

STATE OF FLORIDA AUDITOR GENERAL

Quality Assessment Review

DEPARTMENT OF MILITARY AFFAIRS

Office of Inspector General's
Internal Audit Activity

For the Review Period
July 2016 Through June 2017



Sherrill F. Norman, CPA
Auditor General

Inspector General of the Department of Military Affairs

The Chief Inspector General of the Executive Office of the Governor appointed the Interim Inspector General. The Inspector General position was vacant from July 2016 through October 2016. Dawn Case served as Interim Inspector General from October 2016 through the end of our review period.

The review team leader was Aaron Franz, CPA, and the review was supervised by Jacqueline M. Joyner, CPA.

Please address inquiries regarding this report to Christi V. Alexander, CPA, Audit Manager, by e-mail at christialexander@aud.state.fl.us or by telephone at (850) 412-2786.

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DEPARTMENT OF MILITARY AFFAIRS

Office of Inspector General's Internal Audit Activity

SUMMARY

In our opinion, the quality assurance and improvement program related to the Department of Military Affairs, Office of Inspector General's internal audit activity was adequately designed and complied with during the review period July 2016 through June 2017 to provide reasonable assurance of conformance with applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors. 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 internal audit activities.

While not material to overall conformance to professional auditing standards, the internal audit activity can better demonstrate compliance with professional auditing standards by ensuring engagement work programs are approved prior to implementation.

BACKGROUND

Section 20.055(2), Florida Statutes, established in each State agency, as defined by Section 20.055(1)(d), Florida Statutes, the Office of Inspector General. The Adjutant General assigned two positions to the Office of Inspector General and the Interim Inspector General dedicated both positions to the internal audit activity. As authorized by statute, the Interim Inspector General delegated internal audit responsibilities to the Audit Director. The Audit Director performed internal audit activities and other accountability and oversight activities.

Section 20.055(6)(a), Florida Statutes, requires that internal audits be conducted in accordance with current *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* or, where appropriate, *Government Auditing Standards*. *IIA Standards*, issued by The Institute of Internal Auditors, and *Government Auditing Standards*, issued by the Comptroller General of the United States, generally provide comparable guidance for the conduct of assurance engagements. *IIA Standards* also provide supplemental guidance for the conduct of consulting engagements.

The Audit Director identified one engagement that had been completed as part of the Office's internal audit activity during the review period. For this engagement, the Office elected to follow *IIA Standards*.

REPORT ON QUALITY ASSESSMENT REVIEW

Pursuant to Section 11.45(2)(i), Florida Statutes, we have reviewed the quality assurance and improvement program for the Office of Inspector General's internal audit activity in effect for the period July 2016 through June 2017. We also reviewed compliance with specific provisions of Section 20.055, Florida Statutes, governing the operation of State agencies' offices of inspectors general internal audit activities.

A quality assurance and improvement 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 and the Code of Ethics issued by The Institute of Internal Auditors. The design of the quality assurance and improvement 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 and improvement program and performed such tests and other procedures as we considered necessary. Because of inherent limitations in any quality assurance and improvement program, departures from the program may occur and not be detected. Also, projection of any evaluation of the quality assurance and improvement 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 and improvement 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 and the Code of Ethics issued by The Institute of Internal Auditors. 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 internal audit activities.

As discussed in Finding 1, while not material to overall conformance to professional auditing standards, the internal audit activity can better demonstrate compliance with professional auditing standards by ensuring that engagement work programs are approved prior to implementation.

FINDING AND RECOMMENDATION

Finding 1: Engagement Work Programs

As noted in the ***BACKGROUND*** section of this report, the Office of Inspector General's (Office) internal audit activity elected to follow *IIA Standards*. The *IIA Standards* provide a framework for performing and promoting internal auditing. The *IIA Standards* are mandatory requirements that include statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of its performance.

