

DEPARTMENT OF CITRUS

OFFICE OF INSPECTOR GENERAL'S

INTERNAL AUDIT ACTIVITY

Quality Assessment Review

For the Review Period
July 2013 Through June 2014



INSPECTOR GENERAL OF THE DEPARTMENT OF CITRUS

Debra J. Funkhouser served as the Inspector General of the Department of Citrus during the review period.

The review team leader was Mary W. Lynn, CPA, and the review was supervised by Lynley Trent, CPA. Please address inquiries regarding this report to Matthew Tracy, CPA, Audit Manager, by e-mail at matthewtracy@aud.state.fl.us or by telephone at (850) 412-2749.

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DEPARTMENT OF CITRUS

Office of Inspector General’s Internal Audit Activity

SUMMARY

In our opinion, the quality assurance program related to the Department of Citrus, Office of Inspector General’s internal audit activity was adequately designed and complied with during the review period July 2013 through June 2014 to provide reasonable assurance of conformance with applicable professional auditing standards.

While not material to overall conformance to professional auditing standards, the internal audit activity can improve its charter by clearly establishing the authority of the Office of Inspector General, recognizing all the elements required by the *International Standards for the Professional Practice of Internal Auditing*, and clarifying the Office’s reporting lines.

BACKGROUND

The Florida Citrus Commission (Commission) serves as the agency head of the Department of Citrus (Department). The Department was created pursuant to Chapter 601, Florida Statutes. As such, the Department is not a State agency as defined by Section 20.055(1)(a), Florida Statutes, and is not subject to the requirements of Section 20.055, Florida Statutes, *Agency inspectors general*.

The Commission established an Office of Inspector General which was assigned one position, the Inspector General. The Inspector General performed internal audit activities and other activities such as consulting and other accountability and oversight activities. The Inspector General provided information showing that, during the review period, 45 percent of the Inspector General’s direct time related to auditing activities.

The Inspector General identified three engagements that had been substantially completed as part of the Office’s internal audit activity during the review period. For these engagements, the Office elected to follow *International Standards for the Professional Practice of Internal Auditing (IIA Standards)*.

REPORT ON QUALITY ASSESSMENT REVIEW

Pursuant to Section 11.45(3)(a), Florida Statutes, we have reviewed the quality assurance program for the Office of Inspector General’s internal audit activity in effect for the period July 2013 through June 2014. A quality assurance program for the Office of Inspector General’s internal audit 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 auditing standards. The design of the quality assurance program and compliance with it are the responsibility of the Office of Inspector General.

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 was adequately designed and complied with during the review period to provide reasonable assurance of conformance to applicable professional auditing standards.

As discussed in finding No. 1, while not material to overall conformance to professional auditing standards, the internal audit activity can improve its charter and reporting lines.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Charter

As noted in the **BACKGROUND** section of this report, the Department is not subject to the requirements of Section 20.055, Florida Statutes. Therefore, it is essential that the Office of Inspector General's (OIG) charter clearly define the purpose, authority, and responsibility of the internal audit activity, include all required elements, and specify the appropriate lines of reporting. Our review of the OIG's May 2013 charter, applicable to the review period, as well as the OIG's September 2014 charter, disclosed that the OIG could improve its charter. Specifically we noted that:

- Under the subheading **Authority**, the May 2013 charter provided that "the OIG's authority, outlined in Section 20.055, Florida Statutes, allows for free and unrestricted access to all persons, records, properties, businesses, organizations, or agencies needed to accomplish the duties and responsibilities assigned therein. Such authority extends to audits, reviews, or investigations of contracts and other agreements or relationships with contractors, consultants, or vendors providing goods or services to the Department as well as to those internal to the Department." Although the charter implied that the OIG's authority was outlined in Section 20.055, Florida Statutes, the Department is not subject to Section 20.055, Florida Statutes. Nor was it clear from the charter whether the Commission intended for the charter to make the authority and responsibilities prescribed by Section 20.055, Florida Statutes, applicable to the OIG. We also noted that the charter approved in September 2014, subsequent to our review period, continued to indicate that the OIG was authorized by the Commission in accordance with Section 20.055, Florida Statutes, and included responsibilities prescribed by that statute.
- Section 1010 of the *IIA Standards* specifies that the mandatory nature of the Definition of Internal Auditing and the Code of Ethics must be recognized in the internal audit charter. However, the OIG's May 2013 and September 2014 charters did not appropriately recognize these elements.
- While the OIG's reporting lines conformed to applicable *IIA Standards*, clarifications are needed to specify the appropriate lines of reporting consistent with the established authority of the OIG.

Recommendation: We recommend that the OIG's charter be amended to clearly establish the authority of the OIG, recognize the mandatory nature of the Definition of Internal Auditing and the Code of Ethics, and clarify the OIG's reporting lines.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this quality assessment review in accordance with 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; 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 Department management.

Our review included an evaluation of one of the three engagements substantially completed as part of the Office’s 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*.

AUTHORITY

Pursuant to the provisions of Section 11.45(3)(a), Florida Statutes, I have directed that this report be prepared to present the results of our review.



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

A written response from the Executive Director of the Department of Citrus is included as **EXHIBIT A**.

EXHIBIT A
MANAGEMENT'S RESPONSE



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MARTIN McKENNA
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FLORIDA CITRUS COMMISSION

March 30, 2015

Mr. David W. Martin, Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Re: Quality Assessment Review of OIG – Preliminary and Tentative Finding

Dear Mr. Martin:

Thank you for the opportunity to review the referenced audit report on the internal audit activity at the Department of Citrus.

In response to the finding, the Florida Citrus Commission, at their March 18, 2015, meeting in Bartow, approved a revised Internal Audit Charter, which clarified the authority of the Department's office of inspector general, and recognized the mandatory nature of the Definition of Internal Auditing and the Code of Ethics. The Commission also reviewed the resulting change to the organization chart; the Department will implement the change in the near future.

We appreciate the thoroughness and the efficient manner in which your staff conducted the quality assessment review, and the timeliness of the resulting report.

Regards,

Douglas Ackerman
Executive Director

cc: Florida Citrus Commission
Debra Funkhouser, Inspector General
Shannon Shepp, Deputy Executive Director
Christine Marion, Comptroller
Melinda Miguel, Chief Inspector General

Maximize consumer demand for Florida citrus products to ensure the sustainability and economic well-being of the Florida citrus grower, the citrus industry and the State of Florida.

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