



2017 Annual Report

Inspector General Department



LeeClerk.ORG
LINDA DOGGETT : CLERK OF COURT

Tim Parks, Chief Internal Audit Officer/Inspector General



April 7, 2018

The Honorable Linda Doggett
Lee County Clerk of the Circuit Court & Comptroller

Dear Ms. Doggett,

On behalf of the Inspector General Department, I am pleased to present the Department's 2017 Annual Report.

The *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (IIA), **Number 2060 – Reporting to Senior Management and the Board** states:

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.

This report summarizes the objectives and accomplishments of the Department relative to the mandatory reporting requirements for the year ending December 31, 2017.

Sincerely,

A handwritten signature in blue ink that reads "Tim Parks".

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



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Purpose

Mission Statement

The overarching mission of the IG Department encompasses prevention and detection of fraud, waste, and abuse; efficient and effective use of public resources; and promotion of public integrity.

The mission of the Department is to:

- Provide an independent, objective and comprehensive internal auditing program for Lee County Government (BOCC), Lee County Port Authority (LCP A), and the Lee County Clerk of Circuit Court & Comptroller's (LCCC) operations and financial records. Advance accountability through the provision of assurance and consulting services. Proactively work with stakeholders in identifying and mitigating risks, evaluating internal controls, and making recommendations that add value, promote economical, efficient, and effective delivery of services. Enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.
- Promote good government and enhanced public trust by performing investigations to ensure compliance with the LCCC's Fraud, Waste, and Abuse Policy and Procedures. The policy is designed to facilitate the development of internal controls in order to provide for the detection, prevention, and reporting of fraud, waste, and abuse directed against County government. Perform enhanced guardianship audits to provide oversight of the management of financial resources for incapacitated and partially incapacitated citizens.
- Serve citizens with respect and professionalism in the performance of the collection, audit, and enforcement of the BOCC's Tourist Development Tax. Provide education and administer applicable tax laws fairly and consistently. Perform research, audits, and enforcement investigations to ensure compliance with the myriad number of applicable laws and regulations. This allows for the detection and prevention of Tourist Tax Fraud, and ensures the highest level of compliance to provide a "fair and level playing field" for the citizens of Lee County regarding all registered and unregistered Dealers.

Professional Standards

The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (Red Book) defines internal auditing as:

...an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives



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by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Assurance Services (audits) is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Consulting Services is advisory, and performed at the specific request of clients; the nature and scope of which are agreed with the client, and is intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

The Association of Inspectors General's (AIG) *Principles and Standards for Offices of Inspector General* (Green Book) describes investigations and forensic audits as independent techniques to gather and assess evidence related to alleged wrongdoing, potential violations of laws, rules and regulations, policies and procedures, or other abuses that impact negatively on the ability of the organization to effectively and efficiently carry out its duties. Furthermore, the Green Book requires conformance with the aforementioned Red Book standards when performing audits.

The Commission for Florida Law Enforcement Accreditation (CFA) is an accreditation program recognized as a means of maintaining the highest standards of professionalism for independent investigations based on meeting specific requirements and prescribed standards. The CFA requires compliance with the *Florida Inspectors General Standards Manual* when conducting investigations.

Authority

By authority of the Constitution of the State of Florida, Article VIII, Section 1. (d), " ... *the Clerk of the Circuit Court (Clerk) shall be ex-officio clerk of the Board of County Commissioners, auditor, recorder, and custodian of all county funds.*" The Constitution of the State of Florida, Article V, Section 16, also specifies that the Clerk of the Circuit Court shall have the duties quoted above.

Pursuant to the legal authority and responsibility cited above, the Clerk has established the Inspector General (IG) Department to fulfill the responsibilities of the office as they relate to investigations and the auditing functions other than the pre-audit of disbursements from BOCC funds. The Finance Department of the Clerk's office performs the pre-audit function. The IG Department responsibilities include a post-audit review of that function as well.

The Chief Internal Audit Officer/Inspector General (CIAO/IG) of the IG Department, in the discharge of his/her duties, shall be accountable to the Clerk to:

- Conduct audits of operations of the BOCC and the Clerk's office.



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- Perform collection, audit and enforcement of tourist development tax levies and report results to the Clerk and respective County Departments.
- Report significant issues related to the processes for controlling the activities of the BOCC operations and the Clerk's Office, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit) as directed by the Clerk.

The CIAO/IG and staff of the IG Department are authorized to:

- Require unrestricted access to all functions, records, property, and personnel.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit/investigative objectives.
- Obtain the necessary assistance of personnel in business units of the BOCC when they perform audits/investigations, as well as other specialized services from within or outside the BOCC.

