



Date: March 24, 2015
To: Linda Doggett, Lee County Clerk of Circuit Court & Comptroller
From: Tim Parks, Chief Internal Audit Officer/Inspector General
Subject: 2015 Audit Plan for BOCC and Clerk of Court Operations

Background: The Internal Audit/Inspector General Department (IA/IG Department) is in the second year of development and usage of the TeamMate Audit Management Software. It is the program that is used to input organization risks and quantify the results based on analysis of those risks.

There are applicable standards for planning and approving a risk-based audit plan. The International Standards for the Professional Practice of Internal Auditing (Red Book Standards) as developed and published by the Institute of Internal Auditors are relevant to this process. Two of the Standards are noted below:

2010 – Planning

The chief audit executive¹ must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organization’s risk management framework, including using risk appetite levels set by management for the different activities or parts of the organization. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board.² The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls.

2010.A1 – The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

¹ Herein: The Chief Internal Auditor/Inspector General

² Herein: The Lee County Clerk of Circuit Court & Comptroller (Clerk)

2020 – Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

The initial risk-based analysis that was developed in TeamMate was completed in April 2014. There was no risk management framework, so I used my own judgment of inherent risk within each County department, including consideration of input from the Clerk. A project was subsequently undertaken to improve the process by coordinating the analysis with the County Manager's office to assist them in developing a risk register. That project was not accepted, and no risk management framework was established.

An alternative project was undertaken to re-analyze the County's risks by using and improving upon the prior year's IA/IG Department's risk analysis. That project is in process. The results of the in-process County risk assessment will be considered in my prioritization of risks for the Fiscal Year 2015/2016 Audit Plan due by October 1, 2015.

The Audit Plan for the Lee County Port Authority includes a consulting engagement to continue assisting the organization as they develop their risk management framework. The IA/IG Department received input from senior management and Port Authority executives to develop a risk-based audit plan for FY 2015. The results are provided under separate cover. A risk management framework for the Clerk of Court's Operations will be initiated in the next quarter so that future audit plans take into account the adopted risk management framework.

Based on resource limitations, we recommend the following Audit Plan for the remainder of the 2015 Fiscal Year based upon continuance of the Audit Plan dated April 7, 2014:

Board of County Commissioners

- Follow-up audits
 - o Procurement Department
 - o Facilities Services – MARS
 - o Public Resources
 - o Environmental Laboratory
 - o County Commissioner Expenditures
- Carry-over audits from the existing audit plan
 - o Natural Resources Department
 - o Transportation Department
 - o Transit Department

Lee County Clerk of Court & Comptroller

- Follow-up of Guardianship Audit
- Follow-up of external auditor's management letter recommendation(s)

This document presents the Internal Audit/Inspector General (IA/IG) Department's proposed FY 2015 audit projects for the Lee County Board of County Commissioners and summarizes the risk assessment methodology used to prepare it. It also presents the proposed audit projects for the Lee County Clerk of Circuit Court Operations.

The existing Risk Matrix (Exhibit 1) is attached along with the Risk Assessment Descriptors (Exhibit 2) that were used to develop the proposed audit plan.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Parks", written in a cursive style.

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

TJP/slf

Proposed 2014 Audits
TeamMate Risk Matrix
Board of County Commissioner Departments
April 7, 2014

Exhibit 1

Select	Entity	Inherent Risk	Last Audit Date	Prior Report Timing	2013 Dollar Expense Impact	2013 Dollar Revenue Impact	Public Concern	Operational Impact	Comment - Reason for selection
	Public Safety	5.34	11/28/2012	2.00	\$ 44,925,404.93	\$ 25,152,506.93	5.00	5.00	
	Utilities	5.34	10/2/2012	2.00	\$ 46,680,079.53	\$ 98,559,471.99	5.00	5.00	
	Solid Waste	5.12	4/19/2013	1.00	\$ 62,928,820.11	\$ 68,334,327.80	5.00	5.00	
X	Transportation	4.6	4/24/2006	5.00	\$ 35,027,497.77	\$ 554,256.73	3.00	5.00	Interval since last audit.
	ITG	4.6	8/27/2013	1.00	\$ 11,883,139.25	\$ 12,001,448.06	3.00	5.00	
X	Transit	4.52	3/22/2011	3.00	\$ 35,709,495.03	\$ 24,910,828.26	3.00	3.00	Interval since last audit.
	Visitor and Convention Bureau	4.3	3/5/2012	2.00	\$ 13,642,077.83	\$ 28,621,792.65	3.00	3.00	
	Fleet Management	4.06	2/16/2011	3.00	\$ 8,707,525.47	\$ 8,699,041.49	2.00	4.00	
	Toll Facilities	3.56	5/13/2012	2.00	\$ 6,762,144.40	\$ 18,103,081.26	2.00	3.00	
	Facilities Management	3.42	9/23/2013	1.00	\$ 11,932,348.00	\$ 2,765,119.90	2.00	4.00	
X	Natural Resources	3.4	3/25/2010	4.00	\$ 3,141,408.30	\$ 1,300,141.76	3.00	4.00	In-process. Carry over from 2013
	County Manager	3.28	8/6/2012	2.00	\$ 2,465,415.77		5.00	5.00	
	Human Services	3.2	7/9/2013	1.00	\$ 11,805,245.51	\$ 28,254.27	3.00	3.00	
	Community Development	3.16	10/12/2012	2.00	\$ 14,071,992.00	\$ 1,750,324.23	2.00	3.00	
	Human Resources	3.12	5/19/2008	5.00	\$ 1,211,136.75	\$ 6,959.82	3.00	3.00	
	County Commissioners	3.06	1/15/2014	1.00	\$ 1,218,777.26		5.00	5.00	
	Parks and Recreation	2.94	12/10/2012	1.00	\$ 6,283,784.10	\$ 2,815,065.30	3.00	3.00	
	Animal Services	2.74	11/28/2012	1.00	\$ 4,533,510.20	\$ 2,455,163.78	3.00	4.00	
	County Attorney	2.7	10/2/2012	2.00	\$ 2,859,755.64	\$ 353,662.10	3.00	3.00	
	Library	2.64	7/17/2012	2.00	\$ 23,404,203.30	\$ 900,056.85	2.00	1.00	
	LeeWay	2.64	6/21/2000	5.00	\$ 2,302,571.05		2.00	3.00	
	Construction and Design	2.6	3/10/2009	5.00	\$ 1,807,357.56	\$ 131,205.65	2.00	2.00	
	Medical Examiner	2.5	8/13/2013	1.00	\$ 2,474,117.60	\$ 306,298.65	3.00	4.00	
	County Lands	2.42	10/21/2011	3.00	\$ 933,089.97	\$ 63,296.06	2.00	3.00	
X	Office of Sustainability	2.38		5.00	\$ 273,389.42		1.00	3.00	New department
	Internal Services	2.16	8/15/2011	3.00	\$ 1,636,726.94	\$ 820,708.68	1.00	3.00	
	Procurement Management	2.02	8/27/2013	1.00	\$ 787,837.57		2.00	4.00	
	Economic Development	1.76	12/4/2012	1.00	\$ 1,219,361.26		2.00	3.00	
	Sports Development	1.68	12/7/2011	2.00	\$ 736,669.06	\$ 15,000.00	2.00	1.00	
	Hearing Examiner	1.5	6/19/2013	1.00	\$ 646,774.76		3.00	1.00	
	Public Resources	1.2	10/7/2013	1.00	\$ 1,083,546.86	\$ 186,383.94	1.00	1.00	