Section 2240.A1 of the *IIA Standards* specifies that engagement work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement, and that the work program must be approved prior to implementation. As part of our review, we examined the working papers for the one engagement completed as part of the Office's internal audit activity during the review period and noted that the engagement work program was not approved prior to the commencement of audit fieldwork. Instead, the work program was reviewed and approved after the completion of audit fieldwork and concurrent with the review of the audit work papers and draft report. In response to our inquiry, the Audit Director indicated that the work program was verbally discussed with the Interim Inspector General prior to the commencement of audit fieldwork; however, these discussions were not documented.

Absent documented approval of the engagement work program prior to the commencement of audit fieldwork, there is an increased risk that the work program procedures will not be sufficient to achieve the engagement objectives.

Recommendation: We recommend that the Office enhance controls to ensure that work program approvals are documented prior to the implementation of the work programs.

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, work products, and other selected programs, activities, and functions conform to applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors; determine compliance with those provisions of Section 20.055, Florida Statutes, that relate to the operation of offices of inspectors general internal audit activities; 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 the one engagement 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*.

As part of our review, we prepared and submitted for management response the finding and recommendation that are included in the report and which describe the matters requiring corrective actions. Managements' responses are included in this report under the heading **MANAGEMENTS' RESPONSES**.

AUTHORITY

Section 11.45(2)(i), Florida Statutes, requires that the Auditor General, once every 3 years, review a sample of internal audit reports to determine compliance by the Office of Inspector General with the current *International Standards for the Professional Practice of Internal Auditing* or, if appropriate, *Government Auditing Standards*. Pursuant to the provisions of Section 11.45(2)(i), Florida Statutes, I have directed that this report be prepared to present the results of our review.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENTS' RESPONSES



STATE OF FLORIDA
Department of Military Affairs
Office of the Adjutant General

St. Francis Barracks, P.O. Box 1008
St. Augustine, Florida 32085-1008

December 12, 2017

Ms. Sherrill F. Norman
Auditor General of Florida
Claude Denson Pepper Building, G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, below is our explanation concerning our actual or proposed corrective action relating to the preliminary and tentative audit finding and recommendation which may be included in your quality assessment review of the Department of Military Affairs Office of the Inspector General's (OIG) Internal Audit Activity.

Finding 1: Engagement Work Papers

Recommendation: The OIG should enhance controls to ensure that work program approvals are documented prior to the implementation of the work programs.

Response: With the appointment of an Inspector General in November 2017, all work programs will be reviewed and approved prior to implementation. We believe that this will enable the OIG to maintain compliance with the requirements of Section 20.055, Florida Statutes.

We appreciate the courtesy and professionalism of your staff throughout the quality assurance review process. If you have any questions, or require any additional information, please do not hesitate to contact Jennifer Ranick, Inspector General, Florida Department of Military Affairs, at (904) 823-0126.

Sincerely,

MICHAEL A. CALHOUN
Major General
Florida National Guard
The Adjutant General

cc:
Eric W. Miller, Chief Inspector General
Randy Arend, Audit Supervisor



RICK SCOTT
GOVERNOR

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December 12, 2017

Ms. Sherrill F. Norman
Auditor General of Florida
Claude Denson Pepper Building, G74
111 West Madison Street
Tallahassee, Florida 32399-1450

RE: Preliminary and Tentative Findings, Explanation, and Corrective Action

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, below is the written explanation concerning the actual or proposed corrective action relating to the preliminary and tentative audit finding and recommendation which may be included in your *quality assessment review* of the Department of Military Affairs Office of the Inspector General's (OIG) Internal Audit Activity.

Finding 1: Engagement Work Papers

Recommendation: The OIG should enhance controls to ensure that work program approvals are documented prior to the implementation of the work programs.

Explanation and Corrective Action: With the appointment of Inspector General Ranick in November 2017, all work programs will be reviewed and approved prior to implementation. Inspector General Ranick and I believe that this will enable the DMA OIG to maintain compliance with the requirements of Section 20.055, Florida Statutes, going forward.

We appreciate the courtesy and professionalism of your staff throughout the quality assurance review process. If you have any questions, or require any additional information, please do not hesitate to contact Jennifer Ranick, Inspector General, Florida Department of Military Affairs, at (904) 823-0126.

Sincerely,

A handwritten signature in black ink that reads "Eric W. Miller".

Eric W. Miller
Chief Inspector General