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Inspector General

## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General  
Accredited

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*“Enhancing Public Trust in Government”*

**2020-AP-0001**  
**Fiscal Year 2020**  
**Annual Risk Assessment**  
**and Audit Plan**

**August 29, 2019**

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Insight – Oversight – Foresight

# Fiscal Year 2020 Risk Assessment and Audit Plan

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The Office of Inspector General (OIG) conducted its Fiscal Year (FY) 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 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 pertinent Web sites 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 2019 that were submitted to the OIG.

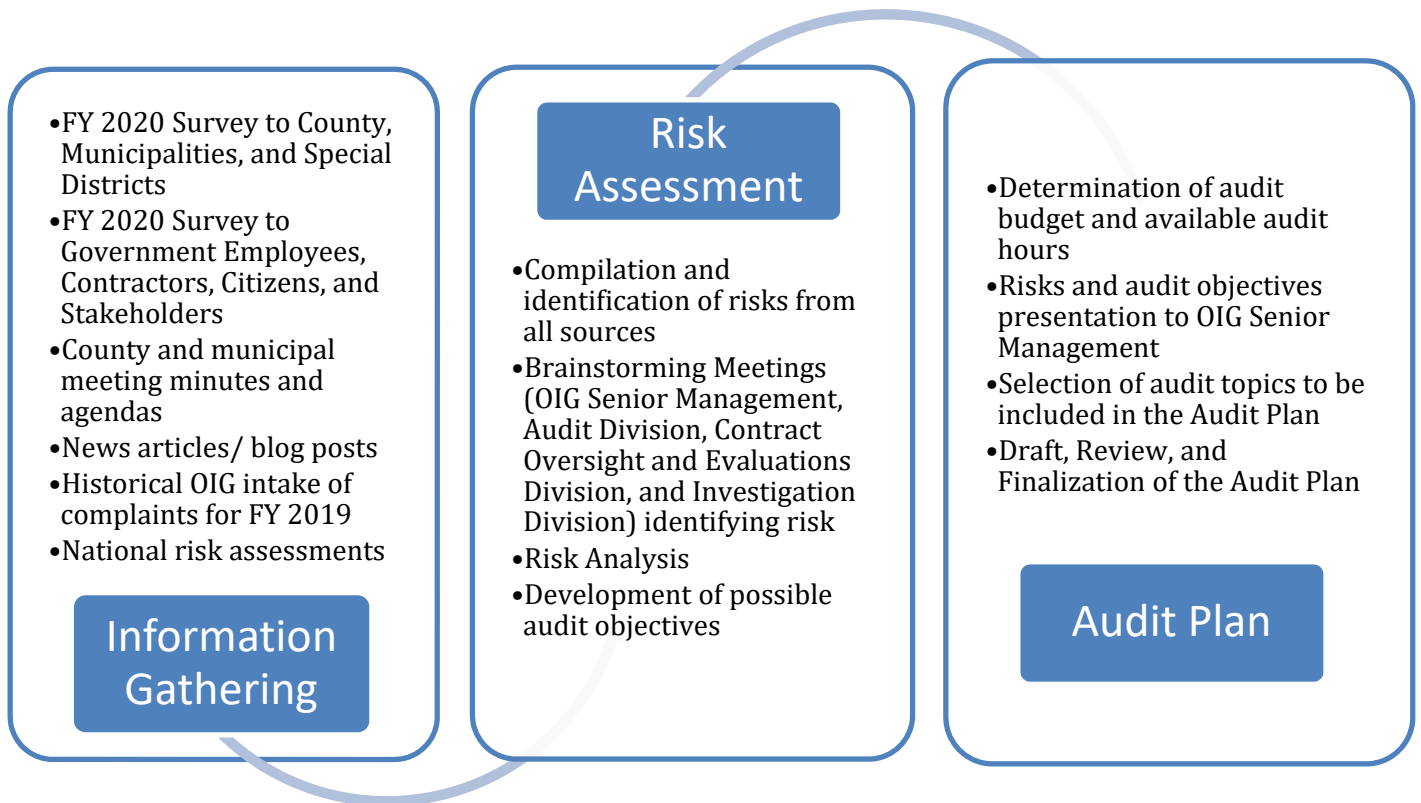
## Risk Assessment

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 2020 Audit Plan includes the five planned global areas / activity audits, carryover audits from the FY 2019 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.

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

# Fiscal Year 2020 Audit Plan

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## Carryover Audits

There are eight audits included on the FY 2019 Audit Plan that were initiated but have not been completed. These eight projects are considered “carryover audits” and will be fully completed in FY 2020:

### *Revenue / Cash Intake – Town of Haverhill*

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?

