

STATE OF FLORIDA AUDITOR GENERAL

Quality Assessment Review

Report No. 2022-080
January 2022

**DEPARTMENT OF
MANAGEMENT SERVICES**

Office of Inspector General's
Internal Audit Activity

For the Review Period
July 2020 Through June 2021



Sherrill F. Norman, CPA
Auditor General

Inspector General of the Department of Management Services

The Chief Inspector General of the Executive Office of the Governor appointed the Inspector General. Sarah Beth Hall served as the Inspector General during the review period.

The review team leader was Lisa Norman, CPA, and the review was supervised by Melisa Hevey, CPA.

Please address inquiries regarding this report to Matthew Tracy, CPA, Deputy Auditor General, by e-mail at matthewtracy@aud.state.fl.us or by telephone at (850) 412-2922.

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DEPARTMENT OF MANAGEMENT SERVICES

Office of Inspector General's Internal Audit Activity

SUMMARY

In our opinion, the quality assurance and improvement program related to the Department of Management Services, Office of Inspector General's internal audit activity was adequately designed and complied with during the review period July 2020 through June 2021 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 improve its audit management and work processes by further restricting access to engagement working papers.

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 Secretary assigned 13 positions to the Office of Inspector General and the Inspector General dedicated 5 positions to the internal audit activity. As authorized by statute, the Inspector General delegated internal audit responsibilities to the Audit Director. The 5 audit positions 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 Inspector General identified eight engagements that had been completed as part of the Office's internal audit activity during the review period. For these engagements, 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 2020 through June 2021. 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 improve its audit management and work processes by further restricting access to engagement working papers.

FINDING AND RECOMMENDATION

Finding 1: Engagement Working Paper Controls

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 services. 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 performance.

Section 2330 of the *IIA Standards* specifies that internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. Integral to this is the establishment of effective access controls over the engagement records. The Office maintained electronic working papers on a shared network drive. As part of our review, we evaluated Office engagement record controls and noted that, while not material to overall conformance to professional auditing standards, the internal audit activity can improve its audit management and work processes by further restricting access to engagement working papers. Specifically, we found that:

- While Office procedures required working papers be sufficient, competent, relevant, and useful to provide a sound basis for audit findings and recommendations, the policies and procedures authorized all internal audit staff access to electronic working papers, irrespective of audit assignment.
- All internal audit staff had update access privileges to all electronic working papers. Our review of two of the eight engagements completed as part of the Office's internal audit activity during the review period found that the electronic working paper files for both engagements indicated that certain files had modification dates after report issuance, with the audit program for one of the engagements having a modification date 9 months after report release.

Subsequent to our inquiry, Office management provided documentation indicating that access to working papers for completed engagements was being converted to read-only, along with revised policies and procedures specifying that access to working papers for all ongoing and future engagements would be converted to read-only 60 days after engagement closeout. Notwithstanding, restricting access to engagement working papers to only internal audit staff assigned to the engagement would better promote the maintenance of engagement working papers in accordance with the *IIA Standards*.

Recommendation: We recommend that Office management continue efforts to control access to the engagement records, including evaluating the necessity for all internal audit staff to have update access privileges to all electronic working papers.

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.

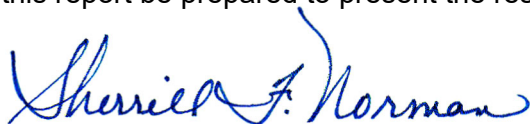
The objectives of this review were to evaluate the extent to which the Office of the Inspector General's internal audit activity's charter, policies and procedures, quality assurance and improvement program, work products, and other selected programs, activities, and functions conform to applicable professional 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 two of the eight engagements 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 included in this report, which describes 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



4050 Esplanade Way
Tallahassee, FL 32399-0950
850-488-2786

Ron DeSantis, Governor
J. Todd Inman, Secretary

December 29, 2021

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

Dear Ms. Norman:

Pursuant to section 11.45(4)(d), Florida Statutes, enclosed is the response to the preliminary and tentative finding and recommendation included in your Quality Assessment Review of the Department of Management Services, (DMS), Office of Inspector General's (OIG) Internal Audit Activity for the period of July 2020 through June 2021.

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 contact Sarah Beth Hall, Inspector General, at (850) 488-5285.

Sincerely,



J. Todd Inman
Secretary

Enclosure

cc: Melinda Miguel, Chief Inspector General
Sarah Beth Hall, Inspector General

**Department of Management Services
Office of Inspector General's Internal Audit Activity
Response to Preliminary and Tentative Audit Finding**

Finding No. 1: Engagement Working Paper Controls

Recommendation: We recommend that Office management continue efforts to control access to the engagement records, including evaluating the necessity for all internal audit staff to have update access privileges to all electronic working papers.

OIG Response: We agree that controlling access to engagement records is an important control for the internal audit activity and have continued efforts to control access to such records, including evaluating the necessity for all internal audit staff to have update access privileges to all electronic working papers. At the beginning of each engagement, we will evaluate and determine which internal audit staff member(s) will be assigned to and have update access privileges to electronic working papers for the engagement. Access privileges to electronic working papers for completed engagements will be updated to read-only access within 60-days after engagement closeout.



RON DESANTIS
GOVERNOR

STATE OF FLORIDA

Office of the Governor

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December 29, 2021

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

RE: Preliminary and Tentative Finding Explanation and Corrective Action

Dear Ms. Norman:

Pursuant to section 11.45(4)(d), Florida Statutes, enclosed is the response to the preliminary and tentative finding and recommendation included in your Quality Assessment Review of the Department of Management Services (DMS), Office of Inspector General's (OIG) Internal Audit Activity for the period of July 2020 through June 2021.

We appreciate the work your office performed to provide the opinion that the quality assurance and improvement program related to the DMS, OIG'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. As well as, that the DMS OIG generally complied with those provisions of Section 20.055, Florida Statutes, governing the operation of State agencies' offices of inspectors general internal audit activities. My office has participated in both a working and the exit conference for the DMS OIG internal audit activity's quality assessment review and agree with the agency's response to the preliminary and tentative audit finding and recommendation.

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 contact Sarah Beth Hall, Inspector General, at 850-488-5285.

Sincerely,

A handwritten signature in black ink, appearing to read "Melinda M. Miguel".

for
Melinda M. Miguel
Chief Inspector General

cc: Sarah Beth Hall, Inspector General