



## Lee County Port Authority 2017 Annual Audit Plan

### Internal Audit/Inspector General Department



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Tim Parks, Chief Internal Audit Officer/Inspector General



# Lee County Port Authority 2017 Annual Audit Plan



**Date:** November 1, 2016  
**To:** Linda Doggett, Lee County Clerk of Circuit Court & Comptroller  
Robert Ball, Executive Director, Lee County Port Authority  
**From:** Tim Parks, Chief Internal Audit Officer/Inspector General  
**Subject:** 2017 Annual Audit Plan for Lee County Port Authority

Attached is the Internal Audit/Inspector General Department's (IA/IG) proposed 2017 audit projects for the Lee County Port Authority (LCPA) for your review and approval. The list of proposed audit engagements for 2017 includes 6 audits, two of which are in progress, and other regular internal audit services activities.

The Audit Plan was developed using a risk-based methodology. We designed the audit plan to address what we considered to be risk areas, while limiting the scope of work to what we can realistically accomplish with the staff resources available. The risk assessment methodology is summarized in the attached document.

Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Parks".

Tim Parks, Chief Internal Audit Officer/Inspector General  
Internal Audit/Inspector General Department

TJP/mep



# Lee County Port Authority 2017 Annual Audit Plan



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# Lee County Port Authority 2017 Annual Audit Plan



## Introduction

The Internal Audit/Inspector General (IA/IG) Department is an independent, objective, and comprehensive auditing activity, established within the Lee County Clerk of the Circuit Court by authority of the constitution of the State of Florida. The Audit Services Unit provides assurance and consulting services for Lee County government operations. The scope of the IA/IG Department's authority includes functions for which the Board of County Commissioners is the ex-officio governing body, which encompasses the Lee County Port Authority (LCPA).

The purpose of the Audit Services Unit is to advance accountability and to proactively work with the organization in identifying risks, evaluating controls, and making recommendations that promote economical, efficient, and effective delivery of services.

The IA/IG Department performs its work in accordance with its Charter, which is consistent with The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* (Standards), *Definition of Internal Auditing*, and *Code of Ethics*.

## Annual Plan Development

*IIA Standard 2010 – Planning* requires that the internal audit activity establish a risk-based plan, undertaken at least annually, to determine the priorities of the internal audit activity, consistent with the organization's goals. Accordingly, the Audit Services Unit has developed the 2017 Annual Audit Plan to provide audit coverage aligned with the Port Authority's strategic objectives and specific management requests for audits.

The goal of an annual audit plan is to efficiently prioritize and allocate limited resources to those areas considered to present the greatest risk; where the work of internal audit can provide the greatest amount of value.

The audit plan is flexible and may be amended during the year as determined by the Chief Internal Audit Officer/Inspector General with the concurrence of the Clerk and senior management of the LCPA. Completion of the audit plan may be affected by additional and/or critical audits requested by senior management, special projects, and unforeseen circumstances in a scheduled audit.

## Audit Resources

For 2017, the Port Authority has one senior internal auditor to conduct audits and perform other departmental activities, with an estimated 1,400 hours available to perform audits. The estimated audit hours available were calculated as follows:



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Calculation of Estimated Audit Hours Available for 2017	
<u>One full time equivalent (FTE) Auditor:</u>	
40 hours per week x 52 weeks per year = total annual hours available	2,080
Less: Hours for vacation, sick leave and holidays	(312)
Less: Estimated hours for indirect audit activity, including training, IA/IG department meetings, other miscellaneous activities	(368)
	<u>1,400</u>

## LCPA Risk Assessment – 2017

Risk assessment is a process of systematically scoring (or rating) the relative impact of a variety of “risk factors.” A risk factor is an observable or measurable indicator of conditions or events that can impact an organization’s ability to achieve its objectives.

The steps followed in creating the Port Authority’s risk assessment were as follows:

### 1. Define the Audit Universe

The Audit Universe is a listing of all of the Port Authority’s significant Auditable Entities. The following process was used to develop the Audit Universe.

- a) Created a list of the Port Authority Business Units and their primary Programs/Processes, using management’s responses to a Risk Assessment Questionnaire, the FY 2017 approved budget document, and information presented by Departments on the Port Authority intranet
- b) Added to this list significant Revenue Sources as Auditable Entities
- c) Eliminated Programs/Processes that are not auditable or that do not present significant threats; to avoid duplication of efforts, eliminated Programs/Processes that are audited by external auditors
- d) Reduced the number of Auditable Entities by consolidating some activities within Departments and across Departments to target more areas of risk using our existing resources, and to address issues that impact multiple business units.



