“Enhancing Public Trust in Government”

2021-AP-0001
Fiscal Year 2021
Annual Risk Assessment
and Audit Plan

August 31, 2020
Fiscal Year 2021 Risk Assessment and Audit Plan

The Office of Inspector General (OIG) conducted its Fiscal Year (FY) 2021 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 within the OIG’s jurisdiction.
- 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 2020 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, OIG Senior Management and the Inspector General met to review the Audit Plan.
Audit Plan

The OIG Senior Management Team reviewed the list of topics and selected five global areas to be included in the Audit Plan. The FY 2021 Audit Plan includes the five planned global areas/activity audits, carryover audits from the FY 2020 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 2021 Audit Plan

**Carryover Audits**

There are nine (9) audits included on the FY 2020 Audit Plan that were initiated but have not been completed. These nine (9) projects are considered “carryover audits” that we anticipate will be fully completed in FY 2021:

**Revenue/Cash Intake – Town of South Palm 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?

**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?

**Contracts/Agreements – Interlocal Agreement for Law Enforcement Services between Palm Beach County and the City of Boynton Beach**

This audit includes a review of the Agreement reimbursement requests to determine if they are accurate, eligible, and in compliance with the Agreement.

**Objectives:** Is the program operating as intended? Are there adequate controls for the program including over receipt and distribution of funds? Are expenditures eligible for reimbursement under the Agreement? Is the Program managed according to regulations and requirements?

**Contracts/Agreements – Interlocal Agreement for Law Enforcement Services between Palm Beach County and the Town of Jupiter**

This audit includes a review of the Agreement reimbursement requests to determine if they are accurate, eligible, and in compliance with the Agreement.

**Objectives:** Is the program operating as intended? Are there adequate controls for the program including over receipt and distribution of funds? Are expenditures eligible for reimbursement under the Agreement? Is the Program managed according to regulations and requirements?
Contracts/Agreements – Interlocal Agreement for Law Enforcement Services between Palm Beach County and the Village of North Palm Beach

This audit includes a review of the Agreement reimbursement requests to determine if they are accurate, eligible, and in compliance with the Agreement.

Objectives: Is the program operating as intended? Are there adequate controls for the program including over receipt and distribution of funds? Are expenditures eligible for reimbursement under the Agreement? Is the Program managed according to regulations and requirements?

Travel – City of Lake Worth Beach

This audit includes a review of the travel process and related activities.

Objectives: Address issues raised in a complaint regarding travel expenditures.

Are internal controls adequate for travel programs and activities? Are the control procedures adequate to ensure that expenditures are for appropriate activities? Are reimbursement requests properly reviewed and have proper approval? Are travel expenditures properly documented and approved to prevent and detect fraud, waste, and abuse? Are reimbursement requests submitted in compliance with policies and procedures?

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?

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 Funds

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

Possible objectives: Are Coronavirus Relief programs operating as intended? Are there adequate controls for the program to ensure eligibility of recipients and expenditure of Coronavirus Relief funds? Are Coronavirus Relief 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 30, 2020. Palm Beach County allocated $60 million of the $261 million allocation to Restart Business Grants for local businesses affected by the COVID-19 pandemic. Additionally, several municipalities within Palm Beach County distributed Coronavirus relief funds to local small businesses. Based on the limited eligible expenditures and timeframe with which to expend funds, Coronavirus Relief funds have a higher risk than other activities and funding sources.
Multiple Entities – Construction Contracts

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

Possible objectives: Are internal 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 – Accounts Payable Expenditures/Cash Disbursements

These audits will review the controls in place for accounts payable expenditures and cash disbursements. These audits will include review of accounts payable management activities, expenditures, cash disbursements monitoring and oversight, policies and procedures, compliance of expenditures with requirements, and cash disbursement activities.

Possible 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?

Rationale: Accounts payable expenditures and cash disbursements are part of all types of operations and are integral to entities meeting their objectives and goals. Each type of expenditure/cash disbursement is unique and has different levels of risk. Expenditures may have high dollar values, stringent legal requirements, complicated deliverables, and different oversight needs. Based on the unique nature of each expenditure and because they are necessary for all operations, expenditures/cash disbursements have a higher risk compared to other activities.

Multiple Entities – Law Enforcement Overtime

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

Possible objectives: Are controls adequate for the overtime process? Is overtime properly budgeted, paid, and reimbursed according to applicable agreements? Is overtime properly documented and approved to avoid possible fraud, waste, and abuse? Are overtime payments in compliance with regulatory requirements, policies, and procedures?

Rationale: Overtime is a growing expense for many law enforcement departments, which makes it a crucial area for audits. There is risk that improper payments are made or payments are not in
compliance with regulatory requirements. Based on the unique nature of overtime and because it is a growing expense, overtime has a higher risk than other activities.

**IG/Management Requests**

The Audit Division also conducts audits which 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 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 FY 2021 Audit Plan is based on the FY 2021 risk assessment, which has been completed by the OIG Audit Division. The Audit Plan has nine (9) carryover audits from the FY 2020 Audit Plan, five (5) 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 2021 Audit Plan at a Glance*

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