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# Office of Inspector General

## Annual Risk Assessment and Work Plan

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# ANNUAL WORK PLAN

## Purpose, Objectives, and Approach

### Mission

The mission of the Office of Inspector General (OIG) is to improve the effectiveness of internal controls, and preserve the public trust by providing independent, objective audits, reviews and investigations, as designed to add value and improve Collier County government.

### Purpose

To ensure the most efficient and effective utilization of Inspector General staff resources, audits and reviews which will result in the most benefit will be targeted. Because of the large number of possible engagements, and limited staff resources, we perform a careful selection process in determining this work plan. The methodology of selecting engagements and those areas selected for examination are presented below.

Our purpose is to establish a risk-based work plan that identifies the priorities of the OIG, consistent with the goals of the Clerk of the Circuit Court and Comptroller (Clerk), both for her own operations and as ex officio Clerk to the Board of County Commissioners (BCC). This is prepared annually in Spring, in support of the OIG's budget process for the upcoming fiscal year.

### Objective

The objective of the annual work plan is to direct the efforts and resources of the OIG's audit and contract oversight functions into areas that 1) are of high financial and operational significance to the Clerk and County; and 2) stand to benefit the most from the internal review process.

This plan serves as a general guideline for the allocation of Inspector General resources and is subject to change at any time during the fiscal year due to circumstances, information, or management directives unknown or nonexistent at the time this annual plan was developed.

### Sources

Risk must be one of the primary factors in selecting areas for audit or review. Variances in risk can be due to the type of activities, the financial and operational impact if something were to go wrong, changes in staffing or responsibilities, and the length of time since the areas have been audited. Areas of lower risk will not be ignored; rather, they will be examined with less frequency than the higher risk areas.

Some areas have mandatory audits or reviews, and management requests are given priority. In addition, there is a need to conduct some audits on an unannounced basis whenever prior knowledge could compromise the integrity of the audit, such as surprise cash counts.

At a minimum, the OIG has considered the following five sources for planning potential engagements:

*1. Carryover Audits and Reviews*

These audits and reviews were either in progress, are multi-year projects, or require follow-up on open issues to be confirmed as remediated.

*2. Risk Analysis*

These are areas which contain higher risk processes due to: 1) Financial risk, 2) Past, present, or future activity, or 3) Compliance risk. Risk is measured in terms of likelihood and/or impact. Management input, OIG observation, the current fiscal budget, and BCC agendas were utilized to determine areas where our services may be most beneficial.

*3. Combined Assurance Assessment*

We assess the work performed, assurance provided and issues identified by others, including BCC Budget and Internal Controls staff, Clerk's Finance staff, external auditors, outside consultants and regulators.

*4. Management Requests*

These are audits or reviews which were specifically requested or authorized by the Clerk, BCC or County Management.

*5. Administrative and Other Activities*

This is time devoted to the ongoing planning, training or administration of the OIG activity.

## Methodology

The first step in determining our risk assessment methodology was to prepare a list of auditable entities. These are possible areas that could be audited or reviewed, and we used the County's budget to compile this comprehensive list. Using the budget ensures we include all operations involving County funding to provide reasonable assurance that all significant County operations are included in our risk universe. Specifics of our methodology and the assessment process are covered in a separate supporting document, available upon request.

The work plan includes management requests and entities from the high-risk category, but also includes some entities with lower identified risk. The risk assessment methodology follows the guidelines of the International Standards for the Professional Practice of Internal Auditing and the Principles and Standards for Offices of Inspector General.

Factors such as an increased volume of investigations, special audit and consultation requests not previously planned, and staffing changes affect the OIG's ability to complete planned projects. We must constantly adapt to shifting priorities, and the pandemic of 2020 exemplified the necessity for flexibility. Two of our full-time staff were temporarily reallocated to audit the Coronavirus Aid, Relief, and Economic Security (CARES) Act grant fund programs, while other staff members performed investigation activities or analytics related to these programs. Consequently, many projects on this year's work plan are a carryover of priorities from prior years.