The CIAO/IG and staff of the IG Department are not authorized to:

- Perform any operational duties for the County.
- Initiate or approve accounting transactions external to the Department.
- Direct the activities of any employee not employed by the IG Department except to the extent such employees have been appropriately assigned to the IG Department or to otherwise assist the IG Department.

Independence

To provide for the independence of IG Department activities, its personnel report to the CIAO/IG, who reports functionally and administratively to the Clerk. Since the Clerk is elected, and thus responsible to the citizens and taxpayers of Lee County, the Clerk is considered to be independent. The CIAO/IG must communicate and interact directly with the Clerk. The Clerk, as County Auditor communicates with the BOCC, but this does not restrict the CIAO/IG from communicating with the BOCC directly. The IG Department has no direct responsibility to or authority over any area subject to its audit, review and investigation. Therefore, the Inspector General Department is organizationally independent from those areas which it will be auditing, reviewing and investigating. The CIAO/IG has the authority and responsibility to conduct audits/investigations of all agencies funded by the Clerk, the BOCC, and departments under the County Manager and to issue reports thereon.



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Responsibility

The staff of the IG Department has the authority and responsibility to:

- Foster and promote accountability and integrity in government.
- Follow the basic principles of integrity, objectivity, independence, confidentiality, professionalism, competence, courage, trust, honesty, fairness, forthrightness, public accountability and respect for others and themselves.
- Regard our office as a public trust, with a primary duty of serving the public interest.
- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Clerk for review and approval.
- Implement the Annual Audit Plan, as approved, including any special tasks or projects requested by the Clerk, the BOCC, the County Manager, or the Port Authority Executive Director.
- Initiate audits/investigations and assist management during the course of the year, even though the projects/items are not on the Annual Audit Plan.
- Perform enhanced audits of annual financial statements submitted by court appointed guardians.
- Perform investigations of public and professional guardians on behalf of the Office of Public & Professional Guardians (OPPG) per a Memorandum of Understanding.
- Maintain a professional audit/investigative staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the charter.
- Establish a quality assurance program by which the CIAO/IG assures the operations of the IG Department activities.
- Perform consulting services, beyond IG assurance services to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Ensure the administration and collection of levied tourist development taxes as prescribed in Florida Statute and in Lee County Ordinance 13-14.
- Perform audits and enforcement investigations of levied tourist development taxes as prescribed in Florida Statute and in Lee County Ordinance 13-14.
- Keep the Clerk informed of emerging trends and successful practices in auditing and investigations.
- Maintain a fraud, waste, and abuse hotline (e.g., telephone, email, and website) and conduct investigations as indicated by the circumstances.
- Investigate suspected instances of fraud, waste and abuse.
- Consider the scope of work of the external auditors and regulators, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.



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Performance

Professional Standards

IIA Standard #2030 – Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

IIA Standard #1210 – Proficiency

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

The IG Department employs certified audit and investigation professionals. These individuals have exceptional backgrounds and experience similar to skill sets employed by other nationally and internationally accredited Internal Audit and Inspector General Offices. Their knowledge is validated by various credentials including CIA, CGAP, CRMA, CISA, CFE, CPA, CRISC, CIGA, CIGI, and CIG.

Four internal auditors were hired during 2017, and one auditor resigned. One tourist development tax auditor resigned during the year. There were 16 IG employees on staff as of December 31st.

Summary

The year 2017 was a successful one for the IG Department. Twenty-one audit projects were completed during the year. That was a modest increase from the 18 completed in 2016. All of the projects were completed in conformance with the *International Standards for the Professional Practice of Internal Auditing* (IIA) and the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General*.

The Annual Audit Plan for 2017 initially consisted of the following projects. Not all of the audits were started or completed during the year.

Board of County Commissioners

- Transportation – Toll Facilities
- Public Utilities – Revenues



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- Visitor and Convention Bureau
- County Commissioners – Lobbying Activities
- Community Development – Revenue
- Parks and Recreation
- Fleet Management
- Public Safety – Emergency Dispatch
- Transportation – Roadway Maintenance
- Contract Management
- Human Services
- Follow-up on Previously Issued Audit Reports
- Annual Cash Counts
- Special Audits – As requested

Lee County Clerk of Circuit Court & Comptroller

- Court's Customer Service – Fiscal Operations
- Cash Management and Investments
- Recording
- Accounts Payable
- Court Records
- Information Technology – Third Party Penetration Testing
- Follow-up on Previously Issued Audit Reports
- Annual Cash Counts
- Special Audits – As requested

Port Authority

- Airport Police/Security – Law Enforcement Operations
- Construction Project – Page Field Runway project
- Airport Communications
- Contract Administration – Standard Parking
- Operations & Safety – Departmental Audit
- Information Technology – Service Protection
- Follow-up on Previously Issued Audit Reports
- Grant Monitoring
- Annual Cash Counts
- Special Audits – As requested



