



Lee County Port Authority 2019 Annual Audit Plan

Inspector General Department



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Tim Parks, Chief Internal Audit Officer/Inspector General



Lee County Port Authority 2019 Annual Audit Plan



To: Linda Doggett, Lee County Clerk of Circuit Court & Comptroller
Jeff A. Mulder, Executive Director, Lee County Port Authority
From: Tim Parks, Chief Internal Audit Officer/Inspector General
Date: January 25, 2019
Subject: 2019 Annual Audit Plan for Lee County Port Authority

Attached is the Inspector General Department's (IG) proposed 2019 audit projects for the Lee County Port Authority (LCPA) for your review and approval. The list of proposed audit engagements for 2019 includes five audits, one of which is 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 blue ink that reads "Tim Parks".

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

Inspector General Department



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Introduction

The Inspector General (IG) Department is an independent, objective, and comprehensive auditing activity, established within the Lee County Clerk of the Circuit Court & Comptroller 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 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.

Definition of Internal Auditing - The Definition of Internal Auditing states the fundamental purpose, nature, and scope of internal auditing:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The IG Department performs its audit activity in conformance to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Red Book)* and the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General*.

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 2019 LCPA Annual Audit Plan to provide audit coverage aligned with the LCPA'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.



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Audit Resources

For 2019, the Inspector General has one internal auditor to conduct audits and perform other departmental activities at the LCPA, 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 2018

One full time equivalent (FTE) Auditor:	
40 hours per week x 52 weeks per year = total annual hours available:	2,080
Less: Hours for vacation, sick leave and holidays:	(200)
Less: Estimated hours for indirect audit activity, including training, IG department meetings & other miscellaneous activities:	<u>(200)</u>
Total	<u>1,680</u>

LCPA Risk Assessment – 2019

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 LCPA’s risk assessment were as follows:

1. *Define the Audit Universe*

The Audit Universe is a listing of all of the LCPA’s significant auditable entities. The following process was used to develop the Audit Universe.

- a) Created a list of the LCPA business units and their primary programs/processes, using management’s responses to a risk assessment questionnaire,¹ the FY 2019 approved budget document, and information presented by Departments on the LCPA 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 certain programs/processes that are audited by external auditors.

¹ The risk assessment questionnaires were completed in 2016. A best practice is to complete them on a three-year basis or as the Audit Universe materiality changes. We identified no significant changes to the Audit Universe; the 2016 questionnaires were used for 2019.



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- 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*

Each auditable entity was assessed and rated on a scale of 1 to 5 (low risk to high risk) for each of nineteen risk factors, including six quantitative (objective) measures and thirteen subjective measures.

e) **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, State & Federal Grants – 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, 2018 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, 2018.

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 2019 budget for a business unit, or a particular function of a business unit (if identifiable). For revenue sources, fiscal year 2019 budgeted revenues as adopted 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, State & Federal Grants	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+

f) 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
- Subjectivity to Fraud
- 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



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g) Calculate the Risk Score

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 44 auditable entities with total risk scores ranging from 72 to 21. 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 2019 Annual Audit Plan

In preparing the LCPA 2019 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 LCPA 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 LCPA, 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 consider the time since the activity was last audited; business units that have been audited in the past three years are typically not selected.

Considering the number of audits carried forward from the previous year, we determined not to select additional auditable entities for 2019. Our progress in 2018 was impacted by unforeseen audit events and limitations of audit resources.

2019 Proposed Audits

As a result, the proposed audits for 2019 are as follows:

- 1) **Maintenance: Airfield/Grounds**
(Carried forward from 2018 Annual Audit Plan)



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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.

2) **Contract Administration: Janitorial and Project Services (in progress)**
(Carried forward from 2018 Annual Audit Plan)

Evaluate the adequacy of the control environment related to the on-site janitorial and project services and whether Triangle Services of Florida, Inc. and LCPA complied with the terms and conditions of the contract.

3) **Human Resources**
(Carried forward from 2018 Annual Audit Plan)

Provide reasonable assurance that employee-related functions operate effectively, and to access enforcement of LCPA policies and compliance with State and Federal laws and regulations.

