

PALM BEACH COUNTY
BOARD of COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: 12/19/2017

[X] Consent [] Regular
[] Public Hearing

Department:

Submitted By: Internal Auditor's Office

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to receive and file:

A. Audit Risk Assessment and Work Plan for FY 2018.

Summary: The County Code, Section 2-463(c), requires the County Internal Auditor to submit a risk-based audit plan to the Internal Audit Committee prior to the beginning of each fiscal year. The Internal Audit Committee reviewed and approved the FY 2018 risk assessment and proposed annual audit work plan for FY 2018 at its October 11, 2017 meeting. The Committee met after the beginning of FY 2018 due to County offices being closed on the regularly scheduled meeting date of September 13, 2017 because of Hurricane Irma. Countywide (DB)

Background and Policy Issues: The annual audit risk assessment and audit plan are developed with input from county commissioners, county administration and departmental management. The risk assessment is based on operational factors, financial factors, and audit factors. Operational factors include changes in key management personnel, complexity of operations, and dependence on information technology for basic department operations. Financial factors include size of operating and capital budgets, departmental revenues, and grants made or received. Audit factors include length of time since the last audit of a unit and our overall assessment of the quality of departmental or unit internal controls. The actual projects selected for the FY 2018 audit plan are primarily drawn from the organizational units with the highest risk scores with additional projects included based on management requests.

Attachments:

Risk assessment and annual audit work plan for FY 2018

Recommended by:



County Internal Auditor

11.21.17

Date

Recommended by:

N/A

County Administrator

Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2018	2019	2020	2021	2022
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	None				
# ADDITIONAL FTE					
POSITIONS (Cumulative)					

Is Item Included in Current Budget? Yes No X
Does this item include the use of federal funds? Yes No X

Budget Account No.: Fund _____ Agency _____ Org. _____ Object _____
Program Number _____ Revenue Source _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

No fiscal impact

A. Department Fiscal Review:

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Administration Comments:

11/22/17

AK

11/22/17

Budget/OFMB

12/4/17

Contract Administration

B. Legal Sufficiency:

12/5/17

Assistant County Attorney

C. Other Department Review:

Department Director

FY 2018 Proposed Audit Work Program

We follow several steps in developing the annual audit work program:

- First, we gather information using surveys, interviews and reports;
- Then we populate our risk assessment worksheet based on the results of our information gathering.
- We then rank order the auditable units based on their individual risk scores.
- Finally, we select and schedule specific audit projects as described below.

Information gathering:

- We conduct a survey of each department and division to gather input from management concerning their perceived risks in various operational areas.
- We interview members of the Board of County Commissioners and of County Management for their input on specific areas of concern they may have regarding programs and operations.
- We gather financial information at the department and division levels on the size of the unit's operating budget, the amount of own department revenues generated, and the amount of own department grants managed.
- We determine the date of the last audit for each auditable unit.
- We evaluate the overall effective of the control environment for each department based on results of our prior audits of those departments and their subordinate units.

Populating the risk assessment worksheet:

We enter the information gathered in the steps above (except for the interview input) into a spreadsheet. The information consists of 10 separate factors. Each factor is separately weighted. The spreadsheet calculates a total risk score based on the weight given the different factors and the actual ranking of the factors.

Each of the 10 factors receives an individual risk score ranging from 1 to 5 with the highest risk being a 5.

- Unit management assigns scores to each of the five factors from the management surveys. Internal audit reviews management's scoring for reasonableness.
- The three financial factors are assigned risk scores based each factor's relative rank within the entire listing of similar units. For example, the operating budget information is sorted in descending order and split into

five approximately equally sized groups. The groups are then assigned risk scores accordingly.

- Internal audit assigns risk scores for the time since last audit based on lower scores for more recent audits and higher scores for older audits.
- Internal audit assigns risk scores for the control environment based on our internal assessments of the departmental and divisional unit prior audit results.