Proposed 2014 Audits
TeamMate Risk Matrix
Board of County Commissioner Departments
April 7, 2014

		Risk Value	Comments
Prior Audit Timing Metric Scores -5 Inherent Risk Scoring Formula - 10%	Range values - 1 to 5		Objective decision - Assessment of how risks are mitigated by the frequency level of internal and/or external audits. Based on period since prior audit.
	1		Up to a year since last audit report.
	2		From 1 year to 2 years since last audit report.
	3		From 2 years to 3 years since last audit report.
	4		From 3 year to 4 years since last audit report.
	5		4 years or more since last audit report.
Dollar Expense Impact Metric Scores -5 Inherent Risk Scoring Formula - 20%	Range values -1 to 5		Objective decision - Based on the total expenditures by a department. A measure of the assessed risk of exposure to potential loss or embarrassment due to the nature of transactions. <u>Figures obtained from the County financial application. Enterprise</u>
	1		Low (<\$2.5M)
	2		Low to Medium (\$2.5M - \$5M)
	3		Medium (\$5M - \$7.5M)
	4		Medium to High (\$7.5M - \$10M)
	5		High (>\$10M)
Dollar Revenue Impact Metric Scores -5 Inherent Risk Scoring Formula - 10%	Range values -1 to 5		Objective decision - Based on the total revenues by a department. A measure of the assessed risk of exposure to potential loss of revenue or embarrassment due to the nature of transactions. <u>Figures obtained from the County financial application.</u>
	1		Low (<\$2.5M)
	2		Low to Medium (\$2.5M - \$5M)
	3		Medium (\$5M - \$7.5M)
	4		Medium to High (\$7.5M - \$10M)
	5		High (>\$10M)
Public Concern Metric Scores -5 Inherent Risk Scoring Formula - 30%	Range values -1 to 5		Subjective decision - A measure of the assessed risk of exposure to loss or embarrassment caused by the level of visibility and/or public interest considering the nature of the operations, physical environment and security of the facilities, data, records and departmental personnel. <u>Also considered are the nature and the extent</u>
	1		Low - Negligible impact
	2		Low to Medium - Adverse Local Media Coverage Only
	3		Medium - Adverse State Media Coverage
	4		Medium to High - Adverse Extended State and National Media Coverage
	5		High - Demand for Government Inquiry
Operational Impact Metric Scores -5 Inherent Risk Scoring Formula - 30%	Range values -1 to 5		Subjective decision - A measure of the assessed risk due to lack of a controlled environment (e.g., inadequate or failed internal processes, people, and systems, or from external events), which results in missing organizational objectives and goals. It is a combination of all department functions and processes, including business strategy, policies, compliance (mandated services), tone-at-the-top, staffing, potential malfeasance, security, criticality of providing service (health and welfare), complexity and nature of service, transactions that are controlled outside of the <u>department budget and degree of automation (i.e. use information technology)</u>
	1		Insignificant - Operational issues resolved in day-to-day management; Business interruption is inconvenient; Critical systems may be unavailable for several hours; <u>No security or safety concerns.</u>
	2		Minor - Minor operational issues to be resolved; Business interruption is negligible; <u>Critical systems may be unavailable for less than one hour; No significant security or</u>
	3		Moderate - More significant operational issues need to be resolved; Business interruption is moderate; Critical systems may be unavailable for less than a day; <u>Some security or safety concerns are found. Financial risk is out of proportion to the</u>
	4		Major -Operational issues may have significant impact on department functionality; Business interruption may be serious; Critical systems may be unavailable for 1 day or a series of prolonged outages; Significant security or safety concerns are found. <u>There are potential health and welfare issues.</u>
	5		Catastrophic - Operational issues may have disastrous affect on department functionality; Business interruption is serious ; Critical systems may be unavailable for more than 1 day; Serious security or safety concerns are found. There are <u>significant health and welfare issues. Services are mandated.</u>