4) **Construction Project: Page Field Rehabilitation of Runway 5/23**
(Carried forward from 2018 Annual Audit Plan)

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

5) **Information Technology - Service Protection**
(Carried forward from 2018 Annual Audit Plan)

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

Follow-up on Previously Issued Audit Reports

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

Grant Monitoring

Upon LCPA management's request, IG will complete a grant monitoring project on a selected grant/CIP project to determine that internal controls ensure compliance with the grant requirements.

Annual Cash Counts

The IG Department performs annual surprise cash counts on all petty cash and change funds maintained by LCPA staff.



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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	Development	Development Services/Engineering & Construction	Construction Projects	72
2	Aviation	Airport Police	Law Enforcement Operations	62
3	Aviation	Contract Management	Contract Administration	58
4	Aviation	ARFF	Aircraft Fire Fighting and Rescue	56
5	Aviation	Aviation Programs & Technology (AP&T)	Airport Communications	56
6	Aviation	Aviation Programs & Technology (AP&T)	Security Programs	56
7	Aviation	Operations & Safety	Departmental Audit: Operations & Safety	54
8	Aviation	Maintenance: Airfield/Grounds	Departmental Audit: Airfield/Grounds	54
9	Aviation	Maintenance: Terminal	Departmental Audit: Terminal	54
10	Aviation	Airport Police	Investigations	53
11	Administration	Information Technology	Service Protection	53
12	Administration	Human Resources	Benefit Administration	51
13	Administration	Information Technology	IT Customer Support/Training/Service Delivery	51
14	Administration	Human Resources	Departmental Audit: Human Resources	51
15	Aviation	Airport Police	TSA/APD Canine	51
16	Development	Planning & Environmental Compliance	Environmental Compliance	50
17	Aviation	Maintenance: Resources	Departmental Audit: Maintenance Resources	50
18	Administration	Finance	Procurement	50
19	Development	Government Affairs and Grants/Finance	Grant Funding & Compliance / Grant Draws / Capital Project Financing	48
20	Aviation	ARFF	Training Program (required by FAR 139) / Prevention/Inspection	48
21	Aviation	Page Field	Fueling: Page Field	48
22	Administration	Finance	Accounts Payable	48
23	Development	Government Affairs and Grants	DBE Program	47
24	Aviation	Airport Police	Hazardous Device Squad	46
25	Administration	Finance	Accounts Receivable/Billing & Daily Deposits	46
26	Administration	Finance	Fixed Assets	46
27	Administration	Finance	Revenue Source: Concessions	46
28	Administration	Finance	Revenue Source: Parking	46
29	Administration	Finance	Revenue Source: Rentals	46
30	Administration	Finance	Revenue Source: Rental Cars	46
31	Administration	Finance	Revenue Source: Fuel	46
32	Administration	Property Management	Airline Tenant/Airline Affairs / Contract Management	45
33	Administration	Finance	Budgeting	45
34	Aviation	Page Field	Maintenance: Airfield, Landside, and Structures	45
35	Aviation	ARFF	EMT-level Medical and Rescue	42
36	Aviation	Page Field	General Aviation Activities & Compliance	42
37	Administration	Air Service Development	Departmental Audit: Air Service Development	42
38	Administration	Finance	Debt Management	39
39	Administration	Property Management	Risk Management - Workers Compensation	39
40	Administration	Finance	Petty Cash	37
41	Administration	Property Management	Risk Management - Property/Casualty	35
42	Administration	Finance	Revenue Source: User Fuel	23
43	Administration	Finance	Communication & Marketing	23
44	Administration	Finance	Revenue Source: Misc.	21

