OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY

John A. Carey
Inspector General

Inspector General
Accredited

"Enhancing Public Trust in Government"

2025-AP-0001
Fiscal Year 2025
Annual Risk Assessment
and Audit Plan

September 30, 2024

Insight – Oversight – Foresight

Fiscal Year 2025 Risk Assessment and Audit Plan

The Office of Inspector General (OIG) conducted its Fiscal Year (FY) 2025 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 reviews conducted by the Contract Oversight and Evaluation Division for each municipality, the County, and the Solid Waste Authority.[1]
- Review of Council and/or Commission meeting minutes, agendas, budgets, financial reports, and other documents 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, such as news articles and social media posts, relevant to the County, municipalities, and special districts.
- Review of the historical intake of complaints for FY 2024 that were submitted to the OIG.
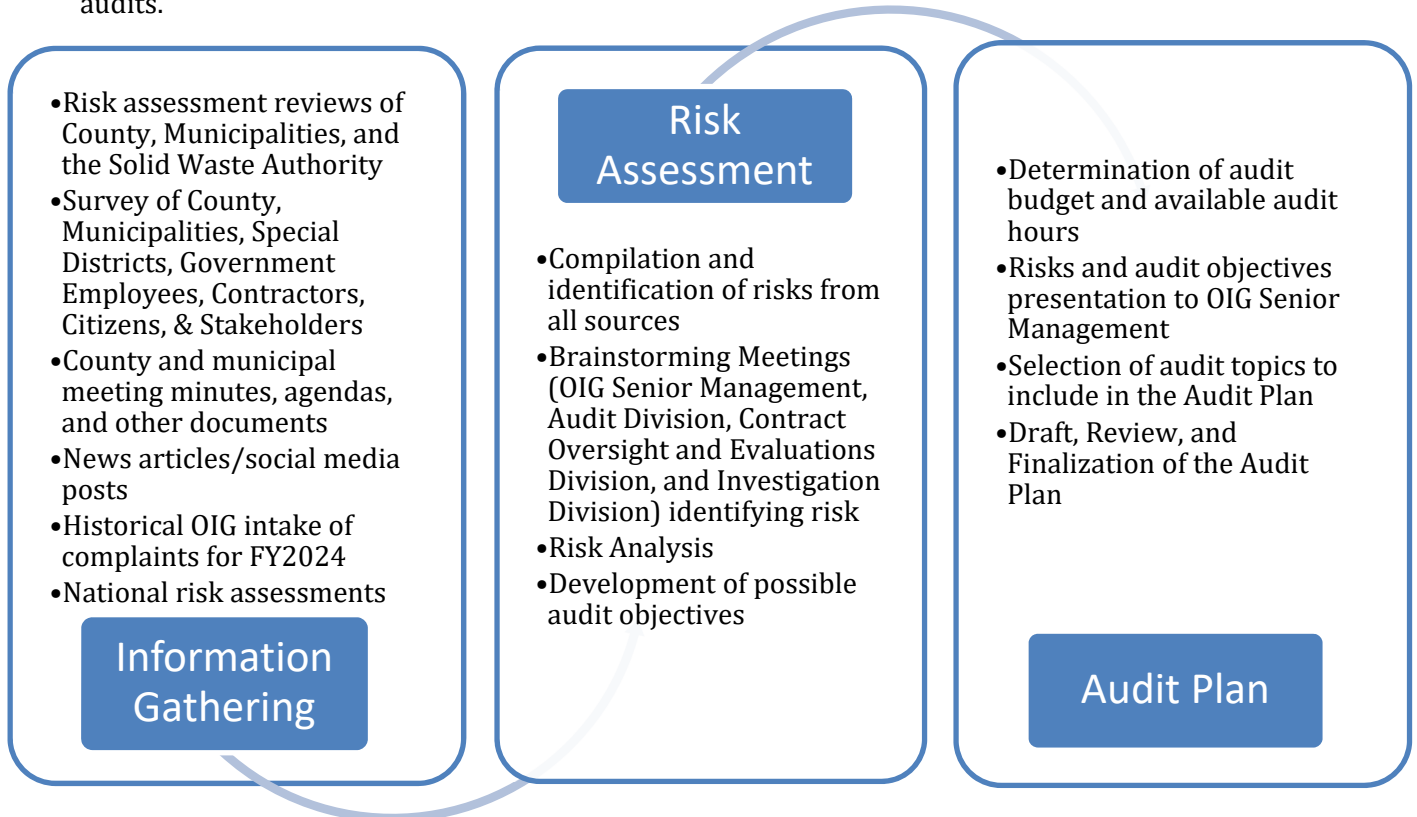
Risk Assessment

The information gathered was 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 the 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.

