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## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General  
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*“Enhancing Public Trust in Government”*

**2024-AP-0001**  
**Fiscal Year 2024**  
**Annual Risk Assessment**  
**and Audit Plan**  
**October 2, 2023**

Insight – Oversight – Foresight

# Fiscal Year 2024 Risk Assessment and Audit Plan

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The Office of Inspector General (OIG) conducted its Fiscal Year (FY) 2024 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, agendas, budgets, financial reports, and other documents posted to the websites of the County, municipalities, and special districts.
- 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, such as news articles and social media posts, relevant to the County, municipalities, and special districts.
- Review of the historical intake of complaints for FY 2023 that were submitted to the OIG.

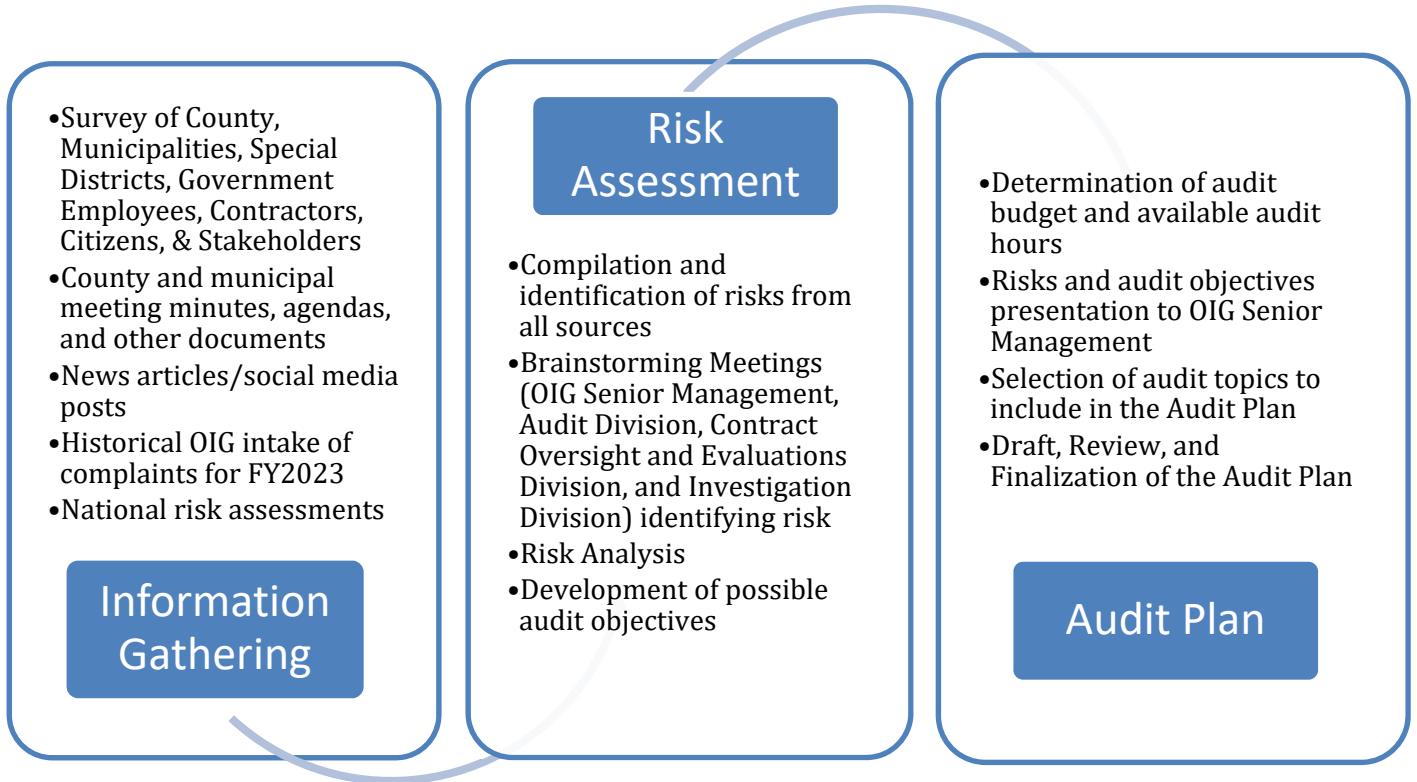
## Risk Assessment

The information gathered was 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 the 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, the OIG Senior Management Team and the Inspector General (IG) met to review the Audit Plan.

## Audit Plan

The OIG Senior Management Team reviewed the list of topics and selected six (6) global areas to be included in the Audit Plan. The FY 2024 Audit Plan includes the six (6) planned global areas/activity audits, carryover audits from the FY 2023 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 2024 Audit Plan

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## Carryover Audits

There are eight (8) audits and reviews included on the FY 2023 Audit Plan that were initiated but have not been completed. These eight (8) projects are considered “carryover audits” that we anticipate will be completed in FY 2024:

### *Management Request – City of Pahokee Accounts Payable Expenditures/Cash Disbursements*

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?

