PALM BEACH COUNTY

BOARD of COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

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Meeting Date: 11/7/2023   [X] Consent   [   ] Regular
                                   [   ] Public Hearing

Department:
Submitted By: County Internal Auditor's Office

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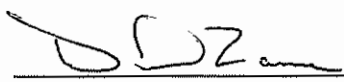
I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to receive and file: Audit Risk Assessment and Annual Work Plan for FY 2024.

Summary: The County Code requires the Internal Audit Committee to review and approve the annual risk assessment and audit plan prepared by the County Internal Auditor. The County Code also requires the County Internal Auditor to submit the approved plan to the Board of County Commissioners. We are submitting the annual work plan to the Board of County Commissioners as required by the County Code. Countywide (DB)

Background and Justification: County Code Section 2-260.13(1) requires the Internal Audit Committee to review and approve the annual risk-based audit plan prepared by the County Internal Auditor. County Code Section 2-463(c) requires the County Internal Auditor to submit the plan to the Board of County Commissioners for informational purposes following Internal Audit Committee approval. The Internal Audit Committee approved the FY 2024 annual risk assessment and audit plan at its September 27, 2023 meeting.

Attachment:
   1. FY 2024 Audit Risk Assessment and Annual Work Plan

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Recommended by: _____   10-4-23
                   County Internal Auditor   Date

Recommended by: _____   10/18/23
                   County Administrator   Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2024	2025	2026	2027	2028
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 _____
Does this item include the use of federal funds? Yes _____   No _____
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:

_____ 10/19/2023   _____ 10/12/23
        Budget/OFMB OA 10/10   Contract Administration
             MD 10/10   TM 10/11/23

B.   Legal Sufficiency:

_____ 10/12/23
       Assistant County Attorney

C.   Other Department Review:

_____
        Department Director

This summary is not to be used as a basis for payment.

FY 2024 Proposed Audit Work Program

How we develop the proposed audit work program

We base our audit work program on three components:
- Auditable units,
- An annual risk assessment, and
- The availability of audit resources.

Auditable Units

In FY 2023, a new approach was developed which defined a county department as the primary auditable unit. This higher level analysis helps to identify major risks at a macro level. As we gather new and updated information for FY 2024, we will continue with this same basic model. The audit focus will then be narrowed to the division, section, or program using an engagement level risk assessment. A specific audit objective will ultimately be developed at this level.

Risk Assessment

There are three elements to our annual risk assessment. The elements are management input, financial factors, and audit input.

- We survey department directors to get their assessment of risk in five major operating areas. We also collect input on the top departmental objectives critical to the department's success.

- We draw information from the county's accounting system for operating expenses, operating revenues, and grants. This portion includes a look at the levels of capital spending, personnel spending, as well as charge for services.

- Internal Audit first classifies departments by the date of most recent audit engagement. The auditors also evaluate the individual departments as they relate to internal control processes and management capabilities. Results of individual audits, significant risk areas, as well as opportunities, are considered for the auditor judgement portion of the assessment. Feedback from County Commissioners, each Assistant County Administrator, as well as the County Administrator, are included in this section.

We enter the results of the surveys and data gathered into a spreadsheet and calculate numerical risk scores for each auditable unit. We then sort the spreadsheet and assign

risk ranks to each auditable unit based on where each audit unit falls into the sorted listing.

Availability of Resources

We currently have the following resources:
- Two Senior Auditors,
- Two Auditor 2s,
- One Auditor 1, and
- One Staff Auditor

We undertake each audit engagement using a team concept. To ensure we have adequate knowledge, skills, and abilities, we normally pair a Senior Auditor with a Junior Auditor. This method also provides for training and development for the lower level paired auditor. Conducting follow-up work, external training, research projects and other administrative type activities are duties in addition to assigned audits.

Projects Carried Over from FY 2023

FY	Project Title	Risk	Status
21	Office of Equal Business Opportunity (OEBO) Ordinance implementation	Medium	Suspended
23	Airports Capital Project Management	High	Underway
23	Environmental Resources Management (ERM) Contract Management	High	Underway
23	Housing & Economic Development (HED) Grants Management	High	Underway
23	Human Resources (HR) Performance Management	High	Not Started

The project listed as "Suspended" was started in July 2021. In the early stages of planning, it was noted that the department had not conducted required reporting. With no reporting, the audit was put on hold as we were unable to test the accuracy and reliability of the data. As initially reported on the June 2022 Audit Committee meeting, the first report was anticipated by the end of FY 2022. Internal Audit resumed the audit in December 2022; however, OEBO only had prepared a draft report. In August 2023, OEBO issued their final report. OEBO will be underway in FY 2024.

Each of the three audits underway are in various stages of the fieldwork phase. We estimate the audit reports for each of these engagements will be issued in the first fiscal quarter of FY 2024. We will consider completion of these three projects as two projects for planning purposes for FY 2024.

New Projects for FY 2024

Each of the past two fiscal years we have added four new audits to our work plan. We've also carried over six and seven audits for each of the last two years respectively. As a result of the recent promotions in Audit Management, we are now working with one less Senior Auditor. Based on the average number of audits completed in the past few years, and our current staff level, we believe we can produce four audits at the most for the upcoming year.

Counting the carry over projects listed above as two equivalent projects gives us enough audit resources to schedule two new projects for FY 2024. We also propose selecting an alternate department in the event a substitution is needed.

Proposed FY 2024 Project List

Projects Carried Over from FY 2023	Risk
OEBO – Ordinance implementation	Medium
Airports – Capital Project Management	High
ERM – Contract Management	High
HED– Grants Management	High
HR – Performance Management	High
New Projects for FY 2024	
Community Services	High
Water Utilities	High
Alternate Selection	
Palm Tran	High

We recently removed two Community Services Department audit projects from the work plan due to the volume of their pandemic related work. For the FY 2024, Community Service's rates 'High' in Public Interaction. The majority of their work is directly with vulnerable or at-risk populations and Public interaction is one of the five major areas we evaluate in our risk assessment. Community Services also ranks second highest amongst county departments in Grant Revenue and Grant Spending.

Palm Tran was on the FY 2022 work plan based on County Commissioner concerns on management turnover. For FY 2024, Palm Tran ranks in the top five in charges for services, operational and personnel spending. In addition, Palm Tran ranks number one in the county for Grant Revenues. This year's risk assessment again includes concerns regarding efficiency of the Fixed Route operations and the effectiveness of Palm Tran Connection.