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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 on page 4.

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 typically prepared annually in Spring, in support of the OIG's budget process for the upcoming fiscal year.

For 2022, we delayed the issue of this Annual Work Plan in order to discuss priorities with the new County Manager, Amy Patterson, who was appointed in July 2022. This work plan incorporates her suggestions and that of Ed Finn, her Interim Deputy County Manager.

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 staff, BCC 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. Due to

staff turnover, extended leaves and relocating our office, some projects on this year’s work plan are a carryover of engagements from the prior year.

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. In 2021, we acquired the SAP SMART Exporter software, which works in conjunction with our data analytics software (IDEA). These programs will be utilized in the review of change orders in 2022.

2. 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. This project was delayed in 2021 due to the maternity leave of the primary auditor; consequently, the project is now scheduled to be completed in 2022.

Focused Areas

3. 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 2021
Big Corkscrew Island Regional Park	\$41M
Mental Health Facility	\$25M
Amateur Sports Complex	\$8M

By reviewing these three key projects, we will be covering 22% (\$75M) 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.

4. Revenue

For the upcoming year, the OIG will review the top source of business activity revenues, which is Solid Waste and Water/ Sewer fees. The 2022 adopted budget estimates the county will receive \$76.4 million

in Water Revenue, \$88 million in Sewer Revenue, and \$29.9 million in Mandatory collection fees. 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.

5. Cash Counts and Inventory Observations

In addition to our ongoing analytics on the over/short accounts, cash balances and inventory balances, we will be performing more surprise cash counts at both the BCC and COC locations, and physically walking through the processes and procedures at the locations. We will be observing and validating select inventory locations in conjunction with the physical year-end inventory counts.

6. 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.

7. Asset Dispositions

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

8. Technology

The Clerk's office is pursuing a multi-year upgrade of the SAP financial software. The OIG will offer consulting advice to ensure proper controls are in place within the new system.

Management Requests and Ongoing 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. This next audit is due March 14, 2023.

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. 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.

12. Wire Transfers

This audit was requested by the Finance Director as a requirement of the cyber insurance application process.

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 700 guardianships on file in the County. Annually, we perform a 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 be evaluating the impact of these delays on our accreditation plans.

Available Hours for Planned Engagements

Available hours are calculated based on the standard 2,080 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, are shown in the following chart.

Office of Inspector General											
Analysis of Annual Percentage of Time Spent and Budgeted Hours - FY 2023											
	FTEs	Audit & Consulting		Guardianship		Investigation		Contract Oversight		Non-Chargeable	
Inspector General	1	15%	268	10%	179	25%	447	25%	447	25%	447
Senior Inspector (Retires 2/2023)	0.34	10%	61	-	-	10%	61	60%	365	20%	122
Senior Investigator	1	-	-	10%	179	60%	1,073	10%	179	20%	358
Senior Guardianship Auditor	1	-	-	50%	894	30%	536	-	-	20%	358
Senior Auditor	1	60%	1,073	-	-	10%	179	10%	179	20%	358
Inspector II	1	35%	626	-	-	15%	268	30%	536	20%	358
Inspector I (Vacant)	1	20%	358	-	-	-	-	60%	1,073	20%	358
Contracted Inspector (Vacant)			-		-		-		-		-
Inspector General Analyst	1	10%	179	40%	715	10%	179	20%	358	20%	358
Total	7.34		2,564		1,967		2,743		3,136		2,714

Our projected work plan is based only on auditing, consulting and contract oversight hours, estimated here at approximately 5,700 hours (2,564 hours for Audit and Consulting, plus 3,136 hours for Contract Oversight engagements, as shown in the totals above). Guardianship and investigation engagements are reactive, based on court filings and complaints filed, making these engagements harder to predict.

Unfortunately, we will be losing our Senior Inspector to retirement in February 2023. We lost an Inspector to the BCC in 2022, and we have not been able to fill that position as of this report date. We also lost our

Contracted Inspector in 2022 due to relocation. Chief Audit Executives throughout the state have indicated that qualified auditors are very difficult to hire in the current market, and position vacancies of six months or more are not uncommon. To be conservative, we have planned to only replace one of the vacant positions in the next fiscal year, the Inspector I.

When we relocated our office space to the Courthouse Annex in 2021, we lost the assistance of a shared administrative assistant. We recently hired an Inspector General Analyst to assist with audit, investigations and contract oversight assigned work, preliminary guardianship reviews, monitoring the status of all engagements, and administrative tasks.

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. Even with less hours available due to the staff fluctuations described, these reductions in our average time to produce a report should allow us to produce approximately the same number of reports as in 2020 and 2021.

Accordingly, we anticipate producing fourteen audit/review reports over the next year, supplemented by a guardianship annual report and an indeterminate number of reports on investigations, for a total of approximately twenty published reports. 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.