---

[1] https://pbc.gov/oig/docs/reports/ReviewofCompliancewiththeIGOrdinanceandRiskAssessment.pdf

Audit Plan

The OIG Senior Management Team reviewed the list of topics and selected eight (8) global areas to be included in the Audit Plan. The FY 2025 Audit Plan includes the eight (8) planned global areas/activity audits, carryover audits from the FY 2024 Audit Plan, and IG/Management Requested audits.

Information Gathering

- Risk assessment reviews of County, Municipalities, and the Solid Waste Authority
- Survey of County, Municipalities, Special Districts, Government Employees, Contractors, Citizens, & Stakeholders
- County and municipal meeting minutes, agendas, and other documents
- News articles/social media posts
- Historical OIG intake of complaints for FY2024
- National risk assessments

Risk Assessment

- Compilation and identification of risks from all sources
- Brainstorming Meetings (OIG Senior Management, Audit Division, Contract Oversight and Evaluations Division, and Investigation Division) identifying risk
- Risk Analysis
- Development of possible audit objectives

Audit Plan

- Determination of audit budget and available audit hours
- Risks and audit objectives presentation to OIG Senior Management
- Selection of audit topics to include in the Audit Plan
- Draft, Review, and Finalization of the Audit Plan

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 2025 Audit Plan

Carryover Audits

There are seven (7) audits and reviews included on the FY 2024 Audit Plan that were initiated but have not been completed. These seven (7) projects are considered "carryover audits" that we anticipate will be completed in FY 2025:

Management Request – City of Pahokee Accounts Payable Expenditures/Cash Disbursements[2]

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 – Palm Beach County Workforce Housing Program – Wellington Club Apartments

This audit includes a review of the activities, transactions, and events related to the Palm Beach County Workforce Housing Program with respect to the Wellington Club Apartments.

Objectives: Were program requirements met and agreed upon deliverables received? Are controls adequate related to administration of the program?

Contract/Agreement – Contract between the Town of Palm Beach and John C. Cassidy Air Conditioning, Inc. for Bid No. 2018-54 HVAC and Refrigeration Maintenance and Replacement[3]

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? Are payments for services received and in compliance with the contract?

---

[2] This audit is substantially completed and pending issuance of a draft report.
[3] This audit is completed and pending issuance of a final report.

Construction Contract – Contract between Palm Beach County and Kast Construction Company, LLC for Construction Manager at Risk Services for PBSO Headquarters Renovations Project No. 11206

This audit includes a review of the controls in place to ensure the construction contract is managed effectively.

Objectives: Are controls adequate to effectively manage the construction contract? Are payment applications and change orders properly documented and approved to avoid possible fraud, waste, and abuse?

Revenue/Cash Intake – Solid Waste Authority Tipping Fee Revenue

This audit includes a review of the controls in place for the accurate and complete recording of tipping fee revenues and related cash intake activities.
Objectives: Are tipping fee revenues recorded accurately and appropriately in compliance with financial requirements? Are cash receipts for tipping fees recorded accurately with timely deposits? Are there adequate controls for the receipt of tipping fee revenue and related cash intake activities?

Intake Referral – City of Riviera Beach Purchasing Cards and Council Member's Out-of-State Travel Follow-up

This is a follow-up audit to determine whether corrective actions implemented by the City over purchasing card and council members' out-of-state travel were effective.

Objectives: Are the corrective actions implemented following our Audit Report 2019-A-0003, City of Riviera Beach Purchasing Card and Council Members' Out-of-State Travel, effective in ensuring compliance with purchasing card policies and procedures and strengthening internal controls over purchasing card activities? Are council members' out-of-state travel expenditures in compliance with policies and procedures?

Contracts/Agreements – Agreement between the Town of Palm Beach Shores and Waste Management Inc. of Florida for Solid Waste and Recycling Collection and Disposal Services

This audit includes a review of the activities and transactions related to the Solid Waste and Recycling Collection and Disposal Services Agreement.

Objectives: Are franchise fees received by the Town accurate and remitted in compliance with the Agreement? Are collection fees paid by the Town accurate and billed in compliance with the Agreement?

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 – Water and Sewer Utility Billing and Cash Receipts

These audits will review the controls in place to ensure water and sewer utility billings and related cash receipts are accurate and properly recorded. These audits will include review of water and sewer billing and cash receipt activities, requirements, and transactions.

Possible Objectives: Are controls in place and adequate to ensure that water and sewer billings and cash receipts are accurate and complete? Are water and sewer billings accurate and complete, and are related cash receipts properly recorded and deposited? Are water and sewer billings in compliance with relevant regulatory requirements, policies, and procedures?

