

**AGENCY FOR STATE TECHNOLOGY**

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 Agency for State Technology**

The Chief Inspector General of the Executive Office of the Governor appointed the Inspector General. Tabitha McNulty served as the Inspector General during the review period.

The review team leader was Nick Pappas, CPA, and the review was supervised by Jacqueline M. Joyner, CPA.

Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at [davidvick@aud.state.fl.us](mailto:davidvick@aud.state.fl.us) or by telephone at (850) 412-2817.

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# AGENCY FOR STATE TECHNOLOGY

## Office of Inspector General's Internal Audit Activity

### **SUMMARY**

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The Agency for State Technology, Office of Inspector General, did not issue any audit reports during the review period July 2016 through June 2017. Consequently, the scope of our review was not sufficient to enable us to express, and we do not express, an opinion on the Office of Inspector General's quality assurance and improvement program, or on the extent to which the Office of Inspector General's internal audit activity complied with applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors.

Section 20.055, Florida Statutes, governs the operation of State agencies' offices of inspectors general internal audit activities. Except as described below and in Finding 1, the Office of Inspector General generally complied with the provisions of Section 20.055, Florida Statutes.

Contrary to applicable professional auditing standards and Section 20.055, Florida Statutes, the Office of Inspector General issued no audit reports during the review period, or since the appointment of the Inspector General in July 2015.<sup>1</sup>

### **BACKGROUND**

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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 Chief Inspector General of the Executive Office of the Governor appointed the Inspector General who was responsible for the internal audit activity. The Inspector General position was the only position assigned to the Agency for State Technology, Office of Inspector General, during the review period July 2016 through June 2017. The Inspector General performed external audit coordination activities and other activities such as investigative 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.

### **REPORT ON QUALITY ASSESSMENT REVIEW**

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Pursuant to Section 11.45(2)(i), Florida Statutes, we attempted to review 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. Additionally, we reviewed compliance with specific provisions of Section 20.055,

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<sup>1</sup> Although the Office of Inspector General was established in July 2014, the Inspector General position remained vacant until July 2015.

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.

As described in Finding 1, the Office of Inspector General issued no audit reports during the review period. Consequently, the scope of our review was not sufficient to enable us to express, and we do not express, an opinion on the Office of Inspector General's quality assurance and improvement program, or on the extent to which the Office of Inspector General internal audit activity complied with applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors. Except as described in Finding 1, 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.

## ***FINDING AND RECOMMENDATION***

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### **Finding 1: Audit Reports**

The Office of Inspector General's (Office) internal audit activity elected to follow *IIA Standards*, which 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. Among these requirements, Section 2030 of the *IIA Standards* specify that the chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Section 20.055(6), Florida Statutes, requires the Inspector General to conduct financial, compliance, electronic data processing, and performance audits of the agency and prepare audit reports of the findings. Additionally, Section 20.055(2)(i), Florida Statutes, requires the Inspector General to maintain an appropriate balance between audit, investigative, and other accountability activities.

The Office's audit plan for the 2016-17 fiscal year included one planned audit. However, contrary to *IIA Standards* and Section 20.055, Florida Statutes, the Inspector General did not issue any audit reports during the review period July 2016 through June 2017, and, as of November 15, 2017, had not issued any audit reports since being appointed in July 2015.<sup>2</sup> Our examination of Office records for the period July 2016 through June 2017 disclosed that the Inspector General only charged 1 hour toward the planned audit and that Office management activities, training, and leave accounted for 50 percent of the Inspector General's charged hours.

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<sup>2</sup> Although the Office was established in July 2014, the Inspector General position remained vacant until July 2015.

Absent effective resource management, the Office's ability to achieve approved audit plans and issue audit reports in accordance with Section 20.055, Florida Statutes, is limited.

**Recommendation:** We recommend that the Inspector General take appropriate actions to ensure that approved audit plans are achieved and audit reports are issued as required by Section 20.055, Florida Statutes.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Except with respect to the scope limitation described in the **REPORT ON QUALITY ASSESSMENT REVIEW** section of this report, 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. As a result of the scope limitation, we were unable to express, and do not express, an opinion on the Office of Inspector General's quality assurance and improvement program, or on the extent to which the Office of Inspector General's internal audit activity complied with applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors. Except with respect to the effect of the scope limitation, 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 Agency management.

