



# AUDITOR GENERAL

WILLIAM O. MONROE, CPA



**DEPARTMENT OF MILITARY AFFAIRS**  
**OFFICE OF INSPECTOR GENERAL/INTERNAL AUDIT ACTIVITY**  
 Quality Assessment Review

**SUMMARY**

In our opinion, the quality assurance program related to the Office of Inspector General/internal audit activity, as designed and implemented during the review period July 2004 through June 2005, 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.

While not material to overall conformance to professional auditing standards, the Office of the Inspector General can enhance its audit guidance and engagement processes and its compliance with Section 20.055, Florida Statutes, as follows:

- The Office of Inspector General should continue its efforts to ensure:
  - The annual audit plan is supported by a current overall assessment of the significant risks and exposures of Department programs and resources,
  - Annual estimates of necessary audit resources are developed and communicated to Department management, and
  - Planned audit coverage is monitored to assure the appropriate completion of planned audit activities.

- The Office of Inspector General should ensure that, in both planning and performing audits, the auditor's consideration and understanding of internal control is appropriately documented. Also, appropriate to current staffing levels, the Office should develop processes to better document the supervisory review of work performed.
- To maintain auditors' professional proficiency in performing audits of the Department's Federal and State programs and resources, the Inspector General should emphasize annual progress in meeting the continuing professional education requirements of *Government Auditing Standards*.

**THE OFFICE OF INSPECTOR GENERAL**

Section 20.055, Florida Statutes, requires that each State agency as defined in Section 20.055(1)(a), Florida Statutes, establish an office of inspector general. 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, *Government Auditing Standards*.

The Department's Office of Inspector General was assigned two audit positions, including the Inspector General position. The Inspector General provided the following information regarding internal audit activities performed during the review period:

**The Office of Inspector General**

Activity Performed	Percentage of Work Effort (1)
Auditing Activities	35
Investigative Activities	60
Other Accountability/Oversight Activities	5
	<u>100</u>

(1) Direct time charged to engagement activities.

The Inspector General identified one assurance engagement completed during the review period within the Office’s quality assurance program.<sup>1</sup> Our review included an evaluation of this engagement and the related working papers for compliance with applicable professional auditing standards. During the review period, the Office of Inspector General had elected to follow *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/internal audit activity of the Department of Military Affairs in effect for the period July 2004 through June 2005. 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 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 auditing standards. 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, *Government Auditing Standards*. The *IIA Standards*, as promulgated by The Institute of Internal Auditors, and *Government Auditing Standards*, as promulgated by the Comptroller General of the United States, generally provide comparable guidance for the conduct of assurance engagements. The *IIA Standards* also provide

<sup>1</sup> The Inspector General also identified an audit report on the Department’s direct support organization and one investigation report as being completed during the review period. Those engagements were not within the scope of this review.

supplemental guidance for the conduct of consulting engagements.

Our review was modeled primarily on the methodology presented in *The Institute of Internal Auditors’ Quality Assessment Manual, Fourth Edition*. 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/internal audit activity of the Department of Military Affairs, 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.

While not material to overall conformance to professional auditing standards, the internal audit activity can improve its audit management and work processes and its compliance with Section 20.055, Florida Statutes, as described below.

***Audit Planning***

Consistent with *Government Auditing Standards*, Section 20.055(5)(h), Florida Statutes, requires that the inspector general develop long-term and annual audit plans based on the results of periodic risk assessments. Although the Office of Inspector General had prepared annual audit plans that addressed significant risks and exposures of Department programs and resources, these plans were not supported by a current risk assessment. The most recent documented risk assessment had been prepared in June 1997. We also noted that the Office had not fully communicated in

its annual plan the audit resource requirements for planned audits, or implemented a process to monitor the progress of planned audit coverage.<sup>2</sup>

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**Recommendation:** We recommend that the Office of Inspector General continue its efforts to ensure:

- The annual audit plan is supported by a current overall assessment of the significant risks and exposures of Department programs and resources,
- Annual estimates of necessary audit resources are developed and communicated to Department management, and
- Planned audit coverage is monitored to assure the appropriate completion of planned audit activities.

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### ***Documentation of Engagement Processes***

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The Office of Inspector General has elected to follow *Government Auditing Standards* in conducting internal audits. To promote compliance with *Government Auditing Standards* in planning, conducting, supervising, and reporting internal audits, internal audit policies and procedures should include updated guidance that appropriately translate and implement the *Standards* being followed, including supervision requirements suitable to current staffing levels.

In addition to *Government Auditing Standards*, the Office of Inspector General has adopted the *Inspector General for Department of Defense's Internal Audit Manual* to, in part, maintain consistency between audits of Federal and State resources. However, our review of the audit plan and the working papers for the selected audit indicated that improvements are needed in documenting compliance with the *Standards*:

- While the audit plan, working papers, and report generally addressed internal controls, the auditor's planning consideration of internal control risk and the judgments as to how such risk affected planned audit procedures was not adequately documented.