Rationale: Water and sewer utilities often have complex billing systems, process a high volume of transactions, and rely on manual processes for certain aspects of the billing and payment collection. Additionally, points of cash intake have a high vulnerability to loss or theft because it is easy to convert cash into another type of asset and is easily transportable. Based on the complexity of the area and related cash intake activities, water and sewer billings and cash receipts have a higher risk than other activities.

Multiple Entities – Permitting

These audits will review of the controls in place to ensure the permitting process is managed effectively. These audits will include review of permit processing activities, permit applications and related support, permit fees and related cash receipt activities, requirements, and transactions.

Possible Objectives: Are controls adequate to ensure permits and related fees are processed timely and in compliance with relevant regulatory requirements, policies, and procedures? Are permit fees assessed and collected in compliance with relevant regulatory requirements, policies, and

procedures? Are permit fees accurate and related cash receipts properly recorded and deposited? Are permits processed in a timely manner and sufficiently documented?

Rationale: Permitting is a critical function of local governments. Due to staffing shortages and increased demand, the permitting function is being outsourced, and new computer systems are being implemented to streamline the permit review process. Process changes such as these often result in internal control gaps and weaknesses that increase the risk of errors, fraud, waste, and abuse. Additionally, points of cash intake have a high vulnerability to loss or theft because it is easy to convert cash into another type of asset and is easily transportable.

Multiple Entities – Purchasing Cards

These audits will review the controls in place for the purchasing card program and will review purchasing card activities, requirements, and expenditures.

Possible objectives: Are internal controls in place and adequate to appropriately govern purchasing card use, including controls to prevent and detect fraud, waste, and misuse? Are purchasing card expenditures sufficiently documented, in compliance with relevant guidance, and serve a valid public purpose?

Rationale: Purchasing card programs have a high risk of loss, theft, waste, and abuse because purchasing cards are easy to use, and expenditures are typically reviewed after the initial expenditure and often lack sufficient documentation.

Multiple Entities – Law Enforcement Overtime

These audits will review the controls in place for the law enforcement overtime process and related activities and expenditures. These audits will include a review of the overtime process and related requirements, payroll expenditures, and reimbursements.

Possible objectives: Are controls in place and adequate to ensure that overtime is properly recorded and approved, including controls to prevent and detect fraudulent, improper, or excessive overtime claims? Is overtime accurately recorded and properly approved? Is overtime in compliance with relevant regulatory requirements, policies, and procedures? Is overtime properly budgeted, paid, and reimbursed according to applicable agreements?

Rationale: Overtime is often a significant expense for many law enforcement departments due to staffing shortages, increased demand for services, and contractual obligations. These factors also increase the complexity of scheduling and timekeeping systems that account for overtime which increases the risk for error. Overtime has a higher risk than other activities because it is often a significant expense and has increased legal and contractual requirements.

Multiple Entities – Grants

These audits will review the controls in place to ensure the use of grant funds is in compliance with grant terms and conditions. These audits will include review of grant management activities, requirements, expenditures, reporting, and deliverables.

Possible objectives: Are controls in place and adequate to ensure that grant funds are used in compliance with grant terms and conditions, including controls to prevent and detect fraud, waste, and misuse? Are grant expenditures in compliance with grant terms and conditions? Are reporting requirements and deliverables completed in compliance with grant terms and conditions?

Rationale: Each year grant spending amounts increase, and governments rely on additional and new grant programs to fund critical projects and functions. The area of grants is complex as each grant has unique requirements governing the expenditure of the funds and the reporting thereof. Based on the complexity of the area and legal and regulatory requirements, grants have a higher risk than other business 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 projects funded by the One Penny Sales Surtax and the Coronavirus State and Local Fiscal Recovery Funds, are managed effectively. These audits may include, but are not limited to, review of contract management, policies and procedures, payment applications, change orders, 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 payment applications and change orders 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, especially for large projects, and the use of restricted revenue sources such as the One Penny Sales Surtax and Coronavirus State and Local Fiscal Recovery Funds program, 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 designed to prevent network security intrusions? Are processes in place designed to monitor and detect network security threats, breaches, and intrusions? Are processes in place designed 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 the 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.

