



Date: December 1, 2015
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: 2016 Annual Audit Plan for Lee County Port Authority

Attached is the Internal Audit/Inspector General Department's (IA/IG) proposed FY 2016 audit projects for the Lee County Port Authority (LCPA) for your review and approval. The list of six proposed audit engagements for FY 2016 includes a performance audit, two operational audits, two lease and concession agreement audits, one third party management agreement audit, and other regular audit 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,

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

TJP/mep



Lee County Port Authority FY 2016 Annual Audit Plan

Table of Contents

Introduction.....	1
Annual Plan Development	1
Audit Resources	2
LCPA Risk Assessment – Fiscal Year 2016.....	2
LCPA Fiscal Year 2016 Annual Audit Plan.....	5
Fiscal Year 2016 Proposed Audits.....	5



Lee County Port Authority FY 2016 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, 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 2016 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 prioritize and allocate limited resources efficiently 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 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.



Lee County Port Authority
FY 2016 Annual Audit Plan

Audit Resources

During FY 2016, 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:

Calculation of Estimated Audit Hours Available for FY 2016	
<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	<u>(368)</u>
	<u>1,400</u>

LCPA Risk Assessment – Fiscal Year 2016

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 2016 approved budget document, and information presented by Departments on the Port Authority intranet
- b) Added to this list significant Revenue Sources and Third Party Management Contracts 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



Lee County Port Authority FY 2016 Annual Audit Plan

- 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.

2. *Apply Risk Scoring Methodology*

- a) Each Auditable Entity was assessed and rated on a scale of 1 to 5 for each of four risk factors using the following criteria.

Budgeted Dollars – an objective measure of the potential impact of risk due to loss. The rating is based on the total operating expenses (not including salaries) projected in the original fiscal year 2016 budget for a business unit, or a particular function of a business unit (if identifiable). For revenue sources, original fiscal year 2016 budgeted revenues are used. Third party management contracts reflect the current year contract amount.

Full-Time Employees (FTEs) – an objective 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) in September 2015.

Public Perception - a subjective measure of the likelihood of a loss of public confidence caused by the level of visibility and/or public interest. The nature of the operations, physical environment and security of the facilities, data, and records are considered.

Operational Impact - a subjective measure of the impact of risk due to the “mission critical” nature of the activity, to the department and to other departments, and to the Port Authority as an organization. This factor also considers the impact of the failure of the process or program on business continuity.

- b) Scores were derived as indicated in the table below.

Ratings for the subjective measures are based on discussions with management and the professional judgment of audit staff.



Lee County Port Authority
FY 2016 Annual Audit Plan

Risk Factor	Rating	Range
Budgeted Dollars	1	< \$50,000
	2	\$50,000 - \$1,000,000
	3	\$1,000,000 - \$2,500,000
	4	\$2,500,000 - \$10,000,000
	5	> \$10,000,000
FTE's	1	< 5
	2	5 - 8
	3	8 - 15
	4	15 - 25
	5	> 25
Public Perception	1	Rare
	2	Unlikely
	3	Possible
	4	Probable
	5	Certain
Operational	1	Insignificant
	2	Minor
	3	Moderate
	4	Major
	5	Incapacitating

- c) Weights were assigned to each factor based on relative importance as determined by input from audit staff (see Attachment 3 – Calculation of Weights Used for Risk Factors). The risk factor's rating is multiplied by the weight to obtain the score for each.
- d) 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 41 Auditable Entities with Total Risk Scores ranging from 443 to 181. The results were stratified to approximately equal thirds, into high-, medium-, and low-risk as shown in Attachment 2.



Lee County Port Authority FY 2016 Annual Audit Plan

LCPA Fiscal Year 2016 Annual Audit Plan

In preparing the LCPA Fiscal Year 2016 Annual Audit Plan, we considered the 20 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. In addition, 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 2016, though more than one activity has a high total risk score.

Auditable Entities beyond the 16th are not part of the list and are not considered for 2016 audits because of the limitations of audit resources.

Fiscal Year 2016 Proposed Audits

As a result of this process, the proposed audits for fiscal year 2016 are as follows:

Carryover Audit from 2015

1) Aircraft Rescue and Fire Fighting (ARFF) Equipment Maintenance (in progress)

Assess the efficiency & effectiveness of the ARFF's equipment maintenance program in achieving its stated objectives, and evaluate controls that ensure the organization is in compliance with applicable regulations and grant requirements.

Performance Audits

2) Airport Police/Security – Law Enforcement Operations

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



Comprehensive Operational Audit

3) Airport Communications

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.

