



**Date:** March 31, 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:** 2015 Audit Plan for Lee County Port Authority

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**Background:** There are applicable standards for planning and approving of 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 executive<sup>1</sup> 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.<sup>2</sup> 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.*

***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*

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<sup>1</sup> Herein: The Chief Internal Audit Officer/Inspector General

<sup>2</sup> Herein: The Lee County Clerk of Circuit Court & Comptroller (Clerk)

*the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.*

This document presents the Internal Audit/Inspector General (IA/IG) Department's proposed FY 2015 audit projects for the Lee County Port Authority and summarizes the risk assessment methodology used to prepare it.

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

## **Introduction**

The Lee County Port Authority is a blended component unit of Lee County, Florida and is reported as an enterprise fund in the countywide financial statements - the Comprehensive Annual Financial Statement. Under authority of Sections 125.01 and 332.08, Florida Statutes, through Lee County Ordinance Number 01-14, management and administration rights and responsibilities for Southwest Florida International Airport (RSW) and Page Field General Aviation Airport (FMY) are delegated to the Port Authority. The Port Authority also issues separate standalone financial statements.

The Port Authority is governed by the Lee County Board of County Commissioners sitting as the Board of Port Commissioners. All Port Authority business is subject to board approval. Before recommendations are brought to the board, they are reviewed by the Airports Special Management Committee – a seven-member volunteer citizens’ committee of local business people – who serve as an advisory board to the Board of Port Commissioners.

The Internal Audit/Inspector General 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. 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 2015 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 Audit Executive with the concurrence of the Clerk and senior management of the Port Authority. 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.

## **Risk Assessment for Audit Planning**

### **Definitions:**

#### **Risk –**

- The possibility that an event will occur, which will impact an organization's achievement of objectives (IIA)
- The possibility that an event will occur and adversely affect the achievement of an objective (COSO)
- The combination of an event and its consequence (ISACA glossary)

**Risk Assessment** - The consideration of the probable material effects of uncertain events. It is the identification, measurement, and prioritization of risks and auditable areas. Further, it allows the auditor to design more specific and effective audit programs.

**Risk Factors** - Include quantitative and qualitative criteria and attributes used to identify those areas of operations that would benefit most from an internal audit. There are many risk factors that can be used in assessing inherent risk. For example, quantitative criteria may include: size of the budget and payroll; number of employees; value of capital equipment; and the time elapsed since the last audit. Qualitative criteria may include: areas of concern to management; the possibility of adverse publicity; complexity of IT infrastructure; information integrity; and the effect of governmental regulations.

## **Risk Scoring Methodology**

In developing the 2015 Annual Audit Plan for the Port Authority, each business unit was assessed and rated on a scale of 1 to 5 using the following criteria, which were given weighted scores based on the inherent risk scoring formula:

**Prior Report Timing** - Assessment of how risks are mitigated by the frequency level of internal and/or external audits. Factors considered include timing of the last audit or special audits performed and the extent, nature, materiality and purpose of past audit scopes and findings.

**Dollar Expense** - Based on the total expenses projected in the original fiscal year 2015 budget by a department. A measure of the assessed risk of exposure to potential loss due to the nature of transactions.

**Full-Time Employee (FTEs)** - Based on the number of full-time employees in a department. A measure of the likelihood of risk occurring due to the number of employees managed within the department.

**Public Concern** - A subjective measure of the assessed risk of exposure to loss of public confidence 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. We also considered the nature and the extent of past situations, issues or incidence.

**Operational Impact** - A subjective measure of the risk due to department functions and processes, including business strategy, policies, compliance, tone-at-the-top, staffing, potential malfeasance, safety and security, criticality of providing service, complexity and nature of service and transactions and degree of automation (i.e., use information technology).