### *Management Request – City of West Palm Beach Fire Assessment Fee<sup>1</sup>*

This audit includes a review of the controls in place for the receipt and disbursement of Fire Service Assessment Fee funds.

**Objectives:** Are controls adequate for the receipt and disbursement of Fire Service Assessment Fee funds? Are Fire Service Assessment Fee program expenditures (including inter-departmental transfers) accurate, valid, adequately supported, properly approved, and made in accordance with the established fund purpose and applicable requirements? Is the Fire Service Assessment Fee program operating as intended?

### *Complaint – Town of Loxahatchee Groves Gas Tax Revenue Expenditures*

This audit includes a review of the controls in place over the expenditure of gas tax revenues.

**Objectives:** Are controls adequate related to the expenditure of gas tax revenues? Are expenditures of gas tax revenues in compliance with requirements, allocated to appropriate activities, properly documented, and properly reviewed and approved?

### *IT Application Security – Village of Wellington*

This audit includes a review of the controls in place over application security, focusing on user access and account management.

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<sup>1</sup> This audit is substantially completed and pending issuance of a draft report.

**Objectives:** Is application user access managed effectively to prevent unauthorized access and maintain sufficient separation of duties? Are administrative privileges controlled and user access based on roles and job duties? Are application accounts managed effectively and in compliance with applicable licensing agreements?

### *Management Request – Palm Beach County Workforce Housing Program – Wellington Club Apartments*

This audit includes a review of the activities, transactions, and events related to the Palm Beach County Workforce Housing Program with respect to the Wellington Club Apartments.

**Objectives:** Were program requirements met and agreed upon deliverables received? Are controls adequate related to administration of the program?

### *Contract/Agreement – Contract between the Town of Palm Beach and John C. Cassidy Air Conditioning, Inc. for Bid No. 2018-54 HVAC and Refrigeration Maintenance and Replacement*

This audit includes a review of controls in place to effectively manage the contract and related activities.

**Objectives:** Are controls adequate to effectively manage the contract and related activities? Are invoices properly documented, reviewed, and approved to avoid possible fraud, waste, and abuse? Are payments for services received and in compliance with the contract?

### *Accounts Payable Expenditures/Cash Disbursements – Village of Royal Palm Beach*

This audit includes a review of the controls in place for accounts payable expenditures and cash disbursements.

**Objectives:** Are controls adequate for the accounts payable expenditures and cash disbursements? Are expenditures and cash disbursements accurate and in compliance with requirements? Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?

### *IT Network Security – Town of Manalapan*

This review will determine the controls in place over IT network security to prevent unauthorized access and/or loss data.

**Objectives:** Are processes in place designed to prevent network security intrusions? Are processes in place designed to monitor and detect network security threats, breaches, and intrusions? Are processes in place designed to respond to network security threats, breaches, and intrusions?

## 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 – 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 – Construction Contracts*

These audits will review the controls in place to ensure construction contracts, including but not limited to projects funded by the One Penny Sales Surtax and the Coronavirus State and Local Fiscal Recovery Funds, are managed effectively. These audits will include review of contract management, policies and procedures, payment applications, change orders, and deliverables.

**Possible objectives:** Are 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 payment

applications and change orders 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, especially for large projects, and the use of restricted revenues sources such as the One Penny Sales Surtax and Coronavirus State and Local Fiscal Recovery Funds, these types of projects are generally at a higher risk in comparison to other business activities.

### *Palm Beach County – Workforce Housing Program Master Covenant for Rental Units*

This audit will review the controls in place to ensure the Workforce Housing Program Master Covenant for Rental Units is managed effectively. This audit will include a review of Master Covenant management activities, requirements, and deliverables. The specific Workforce Housing Program rental housing project that will be audited is to be determined.

**Possible objectives:** Are controls adequate related to the administration of the Workforce Housing Program Master Covenant for Rental Units? Are Master Covenant requirements being met and agreed upon deliverables received?

**Rationale:** The Workforce Housing Program requires that a percentage of units in new residential developments of 10 or more units be provided as workforce housing, affordable to households having 60 to 140% of the area median income. The program's optional component allows for a density bonus in exchange for a portion of the additional units being dedicated to workforce housing. The Workforce Housing Program Master Covenants between the Palm Beach County government and each rental unit owner provide stringent requirements for compliance with the program. The development of rental housing projects in Palm Beach County continues to increase, thus increasing the number of Workforce Housing Program rental units. Based on the increasing number of Workforce Housing Program rental units and the stringent program requirements, the Workforce Housing Program Master Covenants have a higher risk than 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, and payments are not in compliance with regulatory requirements.

### *Multiple Entities – IT Network Security*

These reviews will determine the controls in place for an entity's network security to prevent unauthorized access and/or loss of data.

**Possible objectives:** Are processes in place designed to prevent network security intrusions? Are processes in place designed to monitor and detect network security threats, breaches, and intrusions? Are processes in place designed to respond to and eliminate network security threats, breaches, and intrusions?