- The working papers did not appropriately evidence supervisory review of work performed.

Such engagement processes are important in planning and conducting the audit procedures considered necessary to comply with applicable *Standards* and achieve the audit objectives.

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**Recommendation:** We recommend the Office of Inspector General ensure that, in both planning and performing audits, the auditor's consideration and understanding of internal control is appropriately documented. Also, we recommend that, appropriate to current staffing levels, the Office develop processes to better document the supervisory review of work performed.

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### ***Continuing Professional Education***

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*Government Auditing Standards* provides that each auditor performing work under the *Standards* should complete, every 2 years, at least 80 hours of continuing professional education (CPE) that directly enhance the auditor's professional proficiency to perform audits. At least 24 of the 80 hours of CPE should be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. The audit organization is responsible for ensuring that auditors meet the CPE requirements and should maintain documentation of the CPE completed. Our review of the Office of Inspector General's CPE documentation disclosed that, although the Inspector General had completed the 80 hours required for the most recent 2-year period, neither the Inspector General nor the Internal Auditor had completed any CPE during the 2004-05 fiscal year.

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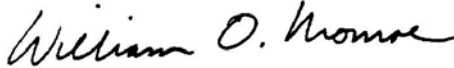
**Recommendation:** To maintain auditors' professional proficiency in performing audits of the Department's Federal and State programs and resources, we recommend the Inspector General emphasize annual progress in meeting the CPE requirements of *Government Auditing Standards*.

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<sup>2</sup> Section 20.055(2)(i), Florida Statutes, requires the Inspector General to ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.

**AUTHORITY**

Pursuant to the provisions of Sections 11.45 and 20.055, Florida Statutes, I have directed that this report be prepared to present the results of our review.



William O. Monroe, CPA  
Auditor General

**MANAGEMENT RESPONSE**

In a letter dated October 18, 2005, the Adjutant General generally concurred with our recommendations and described corrective actions already taken or planned for future implementation. The Adjutant General's response has been included as Exhibit A of this report.

This quality assessment review was made in accordance with applicable **Government Auditing Standards** issued by the Comptroller General of the United States. This review was conducted by Melinda G. Jones, CPA, and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to L. R. Weathermon, CPA, Audit Manager, via e-mail at [lrweathermon@aud.state.fl.us](mailto:lrweathermon@aud.state.fl.us) or by telephone at (850) 488-9113.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.state.fl.us/audgen/>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

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EXHIBIT A - MANAGEMENT RESPONSE

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STATE OF FLORIDA  
DEPARTMENT OF MILITARY AFFAIRS  
Office of the Adjutant General  
St. Francis Barracks, P.O. Box 1008  
St. Augustine, Florida 32085-1008

October 18, 2005

Mr. William O. Monroe, CPA  
Auditor General, State of Florida  
G-74 Claude Pepper Building  
111 West Madison Street  
Post Office Box 1735  
Tallahassee, Florida 32302

Dear Mr. Monroe:

In accordance with Section 11.45(4)(d), Florida Statutes, we present, herewith, the Florida Department of Military Affairs' (FDMA) explanation and actual or proposed corrective actions, concerning the findings included within your letter of September 19, 2005 relating to your Quality Assessment Review of the Department of Military Affairs, Office of the Inspector General/Internal Audit Activity, for the period July 2004 through June 2005.

Recommendation: We recommend that the Office of Inspector General continue its efforts to ensure:

- The Annual audit plan is supported by a current overall assessment of the significant risks and exposures of Department programs and resources,
- Annual estimates of necessary audit resources are developed and communicated to Department Management, and
- Planned audit coverage is monitored to assure the appropriate completion of planned audit activities.

We concur with the Auditor General's recommendation, and we will continue our efforts to ensure that the aforementioned improvements to the audit plan are executed. Additionally, we will monitor planned audit coverage to assure the appropriate completion of planned audit activities.

Recommendation: We recommend the Office of Inspector General ensure that, in both planning and performing audits, the Auditors' consideration and understanding of internal control is appropriately documented. Also, we recommend that, appropriate to current staffing levels, the Office develop processes to better document the supervisory review of work performed.

We have revised our Audit Programs to include audit procedures to ensure that, in both planning and performing audits, the Auditor's consideration and understanding of internal control is appropriately documented. Audit programs also have been revised to include the documentation of the Supervisory review of work performed.

Recommendation: To maintain Auditor's professional proficiency in performing audits of the Department's Federal and State programs and resources, we recommend the Inspector General emphasize annual progress in meeting the CPE requirements of Government Auditing Standards.

The Inspector General has amended the annual CPE plan to meet Government Auditing Standards.

We believe that the aforementioned will enable the Department to maintain compliance with the requirements of Section 