



John A. Carey  
Inspector General

## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General  
Accredited

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*“Enhancing Public Trust in Government”*

**2019-AP-0001**  
**Fiscal Year 2019**  
**Annual Risk Assessment**  
**and Audit Plan**

**September 4, 2018**

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Insight – Oversight – Foresight

# Fiscal Year 2019 Risk Assessment and Audit Plan

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The risk assessment process for Fiscal Year (FY) 2019 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 as an audit (planning / gaining an understanding of the global areas affecting the entity, risk assessment / analysis, and reporting) to formulate the risk assessment and develop the audit plan.

## Gain an Understanding

A combination of efforts in information gathering was used to gain an understanding of, and identify risks of, Palm Beach County government (County), 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 and municipalities.
- 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 news articles and blog posts for the County, municipalities, and special districts.
- Review of historical intake of complaints for FY 2018 that were submitted to the OIG.

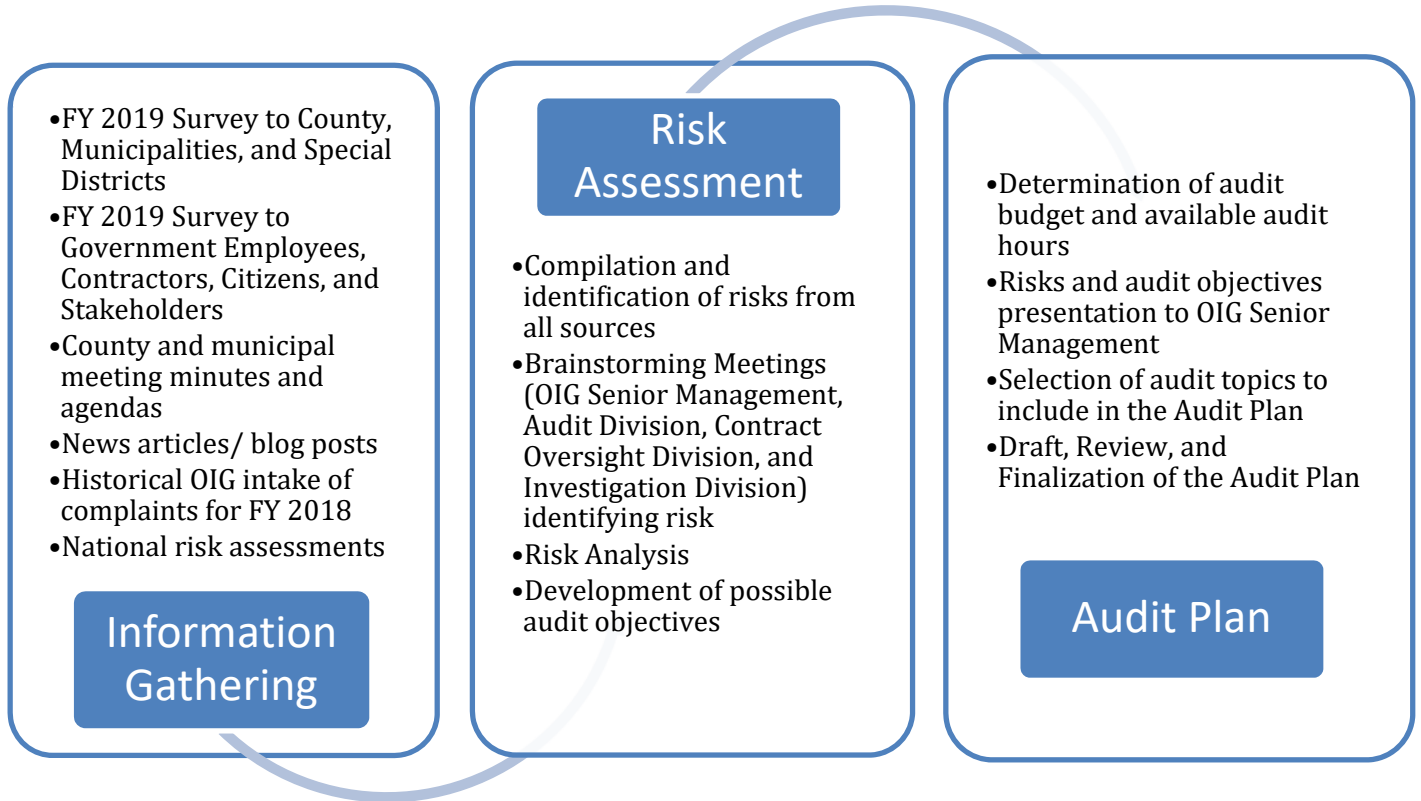
## Risk Assessment

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 with 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 seven global areas to be included in the Audit Plan. The FY 2019 Audit Plan includes the seven planned global areas / activity audits, along with the carryover audits from the FY 2018 Audit Plan, and IG / Management Requested audits.



## Multiple Entities Global Area Approach

A global area is a topic that could be applied to multiple entities. The global area approach was chosen 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 Palm Beach County, municipalities, and special districts;
- Provides more flexibility for emerging risks;
- Allows for smaller more focused audits; and
- Engages more municipalities / auditable units that have not previously been audited.

In addition to Audit Engagement notices, an Implementation Status and Projected Projects report will be published periodically to demonstrate the progression of this Audit Plan and inform entities within the OIG jurisdiction and the public of selected auditable units.

# Fiscal Year 2019 Audit Plan

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## Carryover Audits

There are six audits included on the FY 2018 Audit Plan that were initiated but have not been completed. These six projects are considered “carryover audits” and will be fully completed in FY 2019:

### *Capital Assets and Information Technology (IT) Inventory Assets – Town of Lantana*

This audit includes a review of capital assets that are recorded in the Town’s financial system and IT inventory assets.