### *Travel – City of Belle Glade*

This audit includes 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?

### *Travel – City of Lake Worth Beach*

This audit includes 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 will review 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 will review 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 will review 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?

### *Employment Separation Process – City of Riviera Beach*

This audit includes a review of employment separation activities.

**Objectives:** Are controls in place and adequate to appropriately govern the employment separation process? Are employment separations properly and accurately processed and adequately documented?

### *Public Service Tax – Palm Beach County Office of Financial Management and Budget*

This audit includes a review of activities related to the Public Service Tax transactions for propane gas within the last three years.

**Objectives:** Address the management concern regarding payments under the Palm Beach County Public Service Tax Ordinance 17-225. Were recommendations from the Fiscal Year (FY) 2014 Public Service Tax Vendor Audits properly implemented?

## 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 / 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 – User Licensing*

These are Information Technology (IT) audits that will review the controls in place for user licensing and software management.

**Possible objectives:** Are controls adequate for software and user licensing management? Are control procedures adequate to ensure the effectiveness for compliance with software licensing obligations?

**Rationale:** Each software licensing agreement has specific requirements for user licensing and maintenance of active lists of users. Each software licensing agreement is unique and has different

levels of requirements and associated risks. Software licensing agreements may be a large source of payments for entities that rely on software. Based on the unique nature of the agreements and the potential costs to maintain the software, software licensing agreements have a higher risk than other 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 – 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, or payments are not in compliance with regulatory requirements. Based on the unique nature of payroll and because it is one of the largest expenditures of an entity, payroll activities have 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 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 2020 Audit Plan is based on the FY 2020 risk assessment, which has been completed by the OIG Audit Division. The Audit Plan has eight carryover audits from the FY 2019 Audit Plan, five 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 2020 Audit Plan at a Glance\*

Audit	Objectives
<b>Carryover Audits</b>	
<b>Revenue – Town of Haverhill</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>Travel – City of Belle Glade</b>	<ul style="list-style-type: none"> <li>• Address issues raised in a complaint regarding travel expenditures.</li> <li>• Are internal controls adequate for travel programs and activities?</li> <li>• Are the control procedures adequate to ensure that expenditures are for appropriate activities?</li> <li>• Are reimbursement requests properly reviewed and have proper approval?</li> <li>• Are travel expenditures properly documented and approved to prevent and detect fraud, waste, and abuse?</li> <li>• Are reimbursement requests submitted in compliance with policies and procedures?</li> </ul>
<b>Travel – City of Lake Worth Beach</b>	<ul style="list-style-type: none"> <li>• Address issues raised in a complaint regarding travel expenditures.</li> <li>• Are internal controls adequate for travel programs and activities?</li> <li>• Are the control procedures adequate to ensure that expenditures are for appropriate activities?</li> <li>• Are reimbursement requests properly reviewed and have proper approval?</li> <li>• Are travel expenditures properly documented and approved to prevent and detect fraud, waste, and abuse?</li> <li>• Are reimbursement requests submitted in compliance with policies and procedures?</li> </ul>
<b>Accounts Payable / Cash Disbursements – City of Delray Beach</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 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>

<p><b>Accounts Payable / Cash Disbursements – City of Boca Raton</b></p>	<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 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>
<p><b>Payroll - Palm Beach County Fire Rescue</b></p>	<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>
<p><b>Employment Separation Process – City of Riviera Beach</b></p>	<ul style="list-style-type: none"> <li>• Are controls in place and adequate to appropriately govern the employment separation process?</li> <li>• Are employment separations properly and accurately processed and adequately documented?</li> </ul>
<p><b>Palm Beach County – Office of Financial Management and Budget – Public Service Tax</b></p>	<ul style="list-style-type: none"> <li>• Address the management concern regarding payments under the Palm Beach County Public Service Tax Ordinance 17-225.</li> <li>• Were recommendations from the Fiscal Year (FY) 2014 Public Service Tax Vendor Audits properly implemented?</li> </ul>
<p><b>Audit</b></p>	<p><b>Possible Objectives</b></p>
<p><b>Planned Audits</b></p>	
<p><b>Multiple Entities – Revenue / Cash Intake</b></p>	<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>
<p><b>Multiple Entities – Contracts / Agreements</b></p>	<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>
<p><b>Multiple Entities – User Licensing</b></p>	<ul style="list-style-type: none"> <li>• Are controls adequate for software and user licensing management?</li> <li>• Are control procedures adequate to ensure the effectiveness for compliance with software licensing obligations?</li> </ul>

Audit	Possible Objectives
<p><b>Multiple Entities – Accounts Payable / Cash Disbursements</b></p>	<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>
<p><b>Multiple Entities – Payroll</b></p>	<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>

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