



**Hillsborough
County** Florida

County Internal Auditor's 2023 Annual Audit Plan

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**Hillsborough
County Florida**

TO: Board of County Commissioners
FROM: Peggy Caskey, CIA, CISA, CFE, County Internal Auditor
DATE: November 2, 2022
SUBJECT: County Internal Auditor's 2023 Annual Audit Plan

A careful risk assessment and audit planning process was developed to maximize the County Internal Auditor's Office resources across the large number of auditable areas under the Board of County Commissioners' organization (the County). This strategic process was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Red Book Standards). The methodology of selecting assurance, consulting, and other audit services for the County Internal Auditor's 2023 Annual Audit Plan is defined in this report. The 2023 Annual Audit Plan was prepared to provide a core guide for audit services to be initiated during calendar year 2023.

On October 18, 2022, the County Internal Audit Committee recommended the Board of County Commissioners to accept this 2023 Annual Audit Plan. On November 2, 2022, the Board of County Commissioners considered the County Internal Audit Committee's recommendation and accepted this 2023 Annual Audit Plan.

Sincerely,

Copy: County Internal Audit Committee
Christine Beck, County Attorney
Debora Cromartie-Mincey, Chief Assistant County Attorney
Tom Fesler, Chief Financial Administrator
Carl Harness, Chief Human Services Administrator
Greg Horwedel, Deputy County Administrator
Ramin Kouzehkanani, Chief Information & Innovation Officer
Liana Lopez, Chief Communications Administrator
Brandon Wagner, Chief Government Relations and Strategic Services Administrator
Bonnie Wise, County Administrator

County Internal Auditor's 2023 Annual Audit Plan

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County Internal Auditor's 2023 Annual Audit Plan

Introduction

To ensure the most efficient and effective utilization of the County Internal Auditor's Office resources, it is essential that areas selected for audit be carefully considered. Since the audit function, like other government functions, should provide the maximum possible benefit to Hillsborough County's citizens, audit services that will result in the most benefit should be conducted. A careful risk assessment and audit planning process was developed to maximize the County Internal Auditor's Office resources across the large number of auditable areas under the Board of County Commissioners' organization (the County). This strategic process was conducted to determine the 2023 Annual Audit Plan. The methodology of selecting assurance, consulting, and other audit services for the County Internal Auditor's 2023 Annual Audit Plan is presented below.

Audit Services Selected for the 2023 Annual Audit Plan

Audit services selected for the County Internal Auditor's 2023 Annual Audit Plan were derived from a variety of sources. These include risk assessments, commissioner and/or management requests, Resolution R20-011 requirements, Hillsborough County Home Rule Charter Section 4.10 requirements, and International Standards for the Professional Practice of Internal Auditing (Red Book Standards) requirements. Risk was the primary factor in selecting projects for the 2023 Annual Audit Plan. Risks in some areas of the County are higher than others for many reasons, including the number of years since the last audit and/or externally scrutinized / monitored; operational impact; outsourced processes; and awareness or suspicion of fraud, theft, or waste. Those areas of the County, which are higher in risk, will receive more audit services than those of lower risk. However, the areas of lower risk were not ignored; rather, they will receive audit services less frequently or more narrowly scoped than the higher risk areas.

In addition to risk, occasionally, commissioners and/or management request audit services to assist with a potential concern or to provide advisory services focusing on opportunities to further improve overall operations which are already in place, or opportunities that are on the horizon. Because the County Internal Auditor's Office functions as a business partner, commissioner and management requests are seriously considered in the selection of audit services. As part of the risk assessment and planning process, the County Internal Auditor solicited input from commissioners, senior staff, second line of defense managers, the Clerk of Circuit Court's Chief Audit Executive, RSM US LLP Partner, the County Internal Audit Committee, and others.

County Internal Auditor's 2023 Annual Audit Plan

County Internal Auditor's Governance Commitment Statements

Definition 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.

Code of Ethics

The County Internal Auditor's personnel are expected to apply and uphold the principles outlined in the Code of Ethics (integrity, objectivity, confidentiality, and competency).

Organizational Independence of the Internal Audit Activity

As the County Internal Auditor, I will provide assurance services on behalf of the Board on the various County functions and activities under county administration. The County Internal Auditor's Office is an entity directly under the Board. It is not administratively or functionally under the County Administrator.