**Business Unit (“Custom Measure”) Scoring Metrics**

Scoring Metric		Inherent Risk Scoring Formula
Prior Report Timing		10%
Dollar Expense Impact		20%
FTE’s		10%
Public Perception		30%
Operational Governance		30%

Scoring Metric	Value	Label
Prior Audit Timing	1	Audit in last year
	2	Last audit > 1 and <2 years
	3	Last audit > 2 and <3 years
	4	Last audit > 3 and <4 years
	5	Last audit > 4 years
Dollar Expense Impact	1	Low (<\$500K)
	2	Low to Medium (\$500K - \$750K)
	3	Medium (\$750K - \$3M)
	4	Medium to High (\$3M - \$10M)
	5	High (>\$10M)
FTE’s	1	Low (< 10)
	2	Low to Medium (10-20)
	3	Medium (20-30)
	4	Medium to High (30-50)
	5	High (>50)

Public Concern	1	Low
	2	Low to Medium
	3	Medium
	4	Medium to High
	5	High
Operational Impact	1	Insignificant
	2	Minor
	3	Moderate
	4	Major
	5	Catastrophic

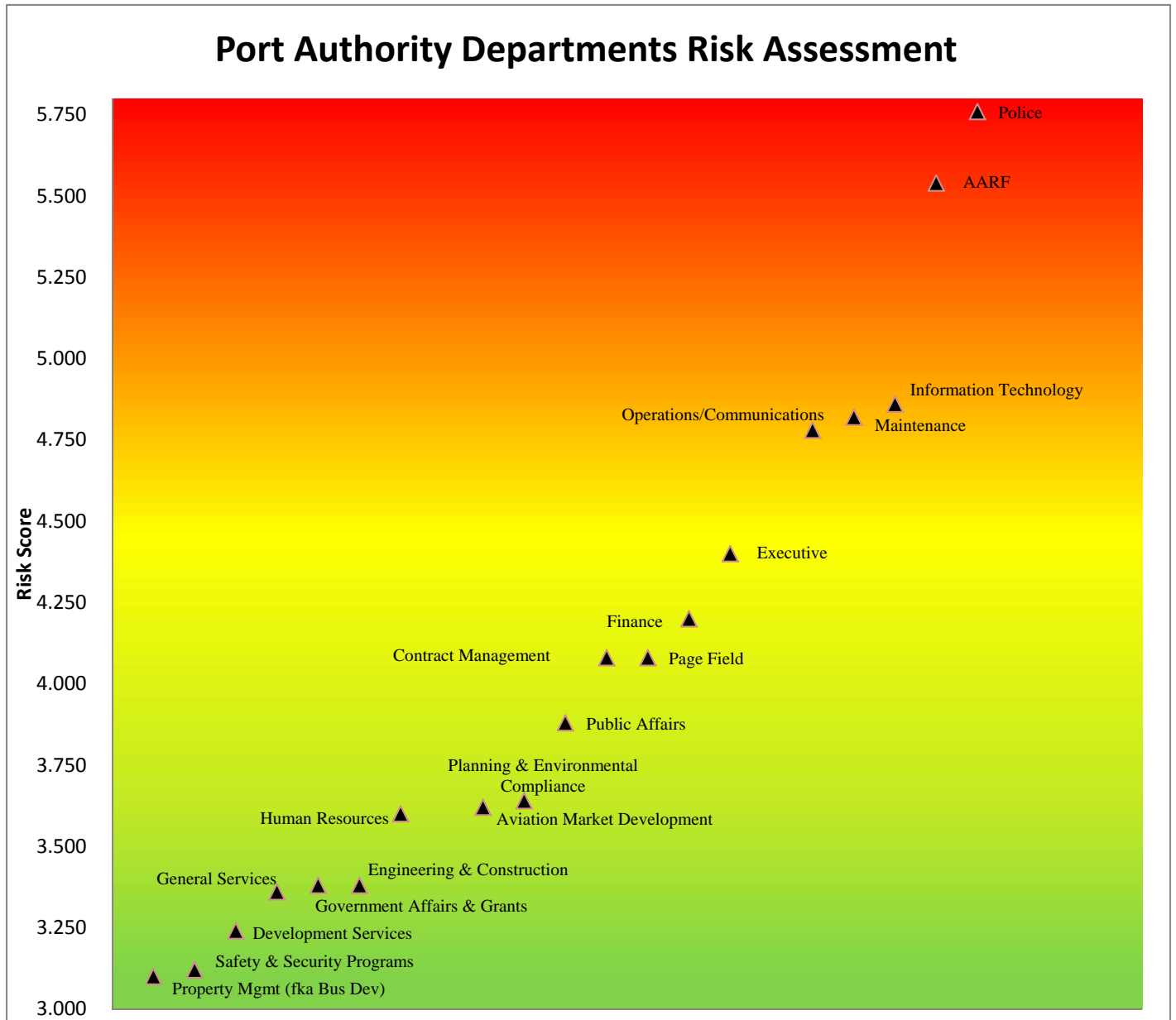
The assessment yielded the following result, indicating business units where internal audit, with management concurrence, focused on specific risks identified by the department management on the risk assessment questionnaire to propose audit engagements for fiscal year 2015.