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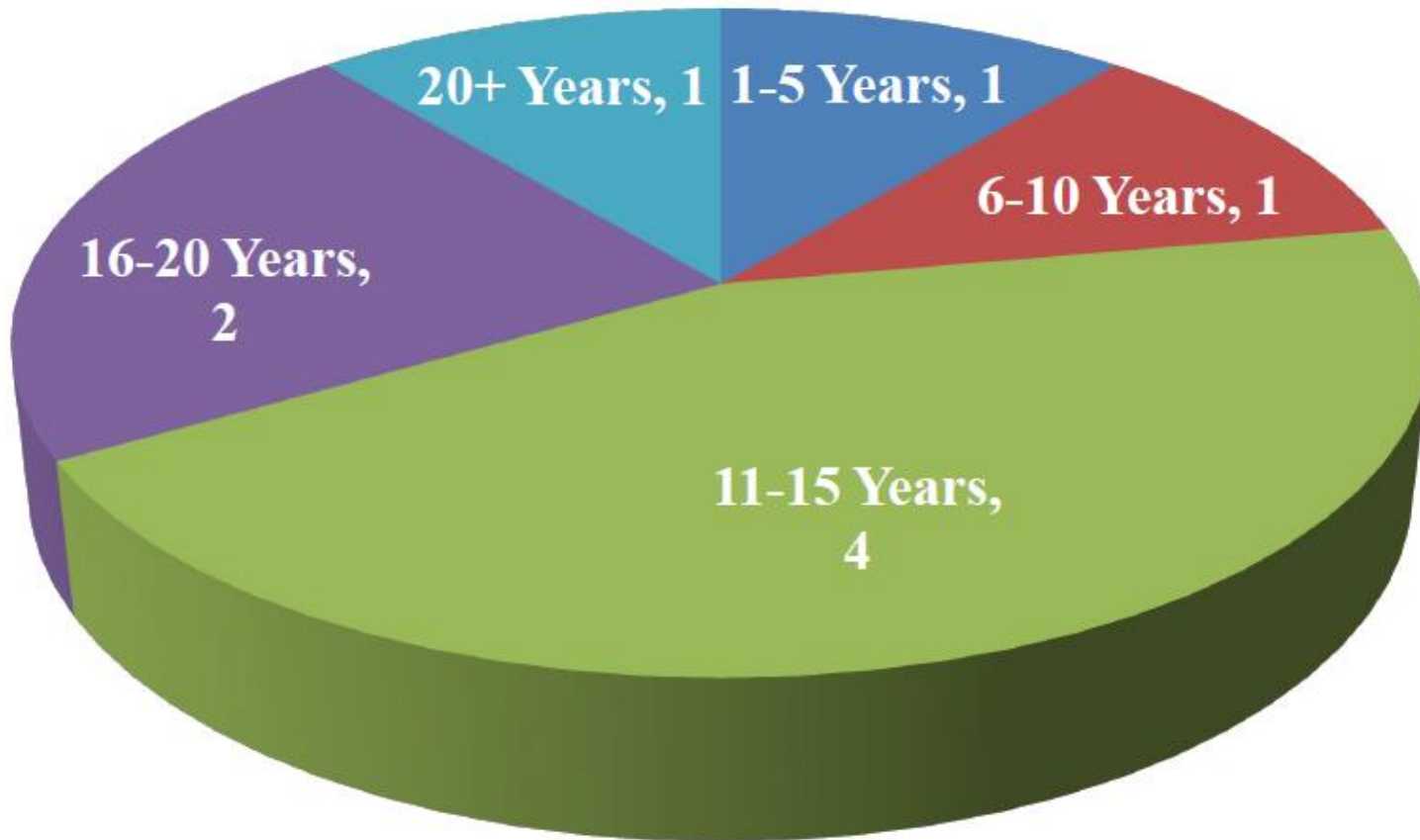
Attachment 2 - Audit Selection

