiscal Year (FY) 2022 risk assessment process using a combination of several methods of research and information gathering in order to create an overview of the risks for entities within the OIG's jurisdiction. The risk assessment was formulated and the audit plan was developed using the same methodology as an audit (planning/gaining an understanding of the global areas affecting the entity, risk assessment/analysis, and reporting).

Gain an Understanding

A combination of efforts to gather information were used to gain an understanding of, and identify risks for Palm Beach County (County) government, 39 municipalities, and two special districts within the OIG's jurisdiction. These efforts included:

- Review of the Risk Assessment Survey responses submitted by the municipalities, the County, and the special districts.
- Review of Council and/or Commission meeting minutes and agendas posted to the websites of the County, municipalities, and special districts.
- Review of national government risk assessments by global areas/activities.
- Review of the responses to our online survey that requested input on risk or concerns from government employees, citizens, contractors, and other stakeholders.
- Review of pertinent websites and other internet-accessible materials, news articles, and blog posts for the County, municipalities, and special districts.
- Review of historical intake of complaints for FY 2021 that were submitted to the OIG.

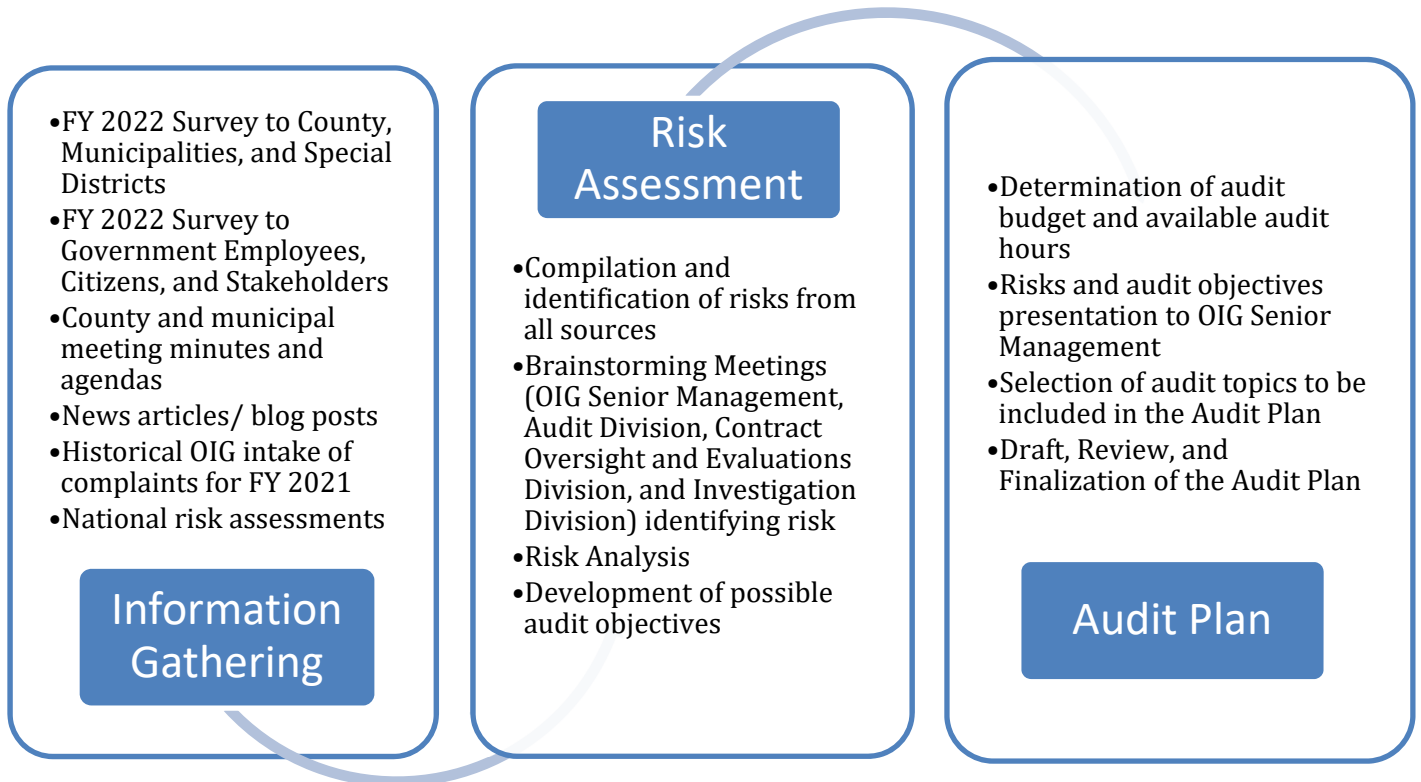
Risk Assessment

The information gathered was then compiled and analyzed for the risk assessment. Additional risks were considered based on the results of brainstorming meetings, and the professional expertise and experience of the OIG staff. Identified risks were assessed based on their global area of significance and impact. Any known controls to mitigate each risk or lower the impact were noted, and a list of risk topics was developed.

The goal of the risk assessment process is to create an audit plan that will address risk concerns of global areas/activities for entities under the jurisdiction of the OIG to make the most efficient use of the OIG's limited audit resources. Once the risk assessment process was completed, the OIG Senior Management Team and the Inspector General (IG) met to review the Audit Plan.

Audit Plan

The OIG Senior Management Team reviewed the list of topics and selected six global areas to be included in the Audit Plan. The FY 2022 Audit Plan includes the six planned global areas/activity audits, carryover audits from the FY 2021 Audit Plan, and IG/Management Requested audits.



Multiple Entities Global Area Approach

A global area is a topic that could be applicable to multiple entities. The OIG chose the global area approach to enhance the flexibility and coverage of the Audit Plan. This approach highlights the areas where the OIG will focus audit efforts. With a global approach, the Audit Plan:

- Minimizes duplication with the Internal Audit functions of the County, municipalities, and special districts;
- Provides more flexibility for emerging risks;
