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## OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General  
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# **2023-AP-0001** **Fiscal Year 2023** **Annual Risk Assessment** **and Audit Plan**

## **September 26, 2022**

**Insight – Oversight – Foresight**

# Fiscal Year 2023 Risk Assessment and Audit Plan

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The Office of Inspector General (OIG) conducted its Fiscal Year (FY) 2023 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, 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, news articles, and blog posts for the County, municipalities, and special districts.
- Review of historical intake of complaints for FY 2022 that were submitted to the OIG.

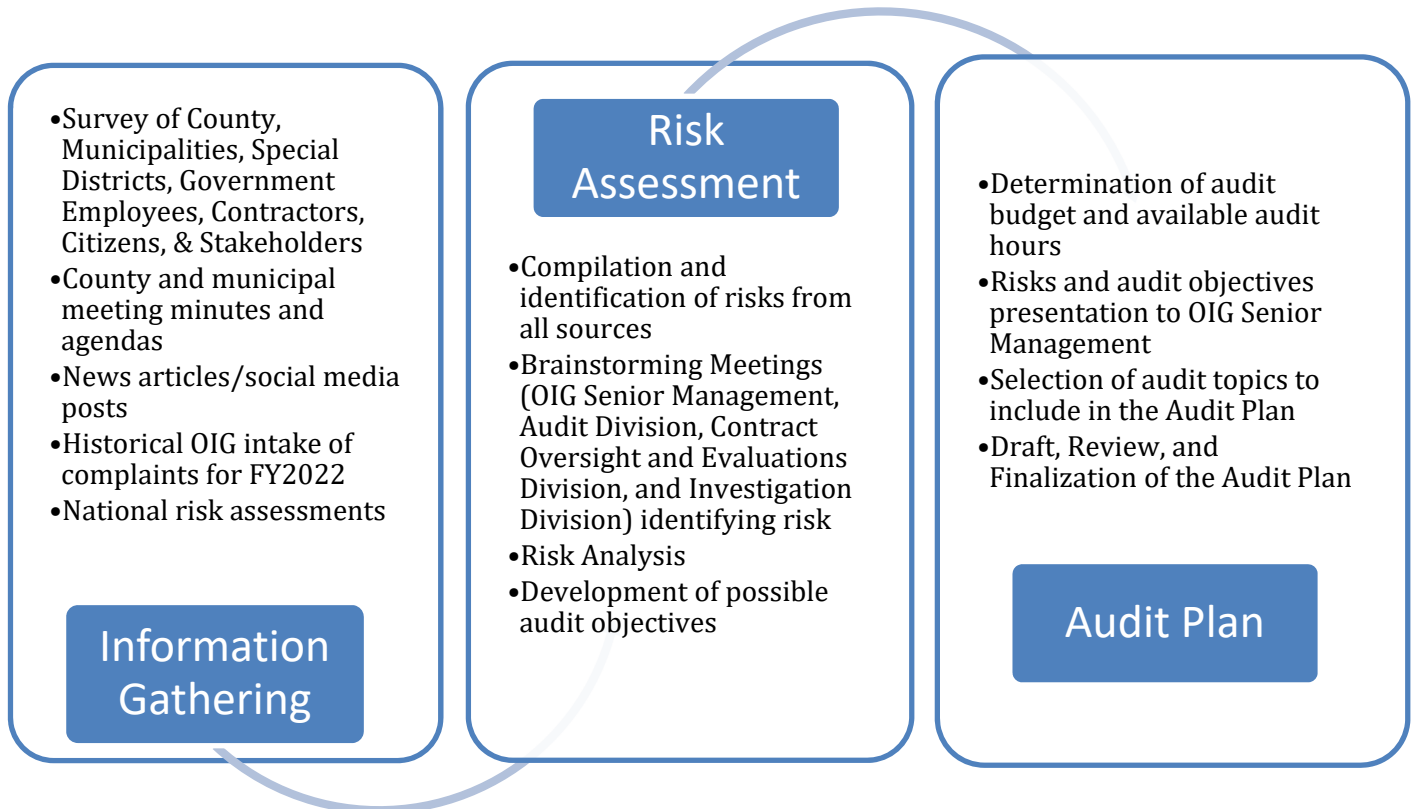
## Risk Assessment

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 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 2023 Audit Plan includes the six (6) planned global areas/activity audits, carryover audits from the FY 2022 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 2023 Audit Plan

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## Carryover Audits

There are ten (10) audits and reviews included on the FY 2022 Audit Plan that were initiated but have not been completed. These ten (10) projects are considered “carryover audits” that we anticipate will be completed in FY 2023:

### *Accounts Payable Expenditures/Cash Disbursements – City of Boca Raton*

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?

### *Construction Contracts – Village of Tequesta New Community Center Constitution Park*

This audit is being conducted jointly with the Contract Oversight and Evaluations Division and includes a review of controls in place to effectively manage construction contracts.