Risk Ranking	Division	Business Units	Auditable Entities	Total Risk Score	Prior Audit Coverage			Proposed 2019
					2016	2017	2018	
1	Development	Development Services/Engineering & Construction	Construction Projects	72				√
2	Aviation	Airport Police	Law Enforcement Operations	62		→		N/A
3	Aviation	Contract Management	Contract Administration	58			→	*
4	Aviation	ARFF	Aircraft Fire Fighting and Rescue	56	→			N/A
5	Aviation	Aviation Programs & Technology (AP&T)	Airport Communications	56		→		N/A
6	Aviation	Aviation Programs & Technology (AP&T)	Security Programs	56				≠
7	Aviation	Operations & Safety	Departmental Audit: Operations & Safety	54		→		N/A
8	Aviation	Maintenance: Airfield/Grounds	Departmental Audit: Airfield/Grounds	54				Ö
9	Aviation	Maintenance: Terminal	Departmental Audit: Terminal	54				X
10	Aviation	Airport Police	Investigations	53				≠
11	Administration	Information Technology	Service Protection	53				√
12	Administration	Human Resources	Benefit Administration	51				#
13	Administration	Information Technology	IT Customer Support/Training/Service Delivery	51				#
14	Administration	Human Resources	Departmental Audit: Human Resources	51				Ö
15	Aviation	Airport Police	TSA/APD Canine	51				≠
16	Development	Planning & Environmental Compliance	Environmental Compliance	50				X
17	Aviation	Maintenance: Resources	Departmental Audit: Maintenance Resources	50				X
18	Administration	Finance	Procurement	50				≠
19	Development	Government Affairs and Grants/Finance	Grant Funding & Compliance / Grant Draws / Capital Project Financing	48		→		N/A
20	Aviation	ARFF	Training Program (required by FAR 139) / Prevention/Inspection	48				≠
21	Aviation	Page Field	Fueling: Page Field	48				X
22	Administration	Finance	Accounts Payable	48				≠
23	Development	Government Affairs and Grants	DBE Program	47				X
24	Aviation	Airport Police	Hazardous Device Squad	46				≠
25	Administration	Finance	Accounts Receivable/Billing & Daily Deposits	46				≠
26	Administration	Finance	Fixed Assets	46				≠
27	Administration	Finance	Revenue Source: Concessions	46				≠
28	Administration	Finance	Revenue Source: Parking	46	Q			N/A
29	Administration	Finance	Revenue Source: Rentals	46				≠
30	Administration	Finance	Revenue Source: Rental Cars	46				≠
31	Administration	Finance	Revenue Source: Fuel	46				≠
32	Administration	Property Management	Airline Tenant/Airline Affairs / Contract Management	45				X
33	Administration	Finance	Budgeting	45				≠
34	Aviation	Page Field	Maintenance: Airfield, Landside, and Structures	45				X
35	Aviation	ARFF	EMT-level Medical and Rescue	42				≠
36	Aviation	Page Field	General Aviation Activities & Compliance	42				X
37	Administration	Air Service Development	Departmental Audit: Air Service Development	42				X
38	Administration	Finance	Debt Management	39				≠
39	Administration	Property Management	Risk Management - Workers Compensation	39				X
40	Administration	Finance	Petty Cash	37	Q	→	→	Ö
41	Administration	Property Management	Risk Management - Property/Casualty	35				X
42	Administration	Finance	Revenue Source: User Fuel	23				≠
43	Administration	Finance	Communication & Marketing	23				≠
44	Administration	Finance	Revenue Source: Misc.	21				≠