- Allows for smaller more focused audits; and
- Engages more municipalities/auditable units that the OIG has not previously audited.

Fiscal Year 2022 Audit Plan

Carryover Audits

There are eight (8) audits included on the FY 2021 Audit Plan that were initiated but have not been completed. These eight (8) projects are considered “carryover audits” that we anticipate will be completed in FY 2022:

Revenue/Cash Intake – Town of Juno Beach

This audit includes a review of revenue and related cash intake activities.

Objectives: Are controls in place and adequate for revenue and/or cash intake/receipt activities? Are revenues recorded appropriately and accurately in compliance with financial requirements? Are cash receipts accurately and timely recorded? Is the Town making efficient use of the revenue through investments?

Accounts Payable Expenditures/Cash Disbursements – City of Delray Beach

This audit includes a review of the controls in place for accounts payable expenditures and cash disbursements.

Objectives: Are controls adequate for accounts payable expenditures and cash disbursements? Are control procedures adequate to ensure that expenditures/cash disbursements are in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment? Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?

Accounts Payable Expenditures/Cash Disbursements – City of Boca Raton

This audit includes a review of the controls in place for accounts payable expenditures and cash disbursements.

Objectives: Are controls adequate for accounts payable expenditures and cash disbursements? Are control procedures adequate to ensure that expenditures/cash disbursements are in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment? Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?

Payroll – Palm Beach County Fire Rescue

This audit includes a review of the controls in place for the payroll process and related activities and/or expenditures.

Objectives: Are controls adequate for the payroll process? Is payroll information properly secured, accurate, and reliable? Are payroll operations in compliance with regulatory requirements, policies, and procedures?

Construction Contracts - Village of Tequesta New Community Center Constitution Park

This audit is being conducted jointly with the Contract Oversight and Evaluations Division and includes a review of controls in place to effectively manage construction contracts.

Objectives: Are controls adequate to effectively manage construction contracts? Are control procedures adequate to ensure that construction contracts are competitively procured and managed effectively in accordance with construction contract terms and conditions? Are invoices properly documented and approved to avoid possible fraud, waste, and abuse? Were agreed upon deliverables received?

Contracts/Agreements - Community Based Agency Contract between Palm Beach County and The Urban League of Palm Beach County, Inc.

This audit includes a review of controls in place to effectively manage the contract and related activities.