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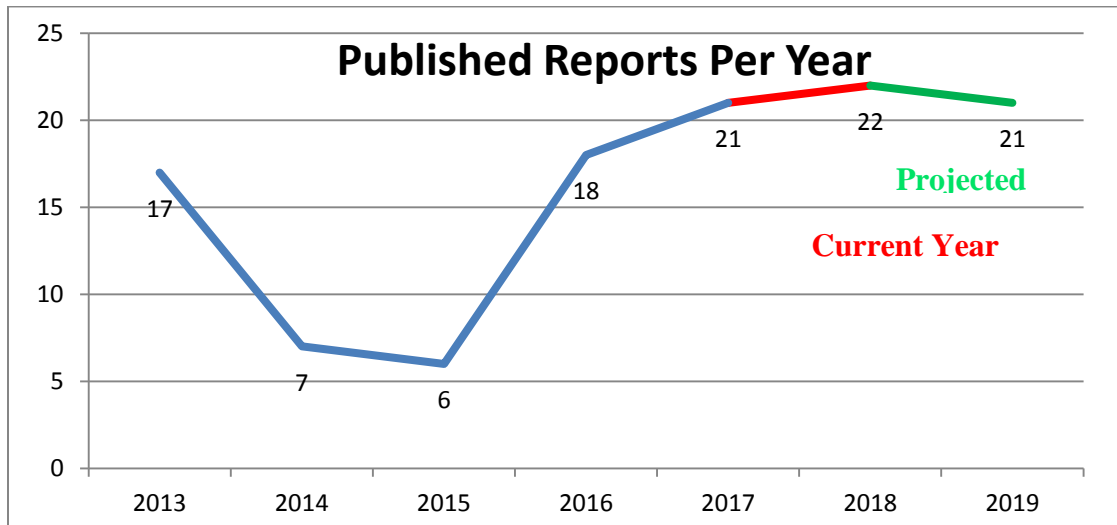


Performance Measures – 2017 and Beyond

1. Audit projects completed per year – **Actual** and **Projected**. Prior to transition to the chartered IG Department (4/2/14), the average completion rate was about 19 audits per year.

Year	BOCC	Clerk	Port	Special	Total	*Auditors	per auditor
2013	13	2	2		17	7	2.4
2014	3	1	3		7	4	1.8
2015	3	1	1	1	6	4	1.5
2016	6	3	6		18	4	4.5
2017	13	5	3		21	7	3.0
2018	9	6	7		22	5	4.4
2019	13	5	3		21	5	4.2

*Includes Director and Deputy Director performing audits (as available) in 2013.



2. Audit projects completed in 2017

- a. LCCC, LCPA, & BOCC Summary Report of FY 2017 Petty Cash and Change Fund Counts
- b. LCCC Accounts Payable
- c. LCCC Cash Management and Investment
- d. LCCC Recording
- e. LCPA Grant Monitoring
- f. LCPA Law Enforcement Operations
- g. LCPA Operations & Safety Department



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- h. BOCC DOT Tolls
 - i. BOCC Emergency Medical Services
 - j. BOCC Government Communications Network
 - k. BOCC Visitor & Convention Bureau
 - l. LCPA Audit Recommendations Status Report (4 reports at quarter-end)
 - m. LCCC Audit Recommendations Status Report (4 reports at quarter-end)
 - n. BOCC Audit Recommendations Status Report (4 reports at quarter-end)
3. Public Integrity Unit
- a. “Tips”
 - i. 30 “Tips” received
 - ii. 8 of 30 were “Anonymous Tips”
 - b. Investigations
 - i. One investigation case opened
 - ii. One investigation case closed
4. Audit Population – Risk Assessments for 2018 Risk Plan
- a. BOCC
 - i. More than 90 identifiable units in the 2018 Risk Plan
 - ii. Of the 20 units with the highest risk factors, nine were selected for audit
 - b. Lee Clerk
 - i. Twenty-three identifiable units in the 2018 Risk Plan
 - ii. Six units were selected for audit
 - c. Port Authority
 - i. Forty identifiable units in the 2018 Risk Plan
 - ii. Five were selected for audit
 - iii. Our goal is 3-4 audits per year
5. Mandatory Planning and Reporting Requirements
- a. IIA
 - i. **Standard #1320 – Reporting on the Quality Assurance and Improvement Program:** *The chief audit executive¹ must communicate the results of the quality assurance and improvement program to senior management and the board.² This document is produced and reported under separate cover.*

¹ **Chief audit executive** – Chief Internal Audit Officer/Inspector General

² **Board** – “The highest level governing body charged with the responsibility to direct and/or oversee the organization’s activities and hold senior management accountable... If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance of the organization...” In this document, the “Board” refers to the Lee County Clerk of Circuit Court & Comptroller.