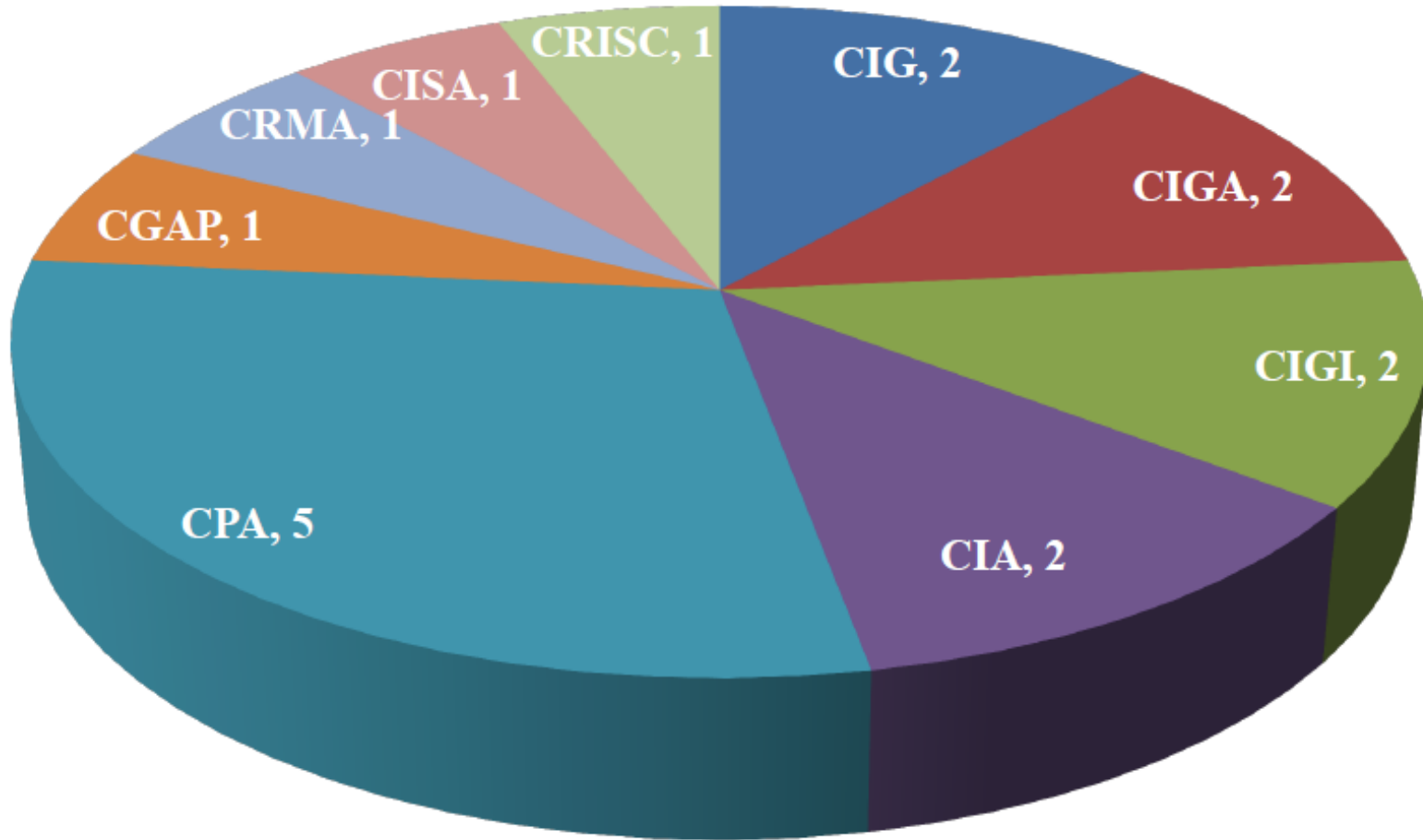
- Prior audit was performed.
- √ Selected for audit in Fiscal Year 2019.
- N/A Not selected due to prior audit coverage.
- # Not selected because another audit in the business unit was selected.
- ≠ Not selected due to prior audit coverage in the business unit.
- X Not considered for 2018 audit because of unavailability of audit resources.
- * Janitorial Service audit in-progress, selected for audit in Fiscal Year 2018

Attachment 3

Audit Staff Years of Experience



Certifications Within the IG Department



Attachment 5

Organization	Formal Name	Certification	Formal Name	Type
AIG	Association of Inspectors General	CIG	Certified Inspector General	Ethics, Laws, and Standards - Fraud, Waste, and Abuse
AIG	Association of Inspectors General	CIGA	Certified Inspector General Auditor	Audit: Ethics, Laws, and Standards - Fraud, Waste, and Abuse
AIG	Association of Inspectors General	CIGI	Certified Inspector General Investigator	Investigation: Ethics, Laws, and Standards - Fraud, Waste, and Abuse
IIA	The Institute of Internal Auditors	CIA	Certified Internal Auditor	Internal Audit Global Recognition
IIA	The Institute of Internal Auditors	CGAP	Certified Government Auditing Professional	Public Sector all levels: federal/national, state/provincial, local, quasi-governmental, or crown authority
IIA	The Institute of Internal Auditors	CRMA	Certification in Risk Management Assurance	Risk Management & Governance
ISACA	Information Systems Audit and Control Association	CISA	Certified Information System Auditor	Information Systems
ISACA	Information Systems Audit and Control Association	CRISC	Certified in Risk and Information Systems Control	IT Risk
AICPA	American Institute of CPAs	CPA	Certified Public Accountant	Financial