The County Internal Auditor position is the Board's chief audit executive. As such, I will report functionally to the Board. Functionally reporting to the Board involves the following activities.

The Board approves:

- The internal audit charter.
- The risk-based internal audit plan.
- The County Internal Auditor's Office budget.
- Decisions regarding the County Internal Auditor's appointment and removal.
- The County Internal Auditor's compensation.

I expect the Board will make appropriate inquiries to determine whether there are inappropriate scope of Internal Audit resource limitations.

The Board will receive communications directly from me on my performance related to the audit plan and other matters.

Review of the Internal Audit Charter and Resolution R20-011

I reviewed and confirmed that the internal audit charter:

- Establishes the internal audit activity's position within the organization, including the nature of the internal audit functional reporting relationship with the Board.
- Authorizes access to records, personnel, and physical properties relevant to the performance of engagements.
- Defines the scope of internal audit activities.

I also reviewed Resolution R20-011 and confirmed that the purpose, authority, and responsibility of the County Internal Auditor's Office are formally defined.

During these reviews, I did not identify any material concerns, therefore, there is no necessary approval action by the Board at this time.

County Internal Auditor's 2023 Annual Audit Plan

Risk Assessment Methodology

Independent External Quality Assessment Review

Review

QAR report issued 7/20/22

Conclusion

Generally Conforms
(highest rating)

Conclusion Comment

"No conformance gaps," and, "A comprehensive Quality Assurance and Improvement Program."

The next independent external quality assessment review is planned in 2027.#

County Internal Auditor's Risk Assessment

Components

The risk assessment process combines information obtained from narratives, internal control questionnaires, management self-assessment surveys, current events, unauthorized purchase reports, performance of audit services, and communications with commissioners, the County Administrator, senior executives, and second line of defense management. The County Internal Auditor's Office also considered risk information derived from the Clerk of Circuit Court's Chief Audit Executive and an RSM US LLP Partner.

The annual risk assessment is a cumulative process. Utilizing the AutoAudit software's risk library (which contains 43 auditable entities and 58 activities), the County Internal Auditor's Office assessed the risks associated with each entity based on the eight risk factors below:

- External Risks
- Financial Risks
- Supply Risks
- Management Risks
- Data Security Risks
- Health and Safety Risks
- Managing Complexity Risks
- Operational Risks

Each year the risk library builds upon the prior year and will continue to compile greater detail of the County's risks.

The risk assessment methodology performed was in conformance with the International Standards for the Professional Practice of Internal Auditing (Red Book Standards).

County Internal Auditor's 2023 Annual Audit Plan

Risks

Emerging Risks

Throughout the year, the County Internal Auditor informs the County Administrator of emerging risks and situations that may have a negative impact on County operations and programs.

From 2020 through 2022, there was a significant increase in risks to the auditable environment. This was, for the most part, due to unprecedented public health concerns. COVID-19 impacted nearly all of the County's operations, from the departments on the front-line to the support departments that provide the resources necessary for successful front-line operations.

During 2022, County departments were impacted by several complex technology shifts, significant increases in the cost of insurance premiums and claims, high inflation, challenges with labor skills availability, delays in the supply chain, project delays, increased project costs, vendor contractual commitments for goods and services, and cybersecurity threats.

The highest risks for 2023 fall into eight key categories: external, financial, supply, management, data security, health & safety, and managing complexity. An emerging risks table is located on the next page.

