October 17, 2018

Mr. Roger Trca
Inspector General, Division of Inspector General
Clerk & Comptroller Palm Beach County
301 N. Olive Ave., 9th Floor
West Palm Beach, FL 33401

Dear Mr. Trca:

The Association of Inspectors General (AIG) performed a peer review, at your request, of the Audit Services Unit (ASU) of the Clerk & Comptroller Palm Beach County, Division of Inspector General (DIG). The ASU was evaluated based upon The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards). These standards are consistent with the qualitative standards under which your ASU has operated throughout the review period. An earlier letter dated September 14, 2018, provided you with an unqualified opinion, stating that you generally complied with the Standards, which is the highest opinion that may be given. The purpose of this letter is to provide the comments shared with you and your staff during the exit conference that took place on September 6, 2018.

When the peer review team (PRT) met with you and your executive leadership team, we provided you with our general conclusion regarding compliance, and noted several areas of distinction and consideration regarding operations and procedures of the ASU. Please note, while not fully addressed in this letter, we observed that your ASU staff are amazing and reflect the outstanding professionalism displayed by your office. It was certainly evident how they integral they are to the successful operation of your office. Their interactions with the PRT are to be commended.

The remainder of this letter will address areas of distinction and consideration. These comments are based on the direct observations of the PRT members; interviews with stakeholders; interviews with ASU Department staff; audit file reviews; review of ASU Department administrative and operating materials; and the professional judgment and experience of the PRT members. Once again, nothing in this management letter diminishes the unanimous conclusion of the PRT that the ASU of your office met the relevant AIG and Standards for the period under review.
Audit Services Unit – Areas of Distinction

- Relationship with Stakeholders - The PRT conducted interviews with the Clerk & Comptroller; Chief Operating Officer, Finance and Acting Chief Operating Officer; Chief Operating Officer, Courts & Official Records; and Legal Counsel & Ethics. All were complimentary of the professionalism, capabilities, and results of the ASU of the DIG. Those interviewed expressed that they have a very collaborative relationship with members of the ASU of the DIG and feel comfortable bringing concerns to the office at any time throughout the year.

- Credentialed and Trained Staff - The ASU staff is appropriately credentialed and well-trained. Staff reported that they are encouraged to seek additional applicable credentials and are supported in their training needs. The PRT observed that the staff is very knowledgeable of the Standards as well as departmental policies and procedures.

- Electronic Work Paper (EWP) system - The EWP system is utilized by all staff and generally reflects a timely review of audit work performed. PRT members were able to determine that for the audits selected for peer review, audit work documented in the EWP system sufficiently supported the contents of the audit reports, which were significant and added value to the Clerk & Comptroller Palm Beach County processes and procedures.

- Professionalism - The professionalism of the ASU staff is outstanding, from the tone at the top through the ranks. Additionally, due professional care, accountability, and proficiency by ASU staff was noted by the PRT throughout the review of selected audit work.

Audit Services Unit – Areas of Consideration

- Consulting Services - Consider updating the Charter and policies and procedures to include consulting services. While the PRT did not observe any issues with compliance with the Standards pertaining to consulting services, it does appear that the ASU performs consulting services. As stated in the introduction to the Standards:

  "Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice – the internal auditor, and (2) the person or group seeking and receiving the advice – the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility."

The PRT observed the following two reports that were not included in the data provided by the DIG as being subject to the peer review:
A report dated February 19, 2016, indicated in the background section that the limited scope review was initiated based on a request by the Clerk’s Division of Finance Services. The report included a recommendation and management response, representing that the internal auditor did maintain objectivity and did not assume management responsibility. This appears to be a consulting engagement.

A report dated December 15, 2016, indicated in the executive summary that it was a regularly scheduled audit included on the annual audit plan with the objective of evaluating if internal controls were adequate to allow for contractual compliance with a third party (apparent limited scope engagement). The report referenced conformance with the Standards and included four recommendations and management responses.

While the PRT respectfully understands the DIG’s concern with classifying these types of engagements as consulting activities, primarily due to concerns of staffing should an audit be required, it does not discount that these reports have the elements of consulting engagements.

- Follow-up Procedures – The DIG currently maintains a spreadsheet outside of the electronic workpaper file for audits with recommendations and management responses. The spreadsheet compiles the status of management action to address all recommendations. The PRT is suggesting two alternatives for consideration to enhance follow-up processes:

  1) At a maximum, develop and implement an electronic audit template to be utilized for performing follow-up audits. This would be similar to the electronic template used for the regular audits but limited in scope to the issues identified in the initial audit.

  2) At a minimum, enhance and document follow-up procedures performed for certain types of management status updates. For example, for a recommendation involving policies and procedures updates, the DIG should consider evaluating the updates for appropriateness and include them in follow-up supporting documentation. An additional example would be in the instance where management updated a process. At a minimum, the DIG should perform and document a transactional walk-through of the updated process and evaluate if the change addressed the identified issue appropriately. Furthermore, if the spreadsheet alternative, with enhancements, is retained by the DIG, the initial audit should reference where the follow-up processes are documented.

The PRT would like to recognize that the ASU staff of the DIG are invaluable assets to the Clerk and Comptroller Palm Beach County. The PRT commends the collaborative efforts of the ASU and their ability to build and maintain positive working relationships with stakeholders. The PRT observed strong evidence of independence, objectivity, confidentiality, competence in all documents reviewed and interviews conducted throughout the requested review.
On behalf of the AIG, please accept our thank you for the confidence placed in the Association by requesting that we conduct this review. The PRT members thank you for all your efforts in the coordination and planning and for providing the necessary records and tools for a thorough and smooth review. Your hospitality and professionalism were outstanding and commendable.

Finally, on behalf of the PRT, please know that in all our interactions with you and your staff, we were shown the respect and cooperation that is the hallmark of a professional staff truly interested in a full and open review of their work. At the same time, this has been a learning experience for each member of the PRT, for which we wish to convey our sincerest gratitude.

Please feel free to contact either one of us on the PRT should you have any questions.

Debra D. Martin
Team Leader, AIG Peer Review for Clerk & Comptroller Palm Beach County, Division of Inspector General, Audit Services Unit

cc:  - Leigh R. Anderson, Team Member, AIG Peer Review for Clerk & Comptroller Palm Beach County, Division of Inspector General, Audit Services Unit
    - Hector Collazo, Chair, Peer Review Committee and Executive Board Member, AIG