Objectives: Are controls adequate to effectively manage the contract and related activities? Are invoices properly documented, reviewed, and approved to avoid possible fraud, waste, and abuse? Was the contract effectively managed? Were contractual requirements met and agreed upon deliverables received?

Management Request - City of Pahokee Accounts Payable Expenditures/Cash Disbursements

This audit includes a review of the controls in place for accounts payable expenditures and cash disbursements.

Objectives: Are controls adequate for accounts payable expenditures and cash disbursements? Are control procedures adequate to ensure that expenditures/cash disbursements are in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment? Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?

Management Request - City of West Palm Beach Fire Assessment Fee

This audit includes a review of the controls in place for the receipt and disbursement of Fire Service Assessment Fee funds.

Objectives: Are controls adequate for the receipt and disbursement of Fire Service Assessment Fee funds? Are Fire Service Assessment Fee program expenditures (including inter-departmental transfers) accurate, valid, adequately supported, properly approved, and made in accordance with the established fund purpose and applicable requirements? Is the Fire Service Assessment Fee program operating as intended?

Planned Audits by Global Area

Multiple Entities – Contracts/Agreements

These audits will review the controls in place to ensure contracts are managed effectively. These audits will include review of contract management activities, requirements, expenditures, and deliverables.

Possible objectives: Are controls adequate to effectively manage contracts and related activities? Are control procedures adequate to ensure that contracts are competitively procured, when required, and for appropriate activities? Are invoices properly reviewed and approved prior to payment? Are purchases and/or invoices properly documented and approved to avoid possible fraud, waste, and abuse? Are contracts effectively managed? Were agreed upon deliverables received?

Rationale: Contracts in all forms are embedded in virtually all types of operations. Entities often meet their goals and objectives through contracts with third parties. Each contract is unique and has a different level of risk. Contracts may have high dollar values, stringent legal requirements, complicated deliverables, and different oversight needs. Based on the unique nature of each contract and because they are the basis for many operations, contracts have a higher risk than other activities.

Multiple Entities – Coronavirus Relief and Recovery Funds

These audits will review the controls in place to ensure Coronavirus Relief and Recovery funds, including but not limited to Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and American Rescue Plan Act funds, are distributed and expended efficiently, effectively, and in accordance with regulatory requirements. These audits will include review of program management, recipient eligibility and selection, as well as distribution and expenditure of funds.

Possible objectives: Are Coronavirus Relief and Recovery programs operating as intended? Are there adequate controls for the program to ensure eligibility of recipients and expenditure of Coronavirus Relief and Recovery funds? Are Coronavirus Relief and Recovery program expenditures properly documented and approved to avoid possible fraud and abuse? Are Coronavirus Relief and Recovery programs managed according to regulations and requirements?

Rationale: Palm Beach County was allocated over \$261 million in direct assistance from the CARES Act which was signed into law on March 27, 2020. The CARES Act funds were distributed for necessary expenditures incurred due to the Coronavirus Disease 2019 (COVID-19), were not accounted for in the budget, and were incurred during the period that begins on March 1, 2020 and ends on December 31, 2021. On March 11, 2021, the American Rescue Plan Act was signed into law and allocated over \$290 million to Palm Beach County and over \$82 million to municipalities in additional assistance to respond to the COVID-19 emergency and bring back jobs. The American Rescue Plan Act funds were distributed to support urgent COVID-19 response efforts, replace lost public sector revenue, support immediate economic stabilization for households and businesses, and address systemic public health and economic challenges. Based on the limited eligible expenditures and timeframe with which to expend funds, Coronavirus Relief and Recovery funds have a higher risk than other activities and funding sources.

Multiple Entities – Construction Contracts

These audits will review the controls in place to ensure construction contracts, including but not limited to One Penny Sales Surtax projects, are managed effectively. These audits will include review of contract management, policies and procedures, payment applications, and deliverables.

Possible objectives: Are controls adequate to effectively manage construction contracts? Are control procedures adequate to ensure that construction contracts are competitively procured and managed effectively in accordance with construction contract terms and conditions? Are invoices properly documented and approved to avoid possible fraud, waste, and abuse? Were agreed upon deliverables received?