County Internal Auditor's 2023 Annual Audit Plan

High Risk Areas

Risk Categories	Risk Sub Categories	Emerging Risk Comments
External	Strategic Risks	Technology shifts, for example, Oracle SaaS Cloud, Advanced Metering Infrastructure (AMI), Customer Experience Transformation, upgrade of the COIN intranet site, and NIC Payments.
	Terrorist Acts	
	Market Environment	Environmental impact of climate change and pollution.
	Environmental Incidents	
Financial	Capital Availability	Increased cost of insurance premiums and claims (health, cyber security, and property).
	Credit	
	Financial Market	Impact of inflation (cost of supplies, contracted work, availability of affordable housing units).
	Price Changes	
	Inflation/Deflation	Infrastructure: existing budget doesn't match growth, transportation, maintaining roads and bridges, fire stations, and affordable housing units.
	Insurance Risks	
Supply	Commodity Risk	Labor supply shortage / labor skills availability.
	Labor Risk	Exposure to COVID-19 can lead to employee absenteeism.
	Third Party Risks	Increased delays in supply chain and projects.
	Customer Risks	Decrease in bids received / less competition.
Management	Financial Reporting	Due to a shrinkage in the labor pool, management may have to provide additional training and closer supervision for less qualified and / or experienced personnel.
	Employee Behavior	
Data Security	Human Risks	The high demand for technology solutions, cybersecurity, and resilience continue to be high priorities.
	System Risks	
	Other Data Security	
Health & Safety	Employee Health and Safety	COVID emergency response and recovery.
	Third Party Health and Safety	Increase of slip and falls on sidewalks. Increase in automobile accidents.
		Impact of a hurricane.
Managing Complexity	Change/Project Management	Oracle SaaS Cloud implementation.
		Organizational changes, business process and workforce changes, role responsibility changes, and hybrid workforce.
Operational	Internal & External Fraud	Multiple business locations, safety environment, budgeting, compensation, laws, rules, regulations, County ordinances and standard operating procedures.
	Employment Practices and Workplace Safety	
	Clients, Products & Business Practices	
	Damage to Physical Assets	
	Business Disruption and System Failures	
	Execution, Delivery and Process Management	

County Internal Auditor's 2023 Annual Audit Plan

2023 Annual Audit Plan Development

Conducting Engagements

The County Internal Auditor's Office conducts engagements in conformance with International Standards for the Professional Practice of Internal Auditing (Red Book Standards). The Office performs independent and objective reviews and evaluations of all departments, offices, boards, activities, functions, and agencies under the control of the Board of County Commissioners.

County Internal Audit Committee's Review and the Board's Acceptance of the 2023 Annual Audit Plan

The County Internal Auditor's 2023 Annual Audit Plan is comprised of individual engagements. The 2023 Annual Audit Plan was reviewed by the County Internal Audit Committee for input. The Committee determined that the County Internal Auditor performed an annual risk assessment, based on her own judgment of risks after consideration of input from senior management and the Commissioners, and after sharing information and coordinating with other internal and external providers of assurance and consulting services. The Committee also determined that the County Internal Auditor's 2023 Annual Audit Plan's hours (resource requirements) align with the available resource budget. Therefore, pursuant to Resolution R20-011, on October 18, 2022, the County Internal Audit Committee recommended the Board of County Commissioners to accept this 2023 Annual Audit Plan. On November 2, 2022, the Board of County Commissioners considered the Committee's recommendation and accepted the 2023 Annual Audit Plan.

Sharing Information and Coordinating Efforts

The County Internal Auditor used her own judgement in planning the 2023 Annual Audit Plan after sharing information and coordinating with other internal and external providers of assurance and consulting services such as second line of defense management, the Clerk of Circuit Court's Chief Audit Executive, and an RSM US LLP partner. Collectively, this ensures there is adequate assurance and consulting coverage of the auditable environment, as well as, minimal duplication of efforts.

County Internal Auditor's 2023 Annual Audit Plan Components

Providing audit services for all of the identified risks from the 2023 risk assessment, commissioner and management suggestions, and the carryover from the 2022 Annual Audit Plan are greater than available County Internal Auditor's Office resources. Therefore, after careful review of the risk assessment results, audit resource allocation, and management requests for audits, the County Internal Auditor developed the 2023 Annual Audit Plan.

The 2023 Annual Audit Plan is a planning tool to utilize the County Internal Auditor's Office resources. As such, it is subject to change throughout the year as the auditable environment changes.

The County Internal Auditor's final communication of engagement results will be issued during the year for audits and advisory projects, and other services.