Rank ordering auditable units:

We sort the total risk scores with the spreadsheet and assign risk rankings (high, moderate, low) based on a 10% - 20% - 40% - 20% - 10% distribution. This rates the top 10% of the risk scores as High risk, the middle 40% of the scores as Moderate risk, and the bottom 10% as Low risk auditable units.

Selecting and scheduling audit projects:

The first step in selecting and scheduling audit projects is determining the availability of audit resources. This process is more complicated this year due to our existing audit staff vacancies. We currently have two senior auditor position vacancies and one vacant staff auditor position. The available resources indicated we could add eight new projects.

We then developed a tentative production schedule addressing projects continuing from the FY 2017 program and new projects for FY 2018. The tentative production schedule indicated we could add 11 new projects. Four of those projects would be assigned to the newly recruited senior auditor positions (this assumes we are successful in our recruiting efforts). The production schedule assumes the two senior auditors are available to be assigned audit projects beginning in January 2018. The new staff auditor position would be assigned to assist senior auditors with their assigned audits and would not be assigned any audits separately.

We selected seven projects for the FY 2018 audit work program based on a combination of risk ranking and management input and request. Projects for the new senior auditors will be selected once those positions become available.

Availability of Resources

Total annual hours per person	2,080
Holidays (12 per year)	100
Vacation (20 days per year)	160
Sick time	100
Training	50
Administrative	200
Follow-up work	130
Available hours per auditor (rounded)	1,340
Number of filled auditor positions (FTEs)	3.5
Number of vacant auditor positions in recruitment (FTEs)	1.5
Total available auditor hours	6,700
Hours assigned to report and project support	500
Hours to complete 2017 program	2,350
Hours available for 2018 program	3,850
Average hours per audit	450
Potential new audit projects for 2017	8

Carry over projects from 2017 program	Estimated Hours to Complete
Youth Services – Department Overall Review	300
Public Safety – Animal Care and Control	400
* Palm Tran – Connection Operations	550
Library – Information Technology	300
Fire Rescue – Human Resources Management	400
* Water Utilities – Customer Service Operations	400
Total estimated hours to complete	2,350

Projects marked with an " * " will start after October 1, 2017 and will be treated as FY 2018 projects. The other projects will be tracked as FY 2017 projects continuing into FY 2018.

DEVELOPMENT OF THE RISK ASSESSMENT AND PLAN

The risk assessment conducted for the FY 2018 audit plan was developed to produce risk rankings using a series of factors that led to assignment of numerical scores for each auditable unit. There were 10 risk factors drawn from the input of management (5), financial or budget considerations (3), auditor judgment (1), and the length of time since the prior audit for the unit (1). The factors were assigned relative weights adding up to 100% across the 10 factors.

Management input was gathered from a questionnaire provided to department and division managers, and interviews with senior management and the individual county commissioners. The questionnaire asked managers to rank each of five risk factors on a scale of one to five with five representing the highest risk. The interviews were open discussions seeking areas of interest or concern.

The financial/budget factors were derived from the County's accounting system and sorted to support the organizational focus of the auditable units. The data elements representing total operating budget, total "own department" revenue budgets, and total departmental grant revenue budgets were individually sorted from highest to lowest and assigned risk scores of one to five based on the relative sizes of the individual budgets. Those units without either own department or grant revenues were assigned scores of zero.

Auditor judgment risk scores were based on a review of all audit reports issued by this office from FY 2011 to FY 2016. We reviewed the objectives of each audit, the number and severity of findings from each audit, the number and nature of the audit findings, and management responses to the audit findings and recommendations. The audited departments were assigned risk scores of one to five based on our overall assessment of the control environment of each department as derived from our prior audits. This factor was not updated for FY 2018.

Time since last audit assigns scores from one to five based simply on how long it has been since we audited a particular unit. The risk scores assumed that a lower risk associated with more recent audits. We assigned scores of 1 to audits completed in the current or prior year, 2 to audits completed two or three years ago, and so on with a five being assigned to an audit completed longer than seven years ago.