Rationale: As a result of the complexity in coordinating various construction activities and the newly added One Penny Sales Surtax projects, especially for large projects, these types of projects are generally at a higher risk in comparison to other business activities.

Multiple Entities – IT Network Security

These reviews will determine the controls in place for an entity's network security to prevent unauthorized access and/or loss of data.

Possible objectives: Are processes in place to prevent network security intrusions? Are processes in place to monitor and detect network security threats, breaches, and intrusions? Are processes in place to respond to and eliminate network security threats, breaches, and intrusions?

Rationale: Control deficiencies put the entity at risk for compromised IT networks and unauthorized access. This could result in a loss of protected or critical information, disruption to operations, and loss of taxpayer dollars to recover systems and information. In recent years, there has been an increase in government network security breaches and ransomware attacks, which highlights the importance of strong network security.

Multiple Entities – IT Application Security

These audits will review the controls in place for an entity's application security to prevent unauthorized access and maintain information integrity and reliability. These audits will include a review of account management and user access.

Possible objectives: Is application user access managed effectively to prevent unauthorized access and maintain sufficient separation of duties? Are administrative privileges controlled and user access based on roles and job duties? Are application accounts managed effectively and in compliance with applicable licensing agreements? Are controls adequate to maintain information availability, integrity, and reliability?

Rationale: Control deficiencies put the entity at risk for compromised IT applications and unauthorized or inappropriate access. This could result in a leak of protected information, disruption to operations, loss or alteration of critical application data and programming, and unauthorized transactions. Because IT Applications often house critical and confidential operating information, the security of these systems is vital to effective and efficient government operations.

Multiple Entities – Audit Recommendation Follow-up

These reviews will perform limited testing, as applicable, to determine whether management has implemented adequate corrective action to address the risk(s) identified in a past OIG audit report with recommendations that have not been implemented for over two (2) years.

Possible objectives: Has management adequately implemented the pending audit report recommendations? Has management implemented alternative corrective action(s) to adequately address the risk(s) identified in the pending audit report findings?

Rationale: Management has not provided our office with the status of corrective actions implemented to address the risks identified in the following audit reports: 2019-A-0004 Town of Jupiter Inlet Colony Revenue Audit; 2019-A-0006 Village of Golf Water Utility Cross-Connection Program Audit; 2019-A-0010 City of West Palm Beach Travel Audit; and 2019-A-0011 Interlocal Agreement for Law Enforcement Services between Palm Beach County and the City of West Palm Beach Audit. These risks are compounded when they are brought to the City’s attention and no action is taken. The Town of Jupiter Inlet Colony, the Village of Golf, and the City of West Palm Beach were issued audit recommendations that have remained in a pending status for over two (2) years. Based on the unaddressed risks identified and potential public safety issues, these areas are at a higher risk in comparison to other business activities.

IG/Management Requests

The Audit Division also conducts audits that are not planned and are requested by entities or deemed necessary by the OIG. These audits may result from referrals from our Investigations Division, referrals from our Contract Oversight and Evaluations Division, or other emerging risks, and are often considered priority projects. Based on the urgent nature of these requested audits, the planned audits in the above section are subject to change, postponement, or cancellation.

Non-Audit Activities

Activities that 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, semi-annual audit follow-up, special projects, and quality control and assurance.

Conclusion

The FY 2022 Audit Plan is based on the FY 2022 risk assessment, which has been completed by the OIG Audit Division. The Audit Plan has eight (8) carryover audits from the FY 2021 Audit Plan, six (6) global area planned audits for multiple entities, as well as audits that 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 2022 Audit Plan at a Glance*