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## 2. Apply Risk Scoring Methodology

Each Auditable Entity was assessed and rated on a scale of 1 to 5 (low risk to high risk) for each of seventeen risk factors, including four quantitative (objective) measures and thirteen subjective measures.

### a) Quantitative (Objective) Measures

*Value of Inventory* – a measure of the likelihood of risk occurring due to the value of inventory maintained by the program/process. Inventory includes supplies that are susceptible to misappropriation.

*Value of Fixed Assets* – a measure of the likelihood of risk occurring due to a loss of fixed assets maintained by the program/process. The value of fixed assets is reflected as the net book value at September 30, 2016 for the Auditable Entities.

*Full-Time Employees (FTEs)* – a measure of the likelihood of risk occurring due to the number of employees involved in the program/process. The rating is based on the number of full-time employees in a business unit, or a particular function of a business unit (if identifiable) as of September 30, 2016.

*Budgeted Dollars* – a measure of the potential impact of risk due to loss. The rating is based on the total expenditures (not including personnel costs) projected in the original fiscal year 2017 budget for a business unit, or a particular function of a business unit (if identifiable). For revenue sources, original fiscal year 2017 budgeted revenues are used.

Risk scores for objective measures were derived as indicated in the table below.

Risk Factor	Rating	Range
Value of Inventory	1	\$0.00
	2	\$0.01 - \$100,000
	3	\$100,000 - \$500,000
	4	\$500,000 - \$1,000,000
	5	\$1,000,000+





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Risk Factor	Rating	Range
Value of Fixed Assets	1	\$0.00
	2	\$0.01 - \$100,000
	3	\$100,000 - \$1,000,000
	4	\$1,000,000 - \$5,000,000
	5	\$5,000,000+
Full-time Employees	1	< 3
	2	3 – 5
	3	5-10
	4	10-25
	5	25 +
Budgeted Dollars	1	< \$100,000
	2	\$100,000 - \$1,000,000
	3	\$1,000,000 - \$5,000,000
	4	\$5,000,000 - \$25,000,000
	5	\$25,000,000+

**b) Subjective Measures**

Ratings for the subjective measures are derived from responses to a questionnaire distributed to, and completed by, the management of the Auditable Entity, which addressed the following risk factors:

- Mission Critical Nature of the program/process
- Supports Other Departments
- Hazards
- Employee Turnover
- Use of Performance Metrics
- Regulatory Environment
- Existence of Sensitive Data
- Technological Dependence
- Status of Contingency Plan
- Change in Laws/Regulations & Existence of Litigation
- Other Significant Changes
- Third-Party Contracts
- Subjectivity to Fraud



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- c) The final step is to calculate the total risk score for each Auditable Entity by adding the scores for all of the risk factors.

### 3. *Stratify the Results*

The risk assessment resulted in the identification of 40 Auditable Entities with Total Risk Scores ranging from 57 to 33. The results are stratified to approximately equal thirds, into high-, medium-, and low-risk as shown in Attachment 1. The stratified results, along with other factors, help determine optimal audit cycles (frequency of audit). However, due to limited staff, we use a three-year cycle for each Auditable Entity to ensure that we audit those with the highest risk at least every three years.

### LCPA 2017 Annual Audit Plan

In preparing the LCPA 2017 Annual Audit Plan, we considered the Auditable Entities with the highest total risk scores in our risk assessment (Attachment 1).

A high risk score merely indicates that those business units and/or programs/processes are by nature a high risk activity because of such factors as having a large amount of expenditures or revenues, a high degree of public interest, or a potentially significant impact on the operation of the Port Authority should a risk event occur. A high risk score does not mean that a function is being managed ineffectively or that it is not operating properly. High risk areas may indicate opportunities to address activities that are mission critical, provide substantial support for the Port Authority, reflect high public need, or consume significant financial resources. These activities may warrant and benefit most from additional management action or audit services.

In selecting audits to include on the current year's plan, we also considered the time since the activity was last audited; business units that have been audited in the past three years were not selected. Also because of limited resources, only one audit was selected for a particular business unit for 2017, though more than one activity has a high total risk score.

We did not consider Auditable Entities beyond the twelfth for 2017 audits because of the limitations of audit resources.