All the individual scores were loaded into a spreadsheet which applied the weighting factors for each risk element to the risk score and summed the risk

scores for each auditable unit. The final risk scores were sorted from highest to lowest to produce the final entity-wide risk assessment.

The risk assessment worksheet represents a very good beginning point to the process. Additional work will be required going forward to identify and analyze organizational components below the division level. Essentially every division conducts multiple programs or activities that may be subject to audit. These programs and activities generally do not have separate budget or accounting information which renders them unusable in the risk assessment methodology we have adopted. We will identify and evaluate these programs and activities going forward as either an aspect of our engagement level risk assessment or as a standalone project.

Proposed FY 2018 Project List

	Projects Carried Over from FY 2017	
	Youth Services – Department Overall Review	High
	Public Safety – Animal Care and Control	High
	Palm Tran – Connection Operations	High
	Library – Information Technology	High
	Fire Rescue – Human Resources Management	High
	Water Utilities – Customer Service Operations	High
	New Projects for FY 2018	
	PZB - Contractor Certification	SR
	PZB - Building Division - Plan Review function	5
	Water Utilities - Finance and Administration	5
	Public Safety - Justice & Victim Services	5
	24 Hour Vehicle Management	SR
	Community Services - Human Services	SR
	Housing & Economic Sustainability - Contract Management	5