**Objectives:** Are asset controls adequate to safeguard government resources? Are assets properly reported and recorded in the financial system? Are asset processes working efficiently and effectively?

### *Revenue / Cash Intake – Town of Jupiter Inlet Colony*

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?

### *Purchasing Cards and Travel – City of Riviera Beach*

This audit includes a review of purchasing card activities and out-of-state travel expenditures.

**Objectives:** Are controls in place and adequate to appropriately govern purchasing card use, including controls to prevent and detect fraud, waste, and abuse? Are purchasing card expenditures in compliance with policies? Are controls in place and adequate to appropriately govern travel reimbursement programs and activities? Are out-of-state travel expenditures in compliance with requirements and rates?

### *Water Utility Cross-Connection Programs – Town of Lake Clarke Shores*

This audit includes a review of cross-connection activities.

**Objectives:** Are controls adequate related to the cross-connection program? Is the cross-connection program monitored appropriately and in compliance with regulatory requirements?

## *Sidewalk Rehabilitation and Construction Contract – Village of Tequesta*

This audit includes a review of activities related to the Sidewalk Rehabilitation and Construction Contract, including review of the permitting and inspection processes.

**Objectives:** Are controls adequate related to the Sidewalk Rehabilitation and Construction Contract? Are controls adequate for the permitting and inspection processes? Is the information for work completed reliable, accurate, and authorized prior to payments?

## *Palm Beach County – Office of Financial Management and Budget – Fixed Assets Management Office (FAMO) Operations*

This audit includes a review of FAMO activities that are related to the Thrift Store Operations.

**Objectives:** Are controls adequate for processes and to safeguard assets? Are assets properly reported and recorded in the computer systems? Are the processes working efficiently and effectively?

## **Planned Audits by Global Area**

### *Multiple Entities – Revenue / Cash Intake*

These audits will include a review of billable services and programs that earn or collect revenue for the entity, proper recording of revenue and related cash intake / receipts, and controls over the revenue activities including cash intake.

**Possible objectives:** Are received revenues recorded accurately and appropriately in compliance with financial requirements? Are cash receipts recorded accurately with timely deposits? Are there adequate controls for the receipt of revenue and/or cash intake activities?