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

## IG/Management Requests

The Audit Division also conducts audits that are not planned and are requested by entities or deemed necessary by the IG. 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 that 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, semi-annual audit follow-up, special projects, and quality control and assurance.

## Conclusion

The FY 2024 Audit Plan is based on the FY 2024 risk assessment. The Audit Plan has eight (8) carryover audits from the FY 2023 Audit Plan, six (6) 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 2024 Audit Plan at a Glance<sup>2</sup>

Audit	Objectives
<b>Carryover Audits</b>	
<b>Management Request – City of Pahokee Accounts Payable Expenditures/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 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>Management Request – City of West Palm Beach Fire Assessment Fee<sup>3</sup></b>	<ul style="list-style-type: none"> <li>• Are controls adequate for the receipt and disbursement of Fire Service Assessment Fee funds?</li> <li>• Are Fire Service Assessment Fee program expenditures (including inter-departmental transfers) accurate, valid, adequately supported, properly approved, and made in accordance with the established fund purpose and applicable requirements?</li> <li>• Is the Fire Service Assessment Fee program operating as intended?</li> </ul>
<b>Complaint – Town of Loxahatchee Groves Gas Tax Revenue Expenditures</b>	<ul style="list-style-type: none"> <li>• Are controls adequate related to the expenditure of gas tax revenues?</li> <li>• Are expenditures of gas tax revenues in compliance with requirements, allocated to appropriate activities, properly documented, and properly reviewed and approved?</li> </ul>
<b>IT Application Security – Village of Wellington</b>	<ul style="list-style-type: none"> <li>• Is application user access managed effectively to prevent unauthorized access and maintain sufficient separation of duties?</li> <li>• Are administrative privileges controlled and user access based on roles and job duties?</li> <li>• Are application accounts managed effectively and in compliance with applicable licensing agreements?</li> </ul>
<b>Management Request – Palm Beach County Workforce Housing Program – Wellington Club Apartments</b>	<ul style="list-style-type: none"> <li>• Were Program requirements met and agreed upon deliverables received?</li> <li>• Are controls adequate related to administration of the Program?</li> </ul>
<b>Contract/Agreement – Contract between the Town of Palm Beach and John C. Cassidy Air Conditioning, Inc. for Bid No. 2018-54 HVAC and Refrigeration Maintenance and Replacement</b>	<ul style="list-style-type: none"> <li>• Are controls adequate to effectively manage the contract and related activities?</li> <li>• Are invoices properly documented and approved to avoid possible fraud, waste, and abuse?</li> <li>• Are payments for services received and in compliance with the contract?</li> </ul>

<sup>2</sup> IG/Management Request audits are not included due to their nature. These audits will be added to the audit plan as the requests occur.

<sup>3</sup> This audit is substantially completed and pending issuance of a draft report.

Audit	Objectives
<b>Carryover Audits</b>	
<b>Accounts Payable Expenditures/Cash Disbursements – Village of Royal Palm Beach</b>	<ul style="list-style-type: none"> <li>• Are controls adequate for the accounts payable expenditures and cash disbursements?</li> <li>• Are expenditures and cash disbursements accurate and in compliance with requirements?</li> <li>• Are purchases and invoices properly documented and approved to avoid possible fraud, waste, and abuse?</li> </ul>
<b>IT Network Security – Town of Manalapan</b>	<ul style="list-style-type: none"> <li>• Are processes in place designed to prevent network security intrusions?</li> <li>• Are processes in place designed to monitor and detect network security threats, breaches, and intrusions?</li> <li>• Are processes in place designed to respond to network security threats, breaches, and intrusions?</li> </ul>

Audit	Possible Objectives
<b>Planned Audits</b>	
<b>Multiple Entities – Contracts/Agreements</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/or invoices properly documented and approved to avoid possible fraud, waste, and abuse?</li> <li>• Are contracts effectively managed?</li> <li>• Were agreed upon deliverables received?</li> </ul>
<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 – Construction Contracts</b>	<ul style="list-style-type: none"> <li>• Are controls adequate to effectively manage construction contracts?</li> <li>• Are control procedures adequate to ensure that construction contracts are competitively procured and managed effectively in accordance with construction contract terms and conditions?</li> <li>• Are payment applications and change orders properly documented and approved to avoid possible fraud, waste, and abuse?</li> <li>• Were agreed upon deliverables received?</li> </ul>
<b>Palm Beach County – Workforce Housing Program Master Covenant for Rental Units</b>	<ul style="list-style-type: none"> <li>• Are controls adequate related to the administration of the Workforce Housing Program Master Covenant for Rental Units?</li> <li>• Are Master Covenant requirements being met and agreed upon deliverables received?</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 processes in place to prevent network security intrusions?</li> <li>• Are processes in place to monitor and detect network security threats, breaches, and intrusions?</li> <li>• Are processes in place to respond to and eliminate network security threats, breaches, and intrusions?</li> </ul>