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

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Rick Scott, Governor

State of Florida  
**Agency for State Technology**

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Eric M. Larson  
State CIO/Executive Director

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January 16, 2018

Sherrill F. Norman, CPA  
Auditor General  
111 West Madison Street, Suite G74  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to section 11.45(4)(d), Florida Statutes, please find below the Agency for State Technology's (Agency's) response to the preliminary and tentative finding and recommendation of the Office of Inspector General Quality Assessment Review.

**Finding 1: Audit Reports**

The Agency for State Technology's Office of Inspector General did not issue any audit reports during the review period July 2016 through June 2017. Consequently, the scope of our review was not sufficient to enable us to express, and we do not express, an opinion on the Office of Inspector General's quality assurance and improvement program, or the extent to which the Office of Inspector General's internal audit activity complied with applicable auditing standards and the Code of Ethics issued by The Institute of Internal Auditors.

Section 20.055, Florida Statutes, governs the operations of State agencies' offices of inspectors general internal audit activities. Except as described in Finding 1, the Office of Inspector General generally complied with the provisions of Section 20.055, Florida Statutes.

**Recommendation:** We recommend that the Inspector General take appropriate actions to ensure that approved audit plans are achieved and audit reports are issued as required by Section 20.055, Florida Statutes.

**Agency Response:**

The mission of the Office of Inspector General is to be the Agency's central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. This

includes the review of items that prevent and detect fraud and abuse in programs and operations, and to ensure effective coordination between the Auditor General, federal auditors, and other governmental bodies to avoid duplication of these efforts.

During the Fiscal Year 2016-17 review period, the Inspector General spent in excess of 200 hours coordinating external audits conducted by the Auditor General; these audits covered every bureau and platform within the Agency. Additionally, the Inspector General also coordinated audits conducted by Microsoft, IBM, the Internal Revenue Service, the Social Security Administration, the Centers for Medicare and Medicaid Services, and several customers' Office of Inspector's General. In total, the Inspector General was coordinating 18 external audits.

All the completed external audits listed above also require the Inspector General to report on the progress of implementing corrective actions. During the review period, the Inspector General completed and issued reports on the implementation of corrective actions to four Auditor General reports with a total of 21 open audit findings and was working on completing a fifth report at the end of the fiscal year that included 17 additional findings. The Inspector General also provided documentation and updates to customers' external audits which included over 300 issues, updates to security control settings, findings, and recommendations.

The audits discussed above and the additional external audits continuing to be conducted on/at the Agency have seriously depleted Agency resources in providing internal auditing and the availability of corresponding topics. Because of this time commitment, the review and investigation of employee misconduct and potential fraud have been given priority by the Inspector General.

Additionally, in an effort to bolster internal audit resources, the Agency submitted a Legislative Budget Request for Fiscal Year 2017-18 for an audit position, which was subsequently included in the Governor's budget recommendations. However, the Legislature did not provide funding for this position in the General Appropriations Act. Therefore, pursuant to section 216.292, Florida Statutes, the Inspector General cannot have additional employees during the current fiscal year.

To ensure that the Inspector General can meet the additional requirements of section 20.055, Florida Statutes, the Agency has taken steps to assist the Inspector General with coordination with external customer audits. In August 2017, the Agency hired a Compliance Manager with the responsibility of assisting in the coordination of external customer audits, in addition to other Agency responsibilities. This should allow the Inspector General additional time to focus on internal audits.

Lastly, the report indicates the Inspector General spent 50 percent of their chargeable hours on Office management activities, training and leave. However, the report does not indicate the details such as: additional hours worked that were not offset by leave; the consulting with or answering questions for

Agency senior management and customers' Inspector's General; research of legislative issues; review of agency policy and procedures for compliance with best practices and State laws; creating and updating Office of Inspector General Investigative and Audit policy and procedures; and keeping abreast on major agency initiatives. This category was not limited to staff meetings and administrative work.