FY 2018 Audit Risk Assessment

Weight	Departments	Divisions	Management Input					Financial									Result	Risk Rank on Result
			Public Interaction	Information Technology	Operational Complexity	Compliance Requirements	Management Changes	Operating Budget Rank	Operating Budget	Revenue Budget Rank	Revenue Budget	Grants Rank	Grants	Date of Last Audit	Time Since Last Audit	Audit Judgment		
			5	15	10	10	5	8	as of 7/3/17	8		8			6	25		
			Score	Score	Score	Score	Score	Score	Budget \$	Score	Budget \$	Score	Budget \$	Score		Score		
	Palm Tran	Connection	5	3	5	5	2	5	32,229,735	4	2,178,864	5	6,217,812	Before FY 09	5	5	447	H
	Palm Tran	Fixed Route	5	3	5	5	2	5	58,950,618	5	11,536,053	4	5,335,019	Mar-15	2	5	429	H
	Palm Tran	Capital Expansion	5	3	5	5	2	5	29,257,548	0	0	5	39,972,477	Before FY 09	5	5	415	H
	PZB	Building	5	5	3	5	5	5	44,453,909	5	16,372,500	0	0	Before FY 09	5	4	415	H
	DOA	Department	4	4	4	4	1	5	82,323,281	5	59,598,895	5	40,721,518	Sep-16	1	4	391	H
	Public Safety	Animal Care & Control	4	5	4	5	3	4	9,697,090	4	2,903,480	0	0	Sep-11	4	4	388	H
	WUD	Finance & Administration	3	5	3	3	5	5	58,550,585	5	186,149,000	0	0	Sep-05	5	4	385	H
	CSD	Community Action Program	5	5	3	4	3	4	5,738,696	0	0	4	5,435,018	Before FY 09	5	4	379	H
	WUD	Maintenance (plants & lift sta)	3	5	4	5	4	5	54,573,090	0	0	0	0	Mar-15	2	5	377	H
	PZB	Zoning	5	5	4	5	1	3	3,798,352	4	1,874,200	0	0	Dec-09	4	4	375	H
	Palm Tran	Operations	5	3	5	5	2	5	66,681,458	0	0	0	0	Before FY 09	5	5	375	H
	P & R	Aquatics	5	5	5	5	4	4	11,777,697	4	2,872,584	0	0	Jun-14	2	3	371	MH
	Fire Rescue	Operations	4	3	4	4	3	5	270,196,745	4	9,988,009	1	420,186	Jun-09	5	4	370	MH
	Youth Services	Administration	4	4	4	3	3	4	11,842,131	0	0	2	681,898	Before FY 09	5	5	368	MH
	FDO	ESS	5	5	5	5	2	4	12,093,168	4	1,533,000	0	0	Sep-13	3	3	367	MH
	WUD	Customer Services	3	5	3	4	4	5	23,211,004	0	0	0	0	Dec-11	3	5	363	MH
	CSD	Senior Services	5	5	4	5	1	4	9,372,297	2	66,646	4	5,901,135	Jun-15	2	3	362	MH
	CSD	Ryan White Program	3	4	2	5	4	4	8,664,028	0	0	5	9,293,243	Mar-10	4	4	361	MH
	PZB	Code Enforcement	5	5	4	5	5	3	3,388,889	2	75,300	0	0	Jun-17	1	4	361	MH
	Palm Tran	Support Services	5	3	5	5	2	3	2,387,966	0	0	0	0	Before FY 09	5	5	359	MH
	Public Safety	Justice & Victim Services	5	2	5	5	3	4	11,344,568	3	629,300	1	2,458,109	Mar-11	4	4	358	MH
	Public Safety	Emergency Management	5	5	3	3	4	3	3,713,973	1	42,000	3	1,127,863	Sep-12	3	4	354	MH
	Public Safety	Consumer Affairs	4	5	3	5	5	3	2,471,897	0	0	0	0	Mar-09	5	4	354	MH
	PZB	Nuisance Abatement	5	5	4	4	5	3	4,191,991	0	0	0	0	Dec-09	4	4	353	MH
	Medical Examiner	Medical Examiner	5	5	5	5	3	3	2,902,375	3	329,000	1	3,150	Dec-15	1	3	352	MH
	P & R	Recreation Services	5	4	5	4	3	4	6,421,715	3	815,110	0	0	Sep-09	5	3	351	MH
	ISS	Network services	5	5	5	5	1	4	8,387,604	1	1,000	0	0	Before FY 09	5	3	350	MH