# Annual Plan

## Carryover Engagements

### *1. Public Utilities – Changes to Purchase Orders*

We analyzed the changes to purchase orders processed for fiscal years 2017, 2018 and 2019, and found the majority of total dollar volume in changes (53.74%) occurred in the Public Utilities department, and the most common commodity referenced (68.9%) related to Engineering, Consulting and Planning services. Our initial review of the purchase order changes for justifications, commonalities or trends, was inconclusive due to limited SAP reporting capabilities. We have planned the purchase of SAP Exporter software, to work in conjunction with IDEA, our data analytics software. We will revisit this engagement and our approach to detect if changes to purchase orders were scoped, priced, and processed appropriately.

### *2. CARES Act Remittances*

Our work to date has consisted of performing analytics, reviewing samplings and examining irregularities referred to us, related to the CARES Act funds expended. Our criteria was to determine if they met the eligibility constraints and were within the funding parameters established by the Board of County Commissioners. We also evaluated whether internal controls were adequate to prevent ineligible applicants from obtaining CARES Act grant funds, and whether mandated reporting outlined in the CARES Act funding agreement was accurate and completed timely. We will conclude this engagement in the upcoming year.

### *3. Purchasing Card Expenses*

The use of purchasing cards has an inherently high risk for fraud. We are tailoring our approach based on prior results of purchasing card activity, and focusing our ongoing monitoring of purchasing card transactions through the use of data analytics.

## Focused Areas

### *4. Capital Outlay/Expenses*

Large capital projects are inherently risky due to their complex nature and significant investment at stake. We will be reviewing the progress of the following significant projects undertaken by the County:

Project	Budget Amended Amount in 2020
Amateur Sports Complex	\$31M
Northeast Utility Facilities	\$18M
Big Corkscrew Island Regional Park	\$11M
Master Pump Station 306	\$7.7M
I-75/CR951 Utility Relocation Project	\$6.9M
Vanderbilt Drive Cul-De-Sacs Basin 101	\$3M

By reviewing these key projects, we will be covering 80% (\$82M) of the top 10 project budget amendments in 2020. Our review will include auditing the related payments throughout the life of the project, updating our calculations of the fully burdened cost throughout the life of the project, and issuing reports periodically regarding the propriety of the procure-to-pay processes.

#### *5. Revenue*

For the upcoming year, IG will review the top source of business activity revenues, which is Solid Waste, Water, and Sewer fees. The 2020 adopted budget estimates the county will receive \$273 million in service charges. This audit will include a review of revenue generated from billing service charges for solid waste, water, and sewer. Internal controls will be evaluated to ensure service charge revenue is recognized completely, accurately, and timely, and any billing adjustments are processed properly.

#### *6. Debt*

We plan to review recent debt transactions on a test basis. As the compliance and technical issues related to debt are reviewed in detail by third parties, we would assess only operational aspects, such as transparency and adherence to stated procedures.

#### *7. Purchase Requisitions*

We will be reviewing the initiation and approval process of purchase requisitions, and the related controls. The majority of BCC expenditures flow through this procure-to-pay function.

#### *8. Asset Dispositions*

We will be reviewing the process by which assets are retired or disposed, whether by sale, retirement or loss.

## Management Requests and Requirements

#### *9. FL Department of Highway Safety and Motor Vehicles (DHSMV) Data Exchange*

The objective of this required FL DHSMV audit is to evaluate the policies, procedures, and internal controls pertaining to personal data obtained from the FL DHSMV Data Exchange process. We will determine if the controls appear adequate to protect the data from unauthorized access, distribution, use, modification, or disclosure.

#### *10. Annual Quality Assurance of Protection of Confidential Information*

This annual audit is required by AOSC20-108:

#### **QUALITY ASSURANCE**

Clerks must employ redaction processes through human review, the use of redaction software, or a combination of both. Clerks must audit the process adopted at least annually for quality assurance and must incorporate into their processes new legislation or court rules relating to protection of confidential information. It is recommended that clerks advise commercial purchasers that court records are regularly updated and encourage use of updated records.

### *11. Compliance – Clerk’s IT Security*

Recently, there has been a substantial increase in the number of cyberattacks, including many in the state and local area. As the Clerk hosts the financial software for the BCC and Clerk, our initial focus will be on the cybersecurity risks associated with the Clerk’s Information Technology department. We will first assess the assurance gained from:

- Outsourced security reviews
- Procedures performed by our external auditors
- The review of regulators and other evaluators.