Limited Operational Audit

4) Information Technology – Continuity of Operations Plan

Provide reasonable assurance on the effectiveness of overall program governance for the business continuity and disaster recovery programs.

Lease and Concession Agreements

5) Parking Revenues

Provide reasonable assurance that management has designed and implemented an adequate internal control environment surrounding the operating, administrative, and financial responsibilities with respect to accounting for off airport parking, and to ensure that off airport parking concessionaires are accurately remitting revenue in compliance with applicable contractual requirements. Additionally, ensure that the goals and objectives established are currently being met.

6) Rental Car Revenues

Determine whether gross receipts, as defined in the On-Airport Rent-A-Car Concession Agreement with The Hertz Corporation, were accurately and completely reported and associated concession fees were appropriately and timely remitted to LCPA as defined in the concession agreement for the year ended June 30, 2015.

Third Party Management Agreements

7) Standard Parking

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. This audit may be combined with the Lease and Concession Agreement in 5) above.



Lee County Port Authority FY 2016 Annual Audit Plan

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.

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.

Lee County Port Authority
FY 2016 Annual Audit Plan

Attachment 1 - Top 20 Auditable Entities Based on Our Risk Scoring Methodology

Risk Rating	Division	Business Units	Auditable Entities	Total Risk Score	Prior Audit Coverage			Proposed 2016
					2013	2014	2015	
1	Aviation	ARFF	Aircraft Fire Fighting and Rescue	443			→	N/A
2	Aviation	Airport Police - Security	Law Enforcement Operations	443				√
3	Administration	Information Technology	Service Protection	438				√
4	Aviation	Maintenance: Terminal	Departmental Audit	437		→		N/A
5	Administration	Information Technology	IT Service Delivery/Training/Customer Support	413				#
6	Aviation	Airport Communications	Departmental Audit	412				√
7	Develop/Admin	Government Affairs and Grants/Finance	Grant Funding & Compliance / Grant Draws / Capital Project Financing	407	→	→		N/A
8	Non-departmental	Revenue Source	Parking	406				√
9	Non-departmental	Revenue Source	Rental Cars	406				√
10	Aviation	Maintenance: Airfield/Grounds	Departmental Audit	400		→		N/A
11	Aviation	ARFF	EMT-level Medical and Rescue	399				≠
12	Aviation	ARFF	Training Program (required by FAR 139) / Prevention/Inspection	395				≠
13	Aviation	Page Field	Fueling	394	→			N/A
14	Aviation	Airport Police - Security	Investigations/Intelligence; Hazardous Device Squad; TSA/APD Canine Explosives Team	387				#
15	Aviation	Airport Police - Security	Security	387				#
16	Non-departmental	Third Party Management Contracts	Standard Parking	387				√
17	Aviation	Operations	Departmental Audit	387				X
18	Administration	Finance	Debt Management	382				X
19	Administration	General Services / Finance	Procurement & Accounts Payable	376			→	≠
20	Aviation	Maintenance: Resources	Departmental Audit	375		→		≠

- Prior audit was performed.
- √ Selected for audit in Fiscal Year 2016.
- 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 2016 audit because of unavailability of audit resources.