	Library	Department	5	5	4	2	2	5	55,352,385	1	475	3	1,163,494	Jun-17	1	4	348	MH
	ISS	Computing platforms	5	5	5	5	4	4	7,465,063	0	0	0	0	Jul-12	3	3	345	MH
	Fire Rescue	Bureau of Safety Services	3	3	3	4	3	4	6,456,638	4	2,006,500	1	5,440	Sep-10	4	4	341	MH
	P & R	Special Facilities	4	5	5	2	3	4	16,482,193	5	10,827,793	0	0	Mar-15	2	3	339	M
	P & R	P&R Admin	5	5	3	4	5	3	4,208,160	3	565,983	1	400,000	Mar-16	1	3	332	M
	Public Safety	911 Tech Services	1	5	3	2	1	4	10,713,080	0	0	4	3,577,004	Before FY 09	5	4	329	M
	H&ES	Countywide/Department	3	2	2	3	3	5	68,343,688	2	199,325	3	1,529,655	Sep-15	2	5	327	M
	ISS	ISS Admin	3	5	3	5	4	2	1,329,405	5	8,651,590	0	0	Mar-16	1	3	327	M
	Fire Rescue	Administrative Services	5	3	2	3	2	5	57,746,029	5	24,296,688	1	22,240	Sep-16	1	4	324	M
	FDO	Facilities Management	4	3	5	3	4	5	23,094,233	4	1,606,000	0	0	Sep-14	2	3	324	M
	PZB	Planning	3	4	3	3	5	3	3,020,698	2	220,400	0	0	Dec-09	4	4	324	M
	PZB	Administration	4	5	2	4	1	2	1,885,821	2	238,000	0	0	Before FY 09	5	4	322	M
	ISS	IT Operations	3	5	5	4	1	3	2,832,900	1	2,500	0	0	Jun-09	5	3	322	M
	E&PW	Traffic	5	3	4	5	5	5	21,968,522	1	40,000	2	957,000	Jul-12	3	2	317	M
	OEO	Department	5	4	1	3	2	2	1,145,014	2	74,600	1	130,000	Mar-15	2	5	312	M
	Public Affairs	Channel 20	2	4	3	4	2	3	2,896,438	1	20,000	0	0	Before FY 09	5	4	312	M
	WUD	Operations	2	3	4	5	3	5	27,501,155	0	0	0	0	Mar-17	1	4	306	M
	CSD	Human & Veteran Services	5	3	4	3	2	4	11,950,248	1	18,200	2	653,679	Dec-10	4	3	305	M
	P & R	Parks Maintenance	5	3	3	3	2	5	33,052,147	4	2,440,674	0	0	Dec-12	3	3	305	M
	CSD	FAAs	4	4	2	0	2	4	11,653,770	0	0	0	0	Before FY 09	5	4	302	M
	FDO	Capital Improvements	5	2	2	5	3	3	2,341,763	4	1,239,504	0	0	Before FY 09	5	3	301	M
	Fire Rescue	Support Services	1	4	1	3	2	4	12,499,712	3	668,000	1	2,640	Sep-12	3	4	297	M
	ERM	Environmental Enhancement	3	3	3	4	3	4	12,339,694	3	1,039,575	4	4,396,171	Sep-15	2	2	295	M
	HR	Department	3	5	3	5	4	3	2,964,728	0	0	0	0	Mar-17	1	3	295	M
	ADM	County Administration	4	3	2	2	4	3	2,124,397	3	483,028	0	0	Dec-11	3	4	291	M
	FDO	FDO Admin	5	4	4	4	1	3	2,835,749	2	117,000	0	0	Sep-16	1	3	291	M
	PZB	Contractor Certification	4	3	3	5	1	2	761,548	0	0	0	0	Mar-11	4	4	290	M
	ERM	Natural Arens Stewardship	3	3	3	3	3	5	22,944,289	4	1,311,370	1	111,037	Sep-12	3	2	283	M
	ERM	Resources Protection	4	3	3	4	3	3	4,948,949	4	1,751,837	0	0	Dec-10	4	2	280	M
	FDO	Fleet Management	2	4	3	3	1	5	57,604,074	0	0	0	0	Before FY 09	5	3	280	M
	ISS	Application Services	1	5	5	2	3	4	11,049,104	0	0	0	0	Dec-15	1	3	278	M
	Legislative Affairs	Legislative Affairs	5	5	1	3	5	1	371,197	0	0	0	0	Before FY 09	5	3	278	M
	Public Safety	Finance & Administration	1	3	4	4	2	2	886,511	1	20,000	0	0	Jun-15	2	4	276	M
	Public Affairs	Media & Public Information	4	3	2	4	1	1	398,269	1	3,000	0	0	Before FY 09	5	4	276	M