Furthermore, the leave category is not limited to vacation, sick leave and state holidays, but also included administrative leave for building closures due to Hurricane Hermine. Though holidays, vacation time, and some sick leave are considered during the audit planning, administrative building closures, hurricanes, and illness are unknown and cannot be accounted.

The Agency appreciates the patience, time and energy put forth by your staff to improve the operations of state government, and provides responses to the finding and recommendation in the preliminary and tentative report.

If you have any questions concerning the Agency's response, please contact Tabitha McNulty, Inspector General, at 850-412-6022.

Sincerely,



Eric M. Larson  
State CIO/Executive Director

EL:tam

cc: Tabitha McNulty, Inspector General



RICK SCOTT  
GOVERNOR

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January 9, 2018

Ms. Sherrill F. Norman, CPA  
Auditor General of the State of Florida  
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Dear Ms. Norman:

Pursuant to section 11.45(4)(d), Florida Statutes, below is the response of the Office of the Chief Inspector General to the preliminary and tentative finding and recommendation of the Agency for State Technology (AST) Office of Inspector General's *Quality Assessment Review*. As you know, s. 20.055(3)(b), Florida Statutes, provides that "[f]or state agencies under the jurisdiction of the Governor, the inspector general shall be under the general supervision of the agency head for administrative purposes, [but] shall report to the Chief Inspector General. . . ." The Chief Inspector General's oversight is also extended to retention and removal of Governor's agency inspectors general under s. 20.055(3)(c), Florida Statutes, which provides in pertinent part that "[f]or state agencies under the jurisdiction of the Governor, the inspector general may only be removed from office by the Chief Inspector General for cause, including concerns regarding performance, malfeasance, misfeasance, misconduct, or failure to carry out his or her duties under this section."

**Finding 1: Audit Reports**

The Agency for State Technology, Office of Inspector General, did not issue any audit reports during the review period July 2016 through June 2017. Consequently, the scope of our review was not sufficient to enable us to express, and we do not express, an opinion on the Office of Inspector General's quality assurance and improvement program, or the extent to which the Office of Inspector General's internal audit activity complied with applicable auditing standards and the Code of Ethics issued by The Institute of Internal Auditors.

Section 20.055, Florida Statutes, governs the operations of State agencies' offices of inspectors general internal audit activities. Except as described in Finding 1, the Office of Inspector General generally complied with the provisions of Section 20.055, Florida Statutes.

**Recommendation:**

We recommend that the Inspector General take appropriate actions to ensure that approved audit plans are achieved and audit reports are issued as required by Section 20.055, Florida Statutes.

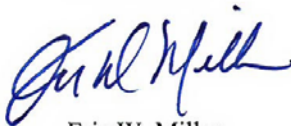
**Chief Inspector General's Response, Explanation, and Planned Corrective Action:**

I concur with the report's finding and recommendation. During the review period, the AST Inspector General was coordinating 18 external audits and issued reports on the implementation of corrective actions to four Auditor General reports with a total of 21 open audit findings and the AST Inspector General was working on completing a fifth report at the end of the fiscal year that included 17 additional findings. The AST Inspector General also provided documentation and updates to AST's external audits during the review period, including documentation and updates addressing over 300 issues, updates to security control settings, findings, and recommendations.

To ensure the AST Inspector General has an adequate deployment and engagement plan for its limited resources while also ensuring that planned audit reports are undertaken and completed, I am removing the legacy expectation that the AST Inspector General dedicate 200 annual hours to the Chief Inspector General's enterprise projects. Additionally, I am working with the AST Inspector General to ensure that an audit is completed within FY 2017-2018. I will follow-up with the AST Inspector General in March of 2018 to gauge her progress with the audit she has opened on AST's continuity of operations plan.

I appreciate the professionalism that you and your staff demonstrated in conducting and communicating the results of this review. Thank you for the opportunity for input. If you have any questions concerning this response, or seek other clarification, please contact me directly at 850-717-9264.

Respectfully,



Eric W. Miller  
Chief Inspector General