**Rationale:** Asset misappropriation for revenue and cash is one of the leading causes of loss within entities. Revenue is at an increased risk because it may be contingent on complicated calculations or contracts, have minimal oversight for the monitoring of collections and compliance of contract terms, and have complex financial requirements affecting the recognition of the revenue. 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 - Contracts*

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 invoices properly documented and approved to avoid possible fraud, waste, and abuse? Are vendor 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 – Travel*

These audits will review the controls in place for travel reimbursement and expenditures. These audits will include a review of eligible travel activities, policies and procedures, and travel or related expenditures.

**Possible objectives:** Are controls adequate for travel programs and activities? Are control procedures adequate to ensure that reimbursements and/or expenditures are for appropriate activities, documentation is properly reviewed, and activities properly approved? Are travel expenditures properly documented and approved to avoid possible fraud, waste, and abuse? Are applicable rates in compliance with policies and procedures?

**Rationale:** Travel expenditures and the management of travel program policies and procedures were noted as a concern in the risk assessment process. Additionally, travel expenditures are at risk for inappropriate payment, improper reimbursement, fraud, waste, and abuse.

### *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, and 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 in comparison to other activities.

### *Multiple Entities – Water Utility Cross-Connection Programs*

These audits will review the controls in place for water utility cross-connection programs and related activities. These audits will include a review of controls for the cross-connection program, monitoring and oversight, and compliance with regulatory requirements.

**Possible objectives:** Are controls adequate related to the cross-connection program? Is the cross-connection program monitored appropriately and in compliance with regulatory requirements?

**Rationale:** Cross-connection programs are designed to protect the public water supply from contaminants that could enter the public water supply after the water leaves the water plant. There is the potential for contaminants in private systems to flow back into the public water system, which could pollute the public water supply. Additionally, if cross-connection devices are not properly tested and inspected regularly there is an increased risk of the device not working properly, which could result in contamination of the public water system.

### *Multiple Entities – Payroll*

These audits will review the controls in place for the payroll process and related activities and/or expenditures. These audits will include a review of payroll operations, requirements, and payroll related expenditures.

**Possible 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?

**Rationale:** Payroll is one of the largest expenses incurred by an entity which makes it a crucial area for audits. There is risk that employees are improperly paid, duplicate or improper payments are made, and payments are not in compliance with regulatory requirements.

### *Multiple Entities – IT Network Security*

These audits will review the controls in place for IT network security. These audits will include a review of physical controls, network system controls, access points, and end-user security.

**Possible objectives:** Are controls adequate for network security to prevent network security breaches and/or loss of data? Are network security activities operating efficiently and effectively?

**Rationale:** Control deficiencies put the entity at risk for compromised networks and unauthorized access. This could result in a data breach, loss of protected information, and disruption to operations. In recent years, there has been an increase in government network security breaches, which highlights the importance of strong network security.

## **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 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 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 2019 Audit Plan is based on the FY 2019 risk assessment which has been completed by the OIG Audit Division. The Audit Plan has six carryover audits from the FY 2018 Audit Plan, seven global area planned audits for multiple entities, 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 2019 Audit Plan at a Glance\*

