

OFFICE OF FINANCIAL REGULATION

**OFFICE OF INSPECTOR GENERAL'S
INTERNAL AUDIT ACTIVITY**

Quality Assessment Review

For the Review Period
July 2008 Through June 2009



INSPECTOR GENERAL OF THE OFFICE OF FINANCIAL REGULATION

The Inspector General was appointed by the Commissioner of Financial Regulation. Robert Dyar served as the Inspector General during the review period.

The review team leader was Karen Van Amburg, CPA, and the review was supervised by Jennifer B. Barineau, CPA. Please address inquiries regarding this report to Jennifer B. Barineau, CPA, Audit Supervisor, by e-mail at jenniferbarineau@aud.state.fl.us or by telephone at (850) 414-0832.

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OFFICE OF FINANCIAL REGULATION

Office of Inspector General’s Internal Audit Activity

SUMMARY

In our opinion, the quality assurance program related to the Office of Inspector General’s internal audit activity, as designed and implemented during the review period July 2008 through June 2009, provided reasonable assurance of conformance to applicable professional auditing standards. Also, the Office of Inspector General generally complied with those provisions of Section 20.055, Florida Statutes, governing the operation of State agencies’ offices of inspectors general and internal audit activities.

BACKGROUND

Section 20.055, Florida Statutes, requires that each State agency, as defined by Section 20.055(1)(a), Florida Statutes, establish an office of inspector general. The Office’s Office of Inspector General was assigned three positions. Two positions, excluding the Inspector General position, were dedicated to the internal audit activity. As authorized by statute, the Office’s Inspector General delegated internal audit responsibilities to the Director of Auditing and one other position. The Director of Auditing provided the following information regarding activities performed by these audit positions during the review period:

| The Office of Inspector General | |
|---|-------------------------------|
| Activity Performed | Percentage of Work Effort (1) |
| Auditing Activities | 20 |
| Investigative Activities | 30 |
| Other Accountability/Oversight Activities | <u>50</u> |
| | <u>100</u> |

(1) Direct time charged to engagement activities.

The Director of Auditing identified one engagement that had been completed as part of internal audit activity during the review period within the Office of Inspector General’s quality assurance program. For engagements completed during the review period, the Office of Inspector General’s internal audit activity had elected to follow generally accepted government auditing standards.

REPORT ON QUALITY ASSESSMENT REVIEW

Pursuant to Sections 11.45(2)(k) and 20.055, Florida Statutes, we have reviewed the quality assurance program for the Office of Inspector General’s internal audit activity of the Office of Financial Regulation in effect for the period July 2008 through June 2009. We also reviewed compliance with specific provisions of Section 20.055, Florida Statutes, governing the operation of State agencies’ offices of inspectors general and internal audit activities.

A quality assurance program for the Office of Inspector General’s internal auditing activity encompasses the charter, organizational environment, and policies and procedures established to provide management with reasonable assurance that the internal audit activity operates in conformity with applicable professional auditing standards. The design of the quality assurance program and compliance with it are the responsibility of the Office of Inspector General. Section 20.055(5)(a), Florida Statutes, requires that internal audits be conducted in accordance with the current *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* or, where appropriate, generally accepted government auditing standards. The *IIA Standards*, as promulgated by The Institute of Internal Auditors,

and generally accepted government auditing standards generally provide comparable guidance for the conduct of assurance engagements. The *IIA Standards* also provide supplemental guidance for the conduct of consulting engagements.

In conducting our review, we obtained an understanding of the quality assurance program and performed such tests and other review procedures as we considered necessary. Because of inherent limitations in any quality assurance program, departures from the program may occur and not be detected. Also, projection of any evaluation of the quality assurance program to future periods is subject to the risk that the program may become inadequate because of changes in conditions, or that compliance with policies and procedures may deteriorate.

In our opinion, the quality assurance program related to the Office of Inspector General's internal audit activity of the Office of Financial Regulation, as designed and implemented during the review period, provided reasonable assurance of conformance to applicable professional auditing standards. Also, the Office of Inspector General generally complied with those provisions of Section 20.055, Florida Statutes, governing the operation of State agencies' offices of inspectors general and internal audit activities.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this quality assessment review in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

The objectives of this review were to evaluate the extent to which the Office of the Inspector General's internal audit activity's charter, policies and procedures, quality assurance and improvement program, and work products conform to applicable professional auditing standards; determine compliance with those provisions of Section 20.055, Florida Statutes, that relate to the operation of State agencies' offices of inspectors general and internal audit activities; assess the Office of the Inspector General's internal audit activity's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of agency management); and identify opportunities to enhance the Office of the Inspector General's internal audit activity's management and work processes, as well as its value to agency management.

Our review included an evaluation of the one engagement completed as part of internal audit activity during the review period for compliance with applicable professional auditing standards. Our review was modeled primarily on the methodology presented in The Institute of Internal Auditors' *Quality Assessment Manual, Fifth Edition*.

AUTHORITY

Section 11.45(2)(k), Florida Statutes, requires that the Auditor General, once every three years, evaluate the extent of compliance by the office of inspector general with the current *International Standards for the Professional Practice of Internal Auditing* or, if appropriate, generally accepted government auditing standards. Pursuant to the provisions of Section 11.45(2)(k), Florida Statutes, I have directed that this report be prepared to present the results of our review.



David W. Martin, CPA
Auditor General