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- ii. **Standard #2010 – Planning:** *The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals. This document is produced under separate cover.*
 - iii. **Standard #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. This disclosure is included within this document.*
 - iv. **Standard #2060 – Reporting to Senior Management and the Board:** *The chief audit executive must report periodically to senior management and the board on the internal audit activity’s purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board. This disclosure is included within this document.*
- b. **CFA - Standard 1.08M:** *The Office of Inspector General investigations function submits an annual report to the Commission to report compliance efforts with accreditation standards by January 31 of each year.*
- c. Our goal is 100 percent compliance with mandatory planning and reporting requirements.
6. Guardianship case tracking as of December 31, 2017
- a. 11 Guardianship Cases were accepted for audit by the IG Department during 2017
 - b. 35 Open Cases as of December 31st
 - c. 13 Issued/Closed/Cancelled Cases in last 12 months
 - d. 4 cases were referred by the OPPG
 - e. 2 OPPG cases were closed
7. Tourist Development Tax Audit Services Team
- a. Inspector General **Hotline** “Tips”
 - i. 35 “Tips” received
 - ii. 11 of 35 were Anonymous “Tips”
 - b. \$500+ thousand in audit assessments recouped
 - c. 25 Enforcement investigation cases settled
 - d. 15 Pre-enforcement cases brought into compliance
 - e. 871 Desktop audit compliance analyses performed
 - f. 557 short-term rental compliance issues identified and analysis performed
 - g. 32 Field Audits completed



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- h. 39 Tax Warrant cases satisfied
8. Tourist Development Tax Collections Team
- a. 7200+ Active accounts
 - b. \$40+ million in collections
 - c. New Accounts Opened – 992
 - d. Transactions
 - i. Manual Transactions Processed – 6,631
 - ii. E-check/ACH Transactions Processed – 22,581
9. Tourist Development Tax Collection and Audit Services Teams
- a. Customer contacts
 - i. E-mail – 7221
 - ii. Correspondence (including e-letters) – 25,899
 - iii. Phone contacts – 5,331

Significant Risk Exposures and Control Issues

Fraud Risks

IIA Standard #2120.A2 – *The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.*

The IG Department has a long history of evaluating the potential for the occurrence of fraud. Various audits over the years have identified red flags of fraud. Incidents of possible fraud are reported to the appropriate level of management, and investigative cases are referred to law enforcement if applicable.

On April 2, 2014, the Clerk implemented a Fraud, Waste and Abuse (FWA) Policy (#901). The Policy is presented and discussed by a member of the IG Department at each new employee orientation.

The IG Department has implemented an online Hotline “Tips” Reporting feature on the LeeClerk.org website. The icon is prominently displayed on the main page, as well as the IG, Guardianship, and Tourist Development Tax pages.



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Inspector General Hotline

The IG Department became accredited as an Office of Inspector General by the Commission for Florida Law Enforcement Accreditation (CFA) on February 24, 2016. The accreditation was the result of significant time and effort spent during 2015 on building the necessary structure to attain the accreditation. Two external assessments were made to ensure that the Department conforms to the standards promulgated by the CFA. The Department also went through a peer review by the Association of Inspectors General in December, 2016. The investigation function was reviewed and was deemed to conform to the *Principles and Standards for Offices of Inspector General*.

Governance Issues

IIA Standard #2110 – Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- *Promoting appropriate ethics and values within the organization;*
- *Ensuring effective organizational performance management and accountability;*
- *Communicating risk and control information to appropriate areas of the organization;*
and
- *Coordinating the activities of and communicating information among the board, external and internal auditors, and management.*

The IG Department promotes and supports ethics and values within the organization. The Clerk has an employee policy manual with Policy #306, Ethics included within. Each member of the Department joined an ethics seminar for at least two hours in 2017. Each Internal Auditor and Investigator is required to complete and sign an *Annual Independence Statement, Conflict of Interest Statement, Code of Ethics and Confidentiality Agreement*.

The Department reviews for and reports to the Clerk and senior management regarding effective organizational performance and accountability during each audit project as applicable. Risk and control is discussed at every pre-audit and exit meeting.

Other Matters

The IG Department was assessed by a peer review team from the Association of Inspectors General during the week of December 4, 2016. Upon completion of the review, we were permitted to note in all reports that the internal audit activity “*conforms with the International Standards for the Professional Practice of Internal Auditing,*” in addition to conformity with CFA investigation standards and AIG *Principles and Standards for Offices of Inspector General*.