Appendix 2

Forms

The following forms are included in this appendix:

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2. Request for Entrance Conference memo  
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3. Objective/Risk matrix  
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Palm Beach County
Interoffice Memo

Date:—

To: Internal Audit Staff

From: Joe Bergeron
Internal Auditor

Re: Audit Process

The purpose of this memo is to outline the procedures to be followed in assigning, conducting and reporting audit projects. This memo, in conjunction with Office PPMs, will provide basic guidance on the current audit process. This memo will be effective until replaced by a formal Audit Manual which is being developed.

The audit process consists of: developing an annual audit work plan; assigning staff to individual audits; planning and conducting individual audits; reporting audit results; and following-up on prior audit recommendations.

Annual work plan

The annual work plan is developed as a collaborative effort between audit staff and audit management with input from county commissioners, county managers and external auditors. The annual work plan is approved by the Audit Committee prior to the effective date of the work plan and may be modified by the Audit Committee as necessary. The annual work plan will usually be constructed around themes which facilitate assignment of groups of audits to the different audit teams.

The annual work plan is based on input from various groups and on an analysis of relative risks throughout the County organization. An essential component of the work plan is a data base of auditable entities known as an "audit universe." An auditable entity may be an organizational unit, a program, a grant or contract or any regular or non-routine process or procedure. This audit universe will also include potential risks associated with each auditable entity. Because of the complexity of the audit universe, risk assessment and entity selection will require auditor judgment as well as a certain amount of mathematical analysis.

Staff assignments

Individual projects are first assigned to each audit team in a block based on grouping similar audits into audit themes. The audit team leader requests an audit project be opened in the audit data base and identifies the team members who will be participating.
in the audit. The Audit Manager or Internal Auditor activates the project in the data base and assigns staff members to the project. The audit data base program will only allow individuals assigned to the project to charge time to the project. Assignments will consider the individual auditor’s knowledge, skill and experience as well as the combined set of capabilities of the audit team and whether other skills may be necessary to conduct the audit.

Planning Audits

The audit planning begins following assignment of staff to the engagement. The planning process culminates in an Audit Survey Report setting forth proposed audit objectives and providing information on the various management systems and controls in place.

Very early in the planning process a meeting involving audit management and auditors assigned to the project will be held to “brainstorm” ideas for a preliminary survey focus. The meeting will result in a list of activities or areas within the auditee operation which will be the subject of the survey work. The list produced as a result of the brainstorming meeting will be sent as an attachment to the standard notification letter (known as a planning letter) which puts the auditee on notice that we will be conducting an audit and to expect a call to schedule an entrance conference.

Following the entrance conference, the audit team will go onsite at the auditee’s location and begin the survey work. The survey work is intended to provide the audit team and audit management with a basis for determining whether to conduct an audit and for establishing audit objectives, scope and methodology for the audit. Information relating to each of the items listed in the planning letter will be developed during the on-site period following the entrance conference. During the survey, the audit team becomes familiar with the goals and objectives of the auditee, the auditee’s risk environment, the auditee’s control systems and methods, and the records and sources of data that might be used for audit evidence. No testing is done during this planning activity. Information gathered during the survey will be primarily through interviews with appropriate auditee personnel and review of control related documentation.

The end product of the survey work is a survey report. This report summarizes the information gathered during the survey, identifies critical controls and operations, and proposes either a group of audit objectives or that no audit be conducted. The survey report will be reviewed and approved by audit management prior to developing a detailed audit work program and time budget. The audit work program should identify what work will be done to achieve each audit objective, what methods of analysis will be used, what records and personnel will be utilized and what criteria will be used to evaluate evidence obtained. Once the survey report, work program and budget have been approved, the audit is ready to move to the field work stage.

Conducting the Audit
All audit field work is expected to be conducted on site at the auditee’s location. Field work is primarily about gathering, evaluating and reaching conclusions regarding the evidence gathered as directed by the audit program. The end result of the field work is an audit report which will be used as a discussion draft with auditee management during the exit conference. The audit report discusses the work performed, presents a conclusion, identifies findings and makes recommendations for improvement.

During the field work matters will come to the attention of the audit team that represent potential audit findings. An audit finding may be either positive or negative and will almost always directly relate to one or more of the stated objectives of the engagement. Audit findings will generally meet all or most of the basic criteria for an audit finding which include: a condition which is a situation or event which has occurred; a criterion (or criteria) against which the condition is evaluated; a cause that is responsible for the existence of the condition; and an effect which is the impact on operations of the condition. An auditor should document each potential audit finding by using the “Audit Point Sheet” form. The point sheets will become the basis for a post field work review with audit management which determines which proposed audit findings will be incorporated into the draft audit report and how to deal with potential findings which are not selected for inclusion in the audit report.

The audit report will include sections on: background; objectives, scope and methodology; conclusions; findings and recommendations; and observations (if any). The sections on background and objectives, scope and methodology should be developed directly from the survey report and the audit program. The conclusion represents the overall evaluation of the performance of the auditee relative to the audit objectives based on the evidence gathered by the audit team. Findings and recommendations represent those items approved by audit management for inclusion in the audit report based on the review and discussion of the findings point sheets. Audit Process Milestone Check List

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<tr>
<th>Title</th>
<th>Department/Job</th>
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<th>Audit Step</th>
<th>Done by</th>
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<td></td>
<td>Initials</td>
<td>Date</td>
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| Audit assigned and released to audit team |
| Independence form completed for all staff on audit |
| Preliminary planning and background development done |
| Planning letter sent to auditee |
| Entrance conference held |

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Palm Beach County
Interoffice Memo

Date:

To:

From: Joe Bergeron
Internal Auditor

Re: Request for Entrance Conference for Internal Audit of the

The referenced audit is part of the 2007 annual audit plan which has been approved by the Audit Committee. Following is a brief introduction to the audit process.