### 2017 Proposed Audits

As a result of this process, the proposed audits for 2017 are as follows:

- 1) **Airport Police/Security – Law Enforcement Operations** (in progress)

Assess the Airport Police Department's (APD's) internal controls, specifically the high-risk areas; including the existence of and adherence to policies and procedures, and the





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effectiveness of those controls in ensuring inherent risks of law enforcement operations are mitigated.

## 2) **Construction Project: Page Field Rehabilitation of Runway 5/23**

Ensure that the contractors complies with key contract deliverables, and that management controls over the construction project are adequate.

## 3) **Airport Communications** (in progress)

Provide assurance that the internal control environment surrounding the delivery of communication services is adequate, and assess whether controls are established to ensure the timely and efficient delivery of the stated service delivery objectives of the Department.

## 4) **Contract Administration: Standard Parking**

(carried forward from 2016 Annual Audit Plan)

Evaluate the adequacy of Standard Parking's control environment related to the on-site airport parking and whether Standard Parking and LCPA complied with the terms and conditions of the contract.

## 5) **Operations & Safety – Departmental Audit**

Assess the department's ability to measure and monitor its internal objectives and its contribution to the overall mission of the LCPA, and determine that controls are in place to ensure compliance with regulations.

## 6) **Information Technology – Service Protection**

Provide reasonable assurance on the effectiveness of overall program governance for the disaster recovery program.

### **Follow-up on Previously Issued Audit Reports**

The IA/IG Department tracks and follows-up on all audit recommendations to determine if they have been implemented as agreed by Port Authority management.

### **Grant Monitoring**

Pursuant to LCPA management request, IA/IG will complete a grant monitoring project on an annual basis on a selected grant/CIP project to determine that internal controls ensure compliance with the grant requirements.



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## **Annual Cash Counts**

The IA/IG Department performs annual surprise cash counts on all petty cash and change funds maintained by Port Authority staff.

## **Special Audits**

Additional audits may be added during the year, i.e. forensic investigations, financial condition reviews, whistle-blower investigations, board requests.

The Audit Plan is subject to change as management priorities change and new risks are identified. Special requests may be added to the Audit Plan.

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Attachment 1 - Auditable Entities Total Risk Scores

Risk Ranking	Division	Business Units	Auditable Entities	Total Risk Score
1	Aviation	Airport Police	Law Enforcement Operations	57
2	Development	Development Services/Engineering & Construction	Construction Projects	57
3	Aviation	ARFF	Aircraft Fire Fighting and Rescue	55
4	Aviation	Contract Management	Contract Management	55
5	Aviation	Aviation Programs & Technology (AP&T)	Airport Communications	54
6	Aviation	Operations & Safety	Departmental Audit	54
7	Aviation	Aviation Programs & Technology (AP&T)	Security Programs	54
8	Aviation	Maintenance: Airfield/Grounds	Departmental Audit	52
9	Aviation	Airport Police	Investigations	52
10	Aviation	Maintenance: Terminal	Departmental Audit	51
11	Aviation	Airport Police	TSA/APD Canine	50
12	Administration	Information Technology	Service Protection	50
13	Administration	Human Resources	Benefit Administration	49
14	Administration	Information Technology	IT Customer Support/Training/Service Delivery	49
15	Aviation	Maintenance: Resources	Departmental Audit	48
16	Administration	General Services / Finance	Procurement & Accounts Payable	48
17	Administration	Human Resources	Departmental Audit	48
18	Development	Planning & Environmental Compliance	Environmental Compliance	48
19	Aviation	ARFF	Training Program (required by FAR 139) / Prevention/Inspection	46
20	Development	Government Affairs and Grants/Finance	Grant Funding & Compliance / Grant Draws / Capital Project Financing	46
21	Administration	Property Management	Airline Tenant/Airline Affairs / Contract Management	45
22	Development	Government Affairs and Grants	DBE Program	45
23	Aviation	Page Field	Maintenance: Airfield, Landside, and Structures	44
24	Aviation	Airport Police	Hazardous Device Squad	44
25	Administration	Finance	Accounts Receivable/Billing & Daily Deposits	44
26	Administration	Finance	Fixed Assets	44
27	Administration	Revenue Source: Concessions	Revenue Source: Concessions	44
28	Administration	Revenue Source: Parking	Revenue Source: Parking	44
29	Administration	Revenue Source: Rentals	Revenue Source: Rentals	44
30	Aviation	Page Field	Fueling	43
31	Administration	Finance	Budgeting	43
32	Administration	Revenue Source: Rental Cars	Revenue Source: Rental Cars	43
33	Administration	Revenue Source: Fuel	Revenue Source: Fuel	43
34	Aviation	ARFF	EMT-level Medical and Rescue	40
35	Aviation	Page Field	General Aviation Activities & Compliance	40
36	Administration	Air Service Development	Departmental Audit	40
37	Administration	Finance	Debt Management	37
38	Administration	General Services	Risk Mgmt - Workers Compensation	37
39	Administration	Finance	Petty Cash	35
40	Administration	General Services	Risk Mgmt - Property/Casualty	33