Lee County Port Authority
FY 2016 Annual Audit Plan

Attachment 2 - Identified Auditable Entities

Risk Rating	Division	Business Units	Auditable Entities	Budgeted Dollars		FTE's by BU (FY2015)		Public Perception		Operational Impact		Total Score
				Rating	Wt Score	Rating	Wt Score	Rating	Wt Score	Rating	Wt Score	
1	Aviation	ARFF	Aircraft Fire Fighting and Rescue	2	38	5	60	5	125	5	220	443
2	Aviation	Airport Police - Security	Law Enforcement Operations	2	38	5	60	5	125	5	220	443
3	Administration	Information Technology	Service Protection	3	57	3	36	5	125	5	220	438
4	Aviation	Maintenance: Terminal	Departmental Audit	3	57	5	60	4	100	5	220	437
5	Administration	Information Technology	IT Service Delivery/Training/Customer Support	3	57	3	36	4	100	5	220	413
6	Aviation	Airport Communications	Departmental Audit	1	19	4	48	5	125	5	220	412
7	Develop/Admin	Government Affairs and Grants/Finance	Grant Funding & Compliance / Grant Draws / Capital Project Financing	5	95	3	36	4	100	4	176	407
8	Non-departmental	Revenue Source	Parking	5	95	5	60	3	75	4	176	406
9	Non-departmental	Revenue Source	Rental Cars	5	95	5	60	3	75	4	176	406
10	Aviation	Maintenance: Airfield/Grounds	Departmental Audit	3	57	4	48	3	75	5	220	400
11	Aviation	ARFF	EMT-level Medical and Rescue	2	38	5	60	5	125	4	176	399
12	Aviation	ARFF	Training Program (required by FAR 139) / Prevention/Inspection	2	38	1	12	5	125	5	220	395
13	Aviation	Page Field	Fueling	4	76	4	48	2	50	5	220	394
14	Aviation	Airport Police - Security	Investigations/Intelligence; Hazardous Device Squad; TSA/APD Canine Explosives Team	2	38	4	48	5	125	4	176	387
15	Aviation	Airport Police - Security	Security	2	38	4	48	5	125	4	176	387
16	Non-departmental	Third Party Management Contracts	Standard Parking	4	76	5	60	3	75	4	176	387
17	Aviation	Operations	Departmental Audit	1	19	4	48	4	100	5	220	387
18	Administration	Finance	Debt Management	5	95	3	36	3	75	4	176	382
19	Administration	General Services / Finance	Procurement & Accounts Payable	4	76	2	24	4	100	4	176	376
20	Aviation	Maintenance: Resources	Departmental Audit	4	76	4	48	3	75	4	176	375
21	Non-departmental	Third Party Management Contracts	Elite (BHS)	3	57	5	60	3	75	4	176	368
22	Non-departmental	Revenue Source	Concessions	4	76	5	60	2	50	4	176	362
23	Non-departmental	Third Party Management Contracts	Triangle (janitorial)	4	76	5	60	3	75	3	132	343
24	Administration	Finance	Accounts Receivable/Billing & Daily Deposits	4	76	3	36	2	50	4	176	338
25	Aviation	Page Field	Maintenance: Airfield, landside, and structures	4	76	3	36	2	50	4	176	338
26	Non-departmental	Revenue Source	Fueling	4	76	5	60	2	50	3	132	318
27	Non-departmental	Revenue Source	Rentals	4	76	5	60	2	50	3	132	318
28	Administration	Finance	Budgeting	4	76	1	12	2	50	4	176	314
29	Administration	Human Resources	Departmental Audit	2	38	2	24	3	75	4	176	313
30	Development	Development Services/Engineering & Construction	Construction Projects	1	19	3	36	3	75	4	176	306
31	Aviation	Page Field	General Aviation Activities & Compliance	4	76	4	48	2	50	3	132	306
32	Administration	Property Management	Airline Tenant/Airline Affairs / Contract Management	2	38	1	12	3	75	4	176	301
33	Administration	Finance	Fixed Assets	3	57	3	36	3	75	3	132	300
34	Development	Government Affairs and Grants	DBE Program	1	19	1	12	5	125	3	132	288
35	Development	Planning & Environmental Compliance	Environmental Compliance	2	38	1	12	4	100	3	132	282
36	Administration	General Services	Risk Mgmt - Property/Casualty	3	57	1	12	2	50	3	132	251
37	Administration	General Services	Risk Mgmt - Workers Compensation	3	57	1	12	2	50	3	132	251
38	Administration	Human Resources	Benefit Administration	2	38	2	24	2	50	3	132	244
39	Administration	Air Service Development	Departmental Audit	2	38	1	12	2	50	3	132	232
40	Aviation	Safety & Security Programs	Safety and Security Programs	1	19	1	12	2	50	3	132	213
41	Administration	Finance	Petty Cash	4	76	3	36	1	25	1	44	181

Lee County Port Authority
FY 2016 Annual Audit Plan

Attachment 3 - Calculation of Weights Used for Risk Factors

	1	2	3	4				
Comparative Risk Factors	Budgeted Dollars	FTE's	Public Perception	Operational Impact	Total	Percent	Weight	Maximum Possible Score
1. Dollars Budgeted		4	3	0	7	19.4%	19	95
2. FTE's	2		2	0	4	11.2%	12	60
3. Public Perception	3	4		2	9	25.0%	25	125
4. Operational Impact	6	6	4		16	44.4%	44	220
Total	11	14	9	2	36	100.00%	100	500

Notes:

Seven staff members in the IA/IG Department were asked to record if they felt the factors listed on the left of this schedule have a greater level of inherent risk when compared to the factor on top of the schedule. The numbers above represent the results of this survey and were used to calculate the weighted risk factors in the risk assessment.