



Annual Audit Plan -
Board of County Commissioners
Fiscal Year 2017-2018

Division of Inspector General
Neil Kelly, Clerk of the Circuit and County Courts

December 04, 2017



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December 04, 2017

The Honorable Board of County Commissioners
Lake County, Florida

This Fiscal Year 2017-2018 Annual Audit Plan has been prepared to identify planned audits during the fiscal year and the basis for their selection. We solicited input from the County Manager and his leadership team in determining this plan.

It is important for the Division of Inspector General to have a sound methodology for the selection of its audits to ensure maximum benefit to the citizens of Lake County. I believe the process we have established accomplishes this goal.

This plan is prepared to provide a core guide for audits to be initiated during the fiscal year. The plan also provides for management requests and investigations of fraud, waste, or abuse. Depending on workload and other factors, some of these audits may not be initiated during the year, and other audits may be conducted that are not in this plan.

If you have any questions or would like to discuss any aspect of this plan, please contact me at (352) 742-4102.

Sincerely,

Neil Kelly
Clerk of Circuit and County Courts

cc: Jeff Cole, County Manager

Know of Fraud, Waste, or Abuse?
Contact our hotline at (352) 742-4429 or
email fwa@lakecountyclerk.org

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INTRODUCTION

To ensure the most efficient and effective use of audit staff resources, it is essential that areas selected for audit be carefully considered. Since the audit function, like other governmental functions, should provide the maximum benefit to Lake County citizens, audits should be conducted which will ultimately result in the most benefit. Because of the large number of possible areas to audit throughout the County and limited staff resources to audit them, a careful audit selection process should be in place. Such a strategic planning process has been conducted and used in determining this audit plan. The methodology of selecting audits and the areas selected for audit are presented below.

Sources of Areas Selected For Audit

Areas selected for audit can come from a variety of sources. These include risk assessment, management and employee requests, surprise audits, and allegations of fraud, waste, and abuse.

Risk must be one of the primary factors in selecting areas for audit. Risk for some aspects of County operations is higher than others for many reasons. This includes the type of activities, financial and operational impact to the County if something were to go wrong, strength and attitude of management, and the length of time since the areas have been audited. Those areas of the County which are high risk should receive more audit attention than those of lower risk. It should be noted, however, that areas of lower risk should not be ignored; rather, they should be audited with less frequency than the higher risk areas.

As part of the audit selection process, we solicited input from the County Manager and his leadership team. Because one of the goals of the audit function is to be of assistance to management, management suggestions for audit are seriously considered in the selection of audits to be performed.

In addition, there is a need to conduct some audits on a surprise basis whenever prior knowledge could compromise the integrity of the audit. These types of audits include cash counts, payroll distributions, and some suspected instances of fraud, waste, or abuse. Allegations of fraud, waste, or abuse generally come from our fraud, waste, and abuse hotline which has been established to provide a means for employees or citizens to report suspected instances.

Risk Assessment Methodology

The first step in determining a risk assessment methodology is to determine the auditable entities. To assist in this process in prior years, meetings were held with the various department directors to discuss areas that could be audited. In addition, management was requested to rate the level of risk for each risk factor provided by the Inspector General Division. We established the following risk factors to be assessed for each entity:

1. Public Exposure
2. Financial Exposure
3. Compliance – Laws and Regulations
4. Complexity of Operations
5. Management Experience
6. Number of Staff
7. Budgeted Expenditures
8. Years Since Last Audit
9. Extent of Pass-through Funds

We weighted each of the risk factors by relative importance in calculating the risk score. We considered risk rankings provided by the County Manager and his leadership team in developing the risk score. For this year's updated risk assessment, we categorized each of the auditable entities as high, medium, or low risk. This risk assessment methodology is in accordance with the International Standards for the Professional Practice of Internal Auditing.

FISCAL YEAR 2017-2018 AUDIT PLAN

This audit plan is a planning tool for the use of audit resources. As such, it is subject to change throughout the year as the need arises. Therefore, some audits identified herein may not be conducted this year. Also, audits may be conducted which are not included in this document.

Audits Planned To Be Initiated During the Fiscal Year

Strategic and Governance

- Inspector General Plan and Risk Assessment
- Prior Audit Recommendations: Annual Follow-Up
- Fraud Waste and Abuse (FWA) Investigations
- Ongoing Investigations from Prior Year

Regulatory and Compliance

- Housing and Community Development – Review of Compliance with State/Federal Requirements
- Driver and Vehicle Information Database (DAVID) Audits

Financial and Operational

- Public Works – Review of Solid Waste Assessment
- Contract Audits
- Library Services Review
- Year End Inventory Observations
- Cash Counts

Information Technology

- IT Risk Assessment

Discretionary / Other

- Contingency for Special Project Requests
- External Auditor Assistance