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**Attachment 2 - Audit Selection**

Risk Rating	Division	Business Units	Auditable Entities	Total Risk Score	Prior Audit Coverage			Proposed 2017
					2014	2015	2016	
1	Aviation	Airport Police	Law Enforcement Operations	57				In progress
2	Development	Development Services/Engineering & Construction	Construction Projects	57				√
3	Aviation	ARFF	Aircraft Fire Fighting and Rescue	55			→	N/A
4	Aviation	Contract Administration	Contract Administration	55				√
5	Aviation	Aviation Programs & Technology	Airport Communications	56				In progress
6	Aviation	Operations & Safety	Departmental Audit	56				√
7	Aviation	Aviation Programs & Technology	Security Programs	56				#
8	Aviation	Maintenance: Airfield/Grounds	Departmental Audit	54	→			N/A
9	Aviation	Airport Police	Investigations	54				≠
10	Aviation	Maintenance: Terminal	Departmental Audit	53	→			N/A
11	Aviation	Airport Police	TSA/APD Canine	54				≠
12	Administration	Information Technology	Service Protection	52				√
13	Administration	Human Resources	Benefit Administration	51				X
14	Administration	Information Technology	IT Service Delivery/Training/Customer Support	51				X
15	Aviation	Maintenance: Resources	Departmental Audit	50	→			N/A
16	Administration	General Services / Finance	Procurement & Accounts Payable	50	→	→		N/A
17	Administration	Human Resources	Departmental Audit	50				X
18	Development	Planning & Environmental Compliance	Environmental Compliance	50				X
19	Aviation	ARFF	Training Program (required by FAR 139) / Prevention/Inspection	48				X
20	Develop/Admin	Government Affairs and Grants/Finance	Grant Funding & Compliance / Grant Draws / Capital Project Financing (will be performed annually per management request)	56	→			√
21	Administration	Property Management	Airline Tenant/Airline Affairs / Contract Management	47				X
22	Development	Government Affairs and Grants/Finance	DBE Program	47				X
23	Aviation	Page Field	Maintenance: Airfield, Landside, and Structures	46				X
24	Aviation	Airport Police	Hazardous Device Squad	46				X
25	Administration	Finance	Accounts Receivable/Billing & Daily Deposits	46				X
26	Administration	Finance	Fixed Assets	46				X
27	Administration	Revenue Source: Concessions	Revenue Source: Concessions	46				X
28	Administration	Revenue Source	Parking	46			→	N/A
29	Administration	Revenue Source: Rentals	Revenue Source: Rentals	46				X

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Risk Rating	Division	Business Units	Auditable Entities	Total Risk				
				Score	2014	2015	2016	Proposed 2017
30	Aviation	Page Field	Fueling	45				X
31	Administration	Finance	Budgeting	45				X
32	Administration	Revenue Source: Rental Cars	Revenue Source: Rental Cars	45				X
33	Administration	Revenue Source: Fuel	Revenue Source: Fuel	45				X
34	Aviation	ARFF	EMT-level Medical and Rescue	42				X
35	Aviation	Page Field	General Aviation Activities & Compliance	42				X
36	Administration	Air Service Development	Departmental Audit	42				X
37	Administration	Finance	Debt Management	39				X
38	Administration	General Services	Risk Mgmt - Workers Compensation	39				X
39	Administration	Finance	Petty Cash (performed annually per policy)	37	→	→	→	√
40	Administration	General Services	Risk Mgmt - Property/Casualty	35				X

- Prior audit was performed.
- √ Selected for audit in Fiscal Year 2017.
- N/A Not selected due to prior audit coverage.
- # Not selected because another audit in the business unit was selected.
- ≠ Not selected due to prior audit coverage in the business unit.
- X Not considered for 2017 audit because of unavailability of audit resources.