Thereafter, we’ll review IT security procedures and policies, security awareness training, data safeguarding against external threats, and disaster recovery plans.

### *12. Corporate Economic Development Programs*

The BCC sponsors a number of business economic programs, often with participation by State agencies, which require an audit or evaluation prior to payment. Examples are the Qualified Target Industry, Capital Investment for Diversification Incentive or Job Creation/Retention programs.

### *13. Guardianships*

The OIG Senior Guardianship Auditor reviews each initial and annual guardianship report to ensure that these reports contain the necessary information about the Wards. He audits the verified inventories and the accountings, and he advises the court of the results of our audit for over 500 guardianships on file in the County. Annually, we perform an independent quality review, and provide a report of our activities, including the statistics on the guardianships audited and pertinent issues. We will be reviewing for efficiencies that can be gained by automating more of the processes through the ShowCase court case processing system.

### *14. Investigations*

The OIG Senior Investigator evaluates each complaint submitted or discovered, and tracks these in a Case Management System. He reviews each complaint, and he obtains the approval of the Inspector General when proceeding with a formal investigation. Annually, we provide a report of our activities, including the statistics on the complaints received and the related status or resolution. Once resolved, we will provide a summary of cases referred to law enforcement.

## Administrative and Other Activities

Activities not included in the Work Plan are considered Other Activities. These activities include, but are not limited to, professional development, strategic planning, risk assessment, follow up on open issues, staffing, outreach, special projects, accreditation, and quality control and assurance. This does not include paid time off, which is factored separately.

### *OIG Accreditation and Training*

We were approved for the FDLE Commission For Accreditation (CFA) program, for accreditation as an Office of Inspector General in April 2020. Unfortunately, many of the related trainings and programs we had anticipated were cancelled due to COVID. We will focus on completing these programs, and evaluating the impact of these delays on our accreditation plans.

## Available Hours for Planned Engagements

Available hours are calculated based on the standard 2080 annual available hours per full-time staff member equivalent (FTE), less paid time off. We separately estimated non-chargeable, non-audit administrative responsibilities (such as meetings, planning, budget development, management, accreditation, training and quality assurance). Estimates of the percentage of time spent by each IG staff member, and the resulting number of hours available for engagements, is shown below.

Inspector General Anticipated Work Plan	FTEs	Audit & Consulting		Guardianship		Investigation		Contract Oversight		Admin & Other	
		%	Hrs	%	Hrs	%	Hrs	%	Hrs	%	Hrs
Inspector General	1	20%	358	10%	179	20%	358	20%	358	30%	536
Senior Inspector	1	10%	179	-	-	10%	179	60%	1,073	20%	358
Senior Investigator	1	-	-	10%	179	60%	1,073	10%	179	20%	358
Senior Guardianship Auditor	1	-	-	70%	1,252	10%	179	-	-	20%	358
Senior Auditor	1	60%	1,073	-	-	10%	179	10%	179	20%	358
Inspector II	1	30%	536	10%	179	10%	179	30%	536	20%	358
Inspector I	1	40%	715	-	-	-	-	40%	715	20%	358
Contracted Inspector	0.4	-	-	-	-	40%	286	50%	358	10%	72
<b>Total</b>	<b>7.4</b>		<b>2,861</b>		<b>1,788</b>		<b>2,432</b>		<b>3,397</b>		<b>2,754</b>

Our projected work plan is based only on auditing, consulting and contract oversight hours, estimated here at approximately 6,250 hours (guardianships and investigations are reactive, based on court filings and complaints). We began creating shorter, more succinct reports in 2020 in response to internal audit “agile” industry trends. These shorter reports have decreased our time spent in writing, editing and processing responses, and we gained efficiencies by employing more analytics in our audits and reviews.

Accordingly, we anticipate producing fifteen audit/review reports over the next year, supplemented by a guardianship annual report and an indeterminate number of investigations, for a total of twenty published reports (similar to 2020). In contrast, we issued seven audit and contract oversight reports, two investigation reports and an annual guardianship report, for a total of ten reports issued in FY 2019.