County Internal Auditor's 2023 Annual Audit Plan

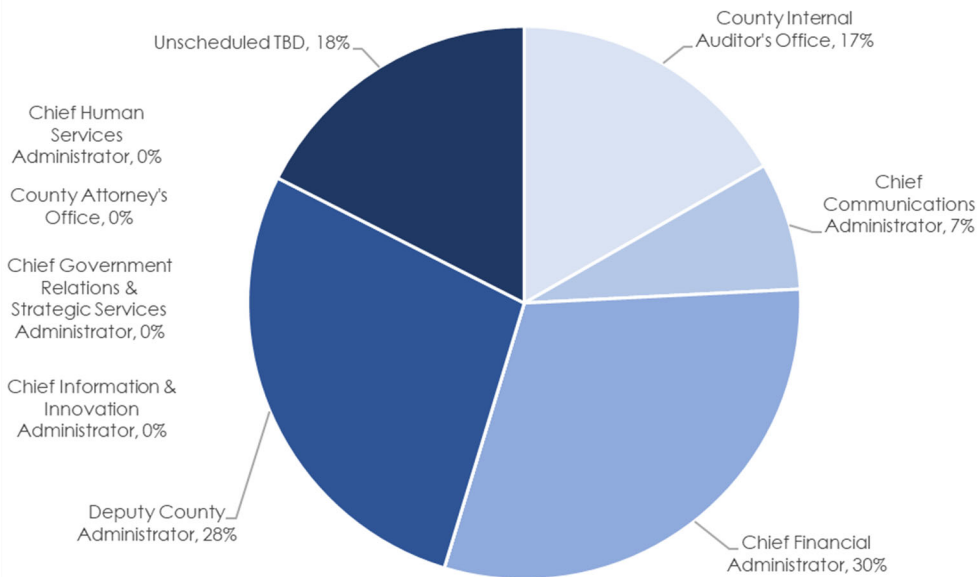
Audits and Advisory Projects

Communications & Digital Media Marketing
Fire Sprinkler Contract
Fire Safety Inspections Process of Private Sector Facilities - Phase II
Residential Street Lighting (RSL) Program
Supplier Master List Data Analytics
Water Meter Reading to Invoice Process
Wellness Fund Program

Other Services

Annual Risk Assessment and Planning for 2024
External Quality Assessment Monitoring
Internal Assessment Quality Assurance and Improvement Program (QAIP)
Pet Resource Center Continuous Data Analytics
Water Resources External Auditor Repeat Audit Finding Monitoring
Other Services To Be Determined

County Internal Auditor's 2023 Annual Audit Plan By Percent of Scheduled Hours



Other Services Defined

- Monitoring management corrective action plans (Resolution R20-011)
- Consulting services (Home Rule Charter & Resolution R20-011)
- Procure and manage contracted audit services on behalf of management (Board Performance Audit Policy 02.11.00.00)
- Special reviews (Resolution R20-011)
- Cone of silence investigations (Ordinance 13-24)
- Annual risk assessment and planning (Resolution R20-011)
- Management assistance services
- Technical guidance services

County Internal Auditor's 2023 Annual Audit Plan

County Internal Audit Committee Recommendation Letter



**Hillsborough
County Florida**

County Internal Audit Committee

Patricia Simmons, Chair
James Shepard, Vice Chair
Richard Russell
Sheryle Birdsong
Daphne Ullman

County Internal Auditor

Peggy Caskey, CIA, CFE, CISA

Board of County Commissioners

Ken Hagan
Pat Kemp
Gwendolyn "Gwen" W. Myers
Harry Cohen
Kimberly Overman
Mariella Smith
Stacy R. White

County Administrator

Bonnie M. Wise

County Attorney

Christine Beck

MEMORANDUM

DATE: October 18, 2022
TO: Board of County Commissioners
FROM: Patti Simmons, County Internal Audit Committee Chair *pts*
SUBJECT: County Internal Auditor's Office 2023 Annual Audit Plan

Dear Board Members,

Pursuant to Board of County Commission Resolution R20-011, the County Internal Audit Committee is responsible for commenting to the Board of County Commission whether the County Internal Auditor performed an annual risk assessment, based on her own judgment of risks after consideration of input from senior management and the Commissioners, and after sharing information and coordinating with other internal and external providers of assurance and consulting services, as applicable. The Audit Committee is also responsible for considering if the County Internal Auditor's resources (management of resource requirements available to effectively deploy the plan) align with the annual audit plan budget and then forwarding the annual plan to the Board of County Commission with the Audit Committee's comments for approval.

After gaining an understanding of the process utilized by the County Internal Auditor to perform the 2023 annual risk assessment, the Audit Committee concluded that the County Internal Auditor met the above referenced requirements in Resolution R20-011. Therefore, the Audit Committee recommends the Board of County Commission accept the 2023 Annual Audit Plan.

Should the Board of County Commission need additional information, please feel free to contact me directly at 813-924-7676 or via email at patti.t.simmons@gmail.com.

CC: County Internal Audit Committee, file
DeBora Cromartie-Mincey, Chief Assistant County Attorney