FY 2018 Audit Risk Assessment

		Management Input					Financial										
		Public Interaction	Information Technology	Operational Complexity	Compliance Requirements	Management Changes	Operating Budget Rank	Operating Budget	Revenue Budget Rank	Revenue Budget	Grants Rank	Grants	Date of Last Audit	Time Since Last Audit	Audit Judgment	Result	Risk Rank on Result
Weight		5	15	10	10	5	8	as of 7/3/17	8		8			6	25	100	
Departments	Divisions	Score	Score	Score	Score	Score	Score	Budget \$	Score	Budget \$	Score	Budget \$		Score	Score		
CSD	CS Admin	3	4	2	4	2	3	2,401,349	0	0	0	0	Jun-16	1	4	275	M
CES	Department	4	3	3	3	2	3	5,586,492	0	0	0	0	Sep-15	2	4	271	M
FDO	Property and Real Estate	5	2	4	5	1	2	1,469,684	0	0	0	0	Before FY 09	5	3	271	M
OFMB	Financial Management	3	3	3	4	1	2	2,440,562	3	268,981	0	0	Sep-13	3	3	268	M
Purchasing	Purchasing	3	5	1	4	1	3	2,741,209	1	1,000	0	0	Jun-16	2	3	264	M
Public Affairs	Graphics	1	3	4	1	1	2	1,310,520	3	435,000	0	0	Sep-13	3	4	263	ML
Public Affairs	Digital Marketing & Comms	2	4	1	3	1	2	1,125,077	0	0	0	0	Before FY 09	5	4	261	ML
ERM	Mosquito Control	4	3	3	4	3	3	2,201,733	0	0	1	43,009	Jun-13	3	2	250	ML
CA	County Attorney	2	4	1	2	1	4	5,885,470	4	2,166,500	0	0	Sep-09	5	2	249	ML
MPO	MPO Planning	4	4	2	4	1	4	5,668,002	0	0	4	5,135,112	Sep-15	2	1	246	ML
E&PW	Land Development	5	5	2	2	3	2	1,832,884	0	0	0	0	Jun-10	4	2	245	ML
Purchasing	Warehouse	2	4	2	3	1	2	1,144,802	0	0	0	0	Mar-10	4	3	240	ML
OFMB	OFMB Administration	3	3	2	4	1	1	478,590	0	0	0	0	Sep-11	4	3	232	ML
E&PW	Roadway Production	3	3	4	4	2	3	3,350,440	0	0	0	0	Dec-16	1	2	230	ML
Risk Mgmt	Group Insurance	1	5	1	4	2	5	78,310,106	0	0	0	0	Sep-11	4	1	229	ML
E&PW	Administration & IT	2	4	2	3	1	3	2,427,229	2	208,580	0	0	Jun-16	1	2	221	ML
OFMB	Budget	2	3	1	3	1	2	1,030,893	0	0	0	0	Before FY 09	5	3	221	ML
OSBA	OSBA	4	5	1	3	1	2	883,129	0	0	0	0	Sep-15	2	2	218	ML
CJC	Criminal Justice Commission	3	2	2	2	2	2	1,889,214	0	0	2	742,154	Jun-15	2	3	214	ML
Legislative Affairs	Legislative Delegation	4	1	3	3	1	1	151,947	0	0	0	0	Before FY 09	5	3	213	ML
E&PW	Road & Bridge	1	3	2	1	3	5	22,411,839	1	10,000	0	0	Mar-13	3	2	211	ML
OFMB	Contract Development & Control	2	3	1	3	1	1	447,122	0	0	0	0	Jun-10	4	3	207	ML
E&PW	Construction Coordination	4	2	2	3	1	2	825,425	0	0	0	0	Jun-09	5	2	201	ML
Risk Mgmt	Property & Casualty Insurance	3	3	1	3	3	4	16,572,601	1	1,000	0	0	Jun-15	2	1	192	L
Risk Mgmt	Occupational Health	1	4	1	3	3	2	740,314	0	0	0	0	Before FY 09	5	1	191	L
Risk Mgmt	Loss Control	1	2	4	3	4	2	849,085	0	0	0	0	Mar-11	4	1	190	L
E&PW	Streetscape Section	2	2	1	2	1	3	3,170,058	1	10,000	0	0	Before FY 09	5	2	187	L
OCR	OCR	5	1	1	1	1	2	2,541,775	0	0	0	0	Before FY 09	5	3	186	L
TDC	TDC Admin	3	1	1	3	1	2	594,505	0	0	0	0	Sep-13	3	3	184	L
Risk Mgmt	Workers Compensation	3	2	2	4	1	4	19,562,071	0	0	0	0	Jun-14	2	1	179	L
Risk Mgmt	Administration	1	1	2	5	2	1	407,753	1	400	0	0	Dec-15	1	1	147	L
Risk Mgmt	Employee Assistance	1	2	1	2	1	1	93,459	0	0	0	0	Before FY 09	5	1	133	L
103		99	99	99	99	99	93	93	93	93	93	93	93	93	93	93	93