IG/Management Requests

The Audit Division also conducts audits that are not planned and are requested by entities or deemed necessary by the IG. 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 2025 Audit Plan is based on the FY 2025 risk assessment. The Audit Plan has seven (7) carryover audits from the FY 2024 Audit Plan, eight (8) global areas planned for audits of 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 2025 Audit Plan at a Glance[4]

Audit	Objectives
Carryover Audits	
Management Request – City of Pahokee Accounts Payable Expenditures/Cash Disbursements[5]	• 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 – Palm Beach County Workforce Housing Program – Wellington Club Apartments	• Were Program requirements met and agreed upon deliverables received? • Are controls adequate related to administration of the Program?
Contract/Agreement – Contract between the Town of Palm Beach and John C. Cassidy Air Conditioning, Inc. for Bid No. 2018-54 HVAC and Refrigeration Maintenance and Replacement[6]	• Are controls adequate to effectively manage the contract and related activities? • Are invoices properly documented and approved to avoid possible fraud, waste, and abuse? • Are payments for services received and in compliance with the contract?
Construction Contract – Contract between Palm Beach County and Kast Construction Company, LLC for Construction Manager at Risk Services for PBSO Headquarters Renovations Project No. 11206	• Are controls adequate to effectively manage the construction contract? • Are payment applications and change orders properly documented and approved to avoid possible fraud, waste, and abuse?
Revenue/Cash Intake – Solid Waste Authority Tipping Fee Revenue	• Are tipping fee revenues recorded accurately and appropriately in compliance with financial requirements? • Are cash receipts for tipping fees recorded accurately with timely deposits? • Are there adequate controls for the receipt of tipping fee revenue and related cash intake activities?
Intake Referral – City of Riviera Beach Purchasing Cards and Council Member's Out-of-State Travel Follow-up	• Are the corrective actions implemented following our Audit Report 2019-A-0003, City of Riviera Beach Purchasing Card and Council Members' Out-of-State Travel, effective in ensuring compliance with purchasing card policies and procedures and strengthening internal controls over purchasing card activities? • Are council members' out-of-state travel expenditures in compliance with policies and procedures?

---

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

[5] This audit is substantially completed and pending issuance of a draft report.

[6] This audit is completed and pending issuance of a final report.

Audit	Objectives
Carryover Audits (continued)	
Contracts/Agreements – Agreement between the Town of Palm Beach Shores and Waste Management Inc. of Florida for Solid Waste and Recycling Collection and Disposal Services	• Are franchise fees received by the Town accurate and remitted in compliance with the Agreement? • Are collection fees paid by the Town accurate and billed in compliance with the Agreement?

Audit	Possible Objectives
	Planned Audits
Multiple Entities – Contracts/Agreements	• 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?
Multiple Entities – Water and Sewer Utility Billing and Cash Receipts	• Are controls in place and adequate to ensure that water and sewer billings and cash receipts are accurate and complete? • Are water and sewer billings accurate and complete and related cash receipts properly recorded and deposited? • Are water and sewer billings in compliance with relevant regulatory requirements, policies, and procedures?
Multiple Entities – Permitting	• Are controls adequate to ensure permits and related fees are processed timely and in compliance with relevant regulatory requirements, policies, and procedures? • Are permit fees assessed and collected in compliance with relevant regulatory requirements, policies, and procedures? • Are permit fees accurate and related cash receipts properly recorded and deposited? • Are permits processed in a timely manner and sufficiently documented?
Multiple Entities – Purchasing Cards	• Are internal controls in place and adequate to appropriately govern purchasing card use, including controls to prevent and detect fraud, waste, and misuse? • Are purchasing card expenditures sufficiently documented, in compliance with relevant guidance, and serve a valid public purpose?
Multiple Entities – Law Enforcement Overtime	• Are controls in place and adequate to ensure that overtime is properly recorded and approved, including controls to prevent and detect fraudulent, improper, or excessive overtime claims? • Is overtime accurately recorded and properly approved? • Is overtime in compliance with relevant regulatory requirements, policies, and procedures? • Is overtime properly budgeted, paid, and reimbursed according to applicable agreements?

Audit	Possible Objectives
Planned Audits (continued)	
Multiple Entities – Grants	• Are controls in place and adequate to ensure that grant funds are used in compliance with grant terms and conditions, including controls to prevent and detect fraud, waste, and misuse? • Are grant expenditures in compliance with grant terms and conditions? • Are reporting requirements and deliverables completed in compliance with grant terms and conditions?
Multiple Entities – Construction Contracts	• 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 payment applications and change orders properly documented and approved to avoid possible fraud, waste, and abuse? • Were agreed upon deliverables received?
Multiple Entities – IT Network Security	• Are processes in place designed to prevent network security intrusions? • Are processes in place designed to monitor and detect network security threats, breaches, and intrusions? • Are processes in place designed to respond to and eliminate network security threats, breaches, and intrusions?