**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 invoices properly documented and approved to avoid possible fraud, waste, and abuse? Were agreed upon deliverables received?

### *Contracts/Agreements – Community Based Agency Contract between Palm Beach County and The Urban League of Palm Beach County, Inc.<sup>1</sup>*

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? Was the contract effectively managed? Were contractual requirements met and agreed upon deliverables received?

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

### ***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***

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?

### ***Contracts/Agreements – Rental Car Lease and Concession Agreement between Palm Beach County and Enterprise Leasing Company of Florida, LLC***

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

**Objectives:** Are controls adequate to effectively manage the agreement and related activities? Are concession and facility rental fees paid accurate and in compliance with the agreement? Are gross revenues reported accurate and in compliance with the agreement? Are contractual requirements met and agreed upon deliverables received?

### ***IT Network Security – City of Atlantis***

This review will determine the controls in place over network security to prevent unauthorized access and/or loss of 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?

### *IT Network Security – Town of Highland Beach<sup>2</sup>*

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?

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

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

**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?

## **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.

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<sup>2</sup> This review is substantially completed and pending issuance of a draft report.

### *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 – Construction Contracts*

These audits will review the controls in place to ensure construction contracts, including but not limited to One Penny Sales Surtax and American Rescue Plan Act funded projects, are managed effectively. These audits will include review of contract management, policies and procedures, payment applications, 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 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 newly added One Penny Sales Surtax and American Rescue Plan Act funded projects, these types of projects are generally at a higher risk in comparison to other business activities.

### *Multiple Entities – Overtime*

These audits will review the controls in place for the overtime process and related activities, requirements, and expenditures.

**Possible objectives:** Are controls adequate for the overtime process? Is overtime properly budgeted, paid, and reimbursed according to applicable requirements and agreements? Is overtime properly documented and approved to avoid possible fraud, waste, and abuse? Are overtime payments in compliance with regulatory requirements, policies, and procedures?

**Rationale:** Overtime is a growing expense for many local governments, which makes it a crucial area for audits. There is risk that improper payments are made or payments are not in compliance with



regulatory requirements. Based on the unique nature of overtime and because it is a growing expense, overtime has a higher risk than other activities.

### *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 to prevent network security intrusions? Are processes in place to monitor and detect network security threats, breaches, and intrusions? Are processes in place 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 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.

### *Multiple Entities – IT Application Security*

These audits will review the controls in place for an entity's application security to prevent unauthorized access and maintain information integrity and reliability. These audits will include a review of account management and user access.

**Possible 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? Are controls adequate to maintain information availability, integrity, and reliability?

**Rationale:** Control deficiencies put the entity at risk for compromised IT applications and unauthorized or inappropriate access. This could result in a leak of protected information, disruption to operations, loss or alteration of critical application data and programming, and unauthorized transactions. Because IT applications often house critical and confidential operating information, the security of these systems is vital to effective and efficient government operations.

## **IG/Management Requests**

The Audit Division also conducts audits that 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, 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 2023 Audit Plan is based on the FY 2023 risk assessment, which has been completed by the OIG Audit Division. The Audit Plan has ten (10) carryover audits from the FY 2022 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 2023 Audit Plan at a Glance\*

Audit	Objectives
<b>Carryover Audits</b>	
<b>Accounts Payable/Cash Disbursements – City of Boca Raton</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>Construction Contracts – Village of Tequesta New Community Center Constitution Park</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 invoices properly documented and approved to avoid possible fraud, waste, and abuse?</li> <li>• Were agreed upon deliverables received?</li> </ul>
<b>Contracts/Agreements – Community Based Agency Contract between Palm Beach County and The Urban League of Palm Beach County, Inc.<sup>3</sup></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, reviewed, and approved to avoid possible fraud, waste, and abuse?</li> <li>• Was the contract effectively managed?</li> <li>• Were contractual requirements met and agreed upon deliverables received?</li> </ul>
<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</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>

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

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<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>Contracts/Agreements – Rental Car Lease and Concession Agreement between Palm Beach County and Enterprise Leasing Company of Florida, LLC</b>	<ul style="list-style-type: none"> <li>• Are controls adequate to effectively manage the agreement and related activities?</li> <li>• Are concession and facility rental fees paid accurate and in compliance with the agreement?</li> <li>• Are gross revenues reported accurate and in compliance with the agreement?</li> <li>• Are contractual requirements met and agreed upon deliverables received?</li> </ul>
<b>IT Network Security – City of Atlantis</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>
<b>IT Network Security – Town of Highland Beach<sup>4</sup></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>
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<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 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 – 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>
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<b>Multiple Entities - IT Application Security</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> <li>• Are controls adequate to maintain information availability, integrity, and reliability?</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.*