**TeamMate Risk Matrix  
Lee County Port Authority FY 2015**

Business Unit	Inherent Risk Score	Prior Report Timing Score	Dollar Expense		Public Concern Rating	Operational Impact Rating	FTE's		Comment - Reason for selection (Or non-Selection)
			\$	Score			#	Score	
Police	5.76	5	5,681,704	4	5	5	68.0	5	Hold for FY 2016 - pending final risk ratings
AARF	5.54	5	4,815,647	4	5	5	43.0	4	Equipment Maintenance
Information Technology	4.86	5	2,950,194	3	5	5	13.0	2	Continuity of Operations Plan
Maintenance	4.82	2	15,400,541	5	3	5	91.0	5	Maximo Implementation follow-up audit
Operations/Communications	4.78	5	2,612,830	3	3	5	38.4	4	
Executive	4.40	5	730,505	2	5	5	2.0	1	
Finance (includes Admin for Division)	4.20	2	10,241,358	5	4	5	10.0	2	Purchase Card Analysis - compliance
Page Field	4.08	2	10,215,412	5	3	3	33.0	4	
Contract Management	4.08	5	13,526,667	5	3	3	2.0	1	
Public Affairs	3.88	5	635,473	2	4	4	5.0	1	
Planning & Environmental Compliance	3.64	5	496,196	1	4	4	4.0	1	
Aviation Market Development	3.62	5	610,868	2	4	3	3.0	1	
Human Resources	3.60	5	1,258,010	3	3	3	5.0	1	
General Services	3.38	3	2,999,494	3	2	4	10.5	2	
Engineering & Construction	3.38	5	448,783	1	3	4	4.0	1	
Government Affairs & Grants	3.36	5	511,883	2	2	4	4.0	1	
Development Services	3.24	1	2,469,603	3	4	4	6.0	1	Work Permitting Program - Carryover from 2014
Safety & Security Programs	3.12	5	155,368	1	3	3	1.0	1	
Property Mgmt (formerly Bus Dev)	3.10	5	529,920	2	2	3	4.0	1	

Heat Map Scoring Bands

From Range	To Range	Color
<=	3.6	Green
3.6	4.4	Yellow
4.4	>	Red





## **Fiscal Year 2015 Proposed Audits**

As a result of this process, the suggested audits for fiscal year 2015 are as follows:

### **Carryover Audits from 2014**

#### **1) Work Permitting Program – Compliance Audit**

Provide reasonable assurance that Development Services complies with procedures established by the Board and the Executive Director.

### **Follow-up Activities**

#### **2) Maximo Implementation**

Follow-up on the implementation of recommendations presented in the audit report dated September 3, 2014.

### **Proposed Assurance Engagements**

#### **3) Information Technology – Continuity of Operations Plan**

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

#### **4) ARFF Equipment Maintenance**

Assess the efficiency & effectiveness of the ARFF's equipment maintenance program in achieving its stated objectives and evaluate controls that ensure fraud, waste and abuse is prevented and/or detected.

#### **5) Finance - Purchase Card Analysis**

Review expenditures for the period from March 1, 2014 through February 28, 2015 for compliance with the Port Authority's purchasing policies.

### **Proposed Consulting Engagement**

#### **6) ERM Framework**

Assist management in maintaining and developing its risk management framework by providing suggestions and examples of alternatives for various stages of the framework, and facilitation and training opportunities as appropriate.

The Audit Plan is subject to change as management priorities change and new risks are identified.