Audit	Objectives
<b>Carryover Audits</b>	
<b>Capital Assets and Information Technology (IT) Inventory Assets – Town of Lantana</b>	<ul style="list-style-type: none"> <li>• Are asset controls adequate to safeguard government resources?</li> <li>• Are assets properly reported and recorded in the financial system?</li> <li>• Are asset processes working efficiently and effectively?</li> </ul>
<b>Revenue / Cash Intake – Town of Jupiter Inlet Colony</b>	<ul style="list-style-type: none"> <li>• Are controls in place and adequate for revenue and/or cash intake/receipt activities?</li> <li>• Are revenues recorded appropriately and accurately in compliance with financial requirements?</li> <li>• Are cash receipts accurately and timely recorded?</li> <li>• Is the Town making efficient use of the revenue through investments?</li> </ul>
<b>Purchasing Cards and Travel – City of Riviera Beach</b>	<ul style="list-style-type: none"> <li>• Are controls in place and adequate to appropriately govern purchasing card use, including controls to prevent and detect fraud, waste, and abuse?</li> <li>• Are purchasing card expenditures in compliance with policies?</li> <li>• Are controls in place and adequate to appropriately govern travel reimbursement programs and activities?</li> <li>• Are out-of-state travel expenditures in compliance with requirements and rates?</li> </ul>
<b>Water Utility Cross-Connection Programs – Town of Lake Clarke Shores</b>	<ul style="list-style-type: none"> <li>• Are controls adequate related to the cross-connection program?</li> <li>• Is the cross-connection program monitored appropriately and in compliance with regulatory requirements?</li> </ul>
<b>Sidewalk Rehabilitation and Construction Contract – Village of Tequesta</b>	<ul style="list-style-type: none"> <li>• Are controls adequate related to the Sidewalk Rehabilitation and Construction Contract?</li> <li>• Are controls adequate for the permitting and inspection processes?</li> <li>• Is the information for work completed reliable, accurate, and authorized prior to payments?</li> </ul>
<b>Palm Beach County – Office of Financial Management and Budget – Fixed Assets Management Office Operations</b>	<ul style="list-style-type: none"> <li>• Are controls adequate for processes and to safeguard assets?</li> <li>• Are assets properly reported and recorded in the computer systems?</li> <li>• Are the processes working efficiently and effectively?</li> </ul>
<b>Possible Objectives</b>	
<b>Planned Audits</b>	
<b>Multiple Entities – Revenue / Cash Intake</b>	<ul style="list-style-type: none"> <li>• Are received revenues recorded accurately and appropriately in compliance with financial requirements?</li> <li>• Are cash receipts recorded accurately with timely deposits?</li> <li>• Are there adequate controls for the receipt of revenue and/or cash intake activities?</li> </ul>

<b>Multiple Entities – Contracts</b>	<ul style="list-style-type: none"> <li>• Are controls adequate to effectively manage contracts and related activities?</li> <li>• Are control procedures adequate to ensure that contracts are competitively procured, when required, and for appropriate activities?</li> <li>• Are invoices properly reviewed and approved prior to payment?</li> <li>• Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?</li> <li>• Are vendor contracts effectively managed?</li> <li>• Were agreed upon deliverables received?</li> </ul>
<b>Multiple Entities – Travel</b>	<ul style="list-style-type: none"> <li>• Are controls adequate for travel programs and activities?</li> <li>• Are control procedures adequate to ensure that reimbursements and/or expenditures are for appropriate activities, documentation is properly reviewed, and activities are properly approved?</li> <li>• Are travel expenditures properly documented and approved to avoid possible fraud, waste, and abuse?</li> <li>• Are applicable rates in compliance with policies and procedures?</li> </ul>
<b>Multiple Entities – Accounts Payable / Cash Disbursements</b>	<ul style="list-style-type: none"> <li>• Are controls adequate for accounts payable expenditures and cash disbursements?</li> <li>• Are control procedures adequate to ensure that expenditures / cash disbursements are in compliance with requirements, allocated to appropriate activities, and invoices are properly reviewed and approved prior to payment?</li> <li>• Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?</li> </ul>
<b>Multiple Entities – Water Utility Cross-Connection Programs</b>	<ul style="list-style-type: none"> <li>• Are controls adequate related to the cross-connection program?</li> <li>• Is the cross-connection program monitored appropriately and in compliance with regulatory requirements?</li> </ul>
<b>Multiple Entities – Payroll</b>	<ul style="list-style-type: none"> <li>• Are controls adequate for the payroll process?</li> <li>• Is payroll information properly secured, accurate, and reliable?</li> <li>• Are payroll operations in compliance with regulatory requirements, policies, and procedures?</li> </ul>
<b>Multiple Entities – IT Network Security</b>	<ul style="list-style-type: none"> <li>• Are controls adequate for network security to prevent network security breaches and/or loss of data?</li> <li>• Are network security activities operating efficiently and effectively?</li> </ul>

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