Audit	Objectives
Carryover Audits	
Revenue – Town of Juno Beach	<ul style="list-style-type: none"> • Are controls in place and adequate for revenue and/or cash intake/receipt activities? • Are revenues recorded appropriately and accurately in compliance with financial requirements? • Are cash receipts accurately and timely recorded? • Is the Town making efficient use of the revenue through investments?
Accounts Payable/Cash Disbursements – City of Delray Beach	<ul style="list-style-type: none"> • Are controls adequate for accounts payable expenditures and cash disbursements? • Are control procedures adequate to ensure that expenditures/cash disbursements are in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment? • Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?
Accounts Payable/Cash Disbursements – City of Boca Raton	<ul style="list-style-type: none"> • Are controls adequate for accounts payable expenditures and cash disbursements? • Are control procedures adequate to ensure that expenditures/cash disbursements are in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment? • Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?
Payroll - Palm Beach County Fire Rescue	<ul style="list-style-type: none"> • Are controls adequate for the payroll process? • Is payroll information properly secured, accurate, and reliable? • Are payroll operations in compliance with regulatory requirements, policies, and procedures?
Construction Contracts – Village of Tequesta New Community Center Constitution Park	<ul style="list-style-type: none"> • Are controls adequate to effectively manage construction contracts? • Are control procedures adequate to ensure that construction contracts are competitively procured and managed effectively in accordance with construction contract terms and conditions? • Are invoices properly documented and approved to avoid possible fraud, waste, and abuse? • Were agreed upon deliverables received?

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Carryover Audits	
Contracts/Agreements – Community Based Agency Contract between Palm Beach County and The Urban League of Palm Beach County, Inc.	<ul style="list-style-type: none"> • Are controls adequate to effectively manage the contract and related activities? • Are invoices properly documented, reviewed, and approved to avoid possible fraud, waste, and abuse? • Was the contract effectively managed? • Were contractual requirements met and agreed upon deliverables received?
Management Request – City of Pahokee Accounts Payable Expenditures/Cash Disbursements	<ul style="list-style-type: none"> • Are controls adequate for accounts payable expenditures and cash disbursements? • Are control procedures adequate to ensure that expenditures/cash disbursements are in compliance with requirements, allocated to appropriate activities, and properly reviewed and approved prior to payment? • Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?
Management Request – City of West Palm Beach Fire Assessment Fee	<ul style="list-style-type: none"> • Are controls adequate for the receipt and disbursement of Fire Service Assessment Fee funds? • Are Fire Service Assessment Fee program expenditures (including inter-departmental transfers) accurate, valid, adequately supported, properly approved, and made in accordance with the established fund purpose and applicable requirements? • Is the Fire Service Assessment Fee program operating as intended?

Audit	Possible Objectives
Planned Audits	
Multiple Entities – Contracts/Agreements	<ul style="list-style-type: none"> • Are controls adequate to effectively manage contracts and related activities? • Are control procedures adequate to ensure that contracts are competitively procured, when required, and for appropriate activities? • Are invoices properly reviewed and approved prior to payment? • Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse? • Are contracts effectively managed? • Were agreed upon deliverables received?
Multiple Entities – Coronavirus Relief and Recovery Funds	<ul style="list-style-type: none"> • Are Coronavirus Relief and Recovery programs operating as intended? • Are there adequate controls for the program to ensure eligibility of recipients and expenditure of Coronavirus Relief and Recovery funds? • Are Coronavirus Relief and Recovery program expenditures properly documented and approved to avoid possible fraud and abuse? • Are Coronavirus Relief and Recovery programs managed according to regulations and requirements?
Multiple Entities – Construction Contracts	<ul style="list-style-type: none"> • Are controls adequate to effectively manage construction contracts? • Are control procedures adequate to ensure that construction contracts are competitively procured and managed effectively in accordance with construction contract terms and conditions? • Are invoices properly documented and approved to avoid possible fraud, waste, and abuse? • Were agreed upon deliverables received?
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Multiple Entities – IT Application Security	<ul style="list-style-type: none"> • Is application user access managed effectively to prevent unauthorized access and maintain sufficient separation of duties? • Are administrative privileges controlled and user access based on roles and job duties? • Are application accounts managed effectively and in compliance with applicable licensing agreements? • Are controls adequate to maintain information availability, integrity, and reliability?

Audit	Possible Objectives
	Planned Audits
Multiple Entities – Audit Recommendation Follow-up	<ul style="list-style-type: none"> • Has management adequately implemented the pending audit report recommendations? • Has management implemented alternative corrective action(s) to adequately address the risk(s) identified in the pending audit report findings?

**IG/Management Request audits are not included due to their nature. These audits will be added to the audit plan as the requests occur.*