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We begin with an entrance conference during which we discuss the operational objectives, methods of meeting program objectives, risks and controls relevant to the program under audit with you and key staff from the program. Following the entrance conference audit staff will conduct interviews with key program staff to develop the understanding of the program necessary to identify appropriate audit objectives and the procedures we will follow to achieve those objectives. Audit field work begins when planning is completed. The planning and audit field work will involve one or more auditors examining records and interviewing personnel in your offices. The audit concludes with a discussion draft report which we review with you and your key staff at an exit conference, a final draft report which requires a formal, written response from you, and a report to the Audit Committee which includes your formal response to any audit findings.

We are ready to begin the planning portion of this audit which should take no more than two weeks. To achieve this time schedule we will need access to key staff members on a very timely basis. The objective of this phase of the audit is to become sufficiently familiar with the objectives, methods, risks and controls of the program under audit to support the development of appropriate audit objectives and the procedures we will follow to achieve those objectives.

The second page of this memo contains a description of the information we wish to obtain during the entrance conference and the planning period which immediately follows. The audit team leader, [name], will be contacting you shortly to arrange an entrance conference at which we will discuss the planning objectives and any concerns you may have regarding the activity to be audited. We welcome you to invite all appropriate staff.

During the entrance conference we will want to discuss the following items with you and your key program staff. We will try to limit the discussion during the entrance conference to one hour. However, if we are having a productive discussion perhaps we could continue for a short while (half an hour or so).

**Entrance Conference Discussion Items**

What are the key objectives for the program?
What methods are used to achieve those objectives?
What things could happen that might prevent or limit the program from achieving its objectives? (We call these things **risks**.)
What practices or procedures have been put in place to limit the impact of the risks above and to assist in achievement of program objectives? (We call these practices **controls**.)

Program objectives, methods, risks and controls can relate to operational activities, reporting activities, and regulatory or compliance activities. We will explore the methods, risks and controls relative to key objectives in each of these activities. Please see the attached material on program objectives and risks for additional information.
We do not expect to be able to cover all this material during the entrance conference but we do hope to make a good start on it then and complete the discussion during the rest of our planning work.

During the planning and field work phases of this audit we will need space for the audit staff assigned to the job. Ideally we would have an office with telephone and computer network access and access to a photocopier. We expect to spend approximately two weeks in planning the engagement and four to six weeks doing the field work.

If you have any questions prior to the meeting, please call me at 355-3603.

c: John Competello, Audit Manager
     Team Leader
## Objective/Risk Matrix

**Department**
**Entrance Conference**
**Audit of**

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<th>Reporting</th>
<th>Compliance</th>
<th>Other</th>
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<td><strong>Methods Used</strong></td>
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<td><strong>Risks Associated</strong></td>
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<td><strong>Controls Implemented</strong></td>
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Examples of Objectives by Category

Operational Objectives
Service delivery
Efficiency and effectiveness
Providing equipment and facilities
Maintaining equipment and facilities
Protection of assets
Appropriate use of technology
Qualified, motivated and capable staff
Adequate tools and materials
Prepare for natural disasters
Safety
Training

Reporting Objectives
Accurate
Timely
Reliable
Sufficiently detailed (or summarized)
Appropriately focused for user
Appropriate use of technology
Security of sensitive information

Regulatory Compliance Objectives
County policies and procedures
Departmental policies and procedures
Grant and contract requirements
Knowing what the rules are
Training staff on the rules
Keeping current with changing rules

Other Objectives
Customer satisfaction
Reputation
Media relations
Understanding the customers
Intergovernmental coordination
Keep the boss happy 😊
Examples of Risks by Category

Operational Risks
- Inadequate quality
- Inefficiency
- Business interruption
- Technology – development/utilization
- Equipment utility
- Adequate facilities
- Fraud, theft or misuse
- Security of assets
- Environmental
- Availability of materials
- Availability of staff

Reporting Risks
- Technology
- Data security
- Sensitive information
- Accuracy
- Timeliness
- Interruption

Regulatory Compliance Risks
- New laws and regulations
- Grants and contracts
- New governance issues

Other Risks
- Reputation
- Customers/stakeholders
- Media
- Communication/coordination
- Investments
- Capital availability
- Economic changes
- Demographics
- Revenue concentration
- Intergovernmental coordination
Palm Beach County  
Internal Auditor’s Office  

Independence Certification

Audit Project Number ______________________________________________________

Audit Project Title _______________________________________________________

Audited Agency/Department ______________________________________________

Governmental auditing standards require the individual auditor and the audit organization to be free both in fact and appearance from personal, external and organization impairments to independence in all matters relating to the audit work on each engagement. (2007 Government Auditing Standards – paragraphs 3.02 thru 3.30)

I have reviewed the independence standard in Governmental Auditing Standards and, in my opinion my participation in this engagement meets this independence standard.

_____________________________________________  Auditor/Date

_____________________________________________  Auditor/Date

_____________________________________________  Auditor/Date

_____________________________________________  Auditor/Date

_____________________________________________  Manager/Date

_____________________________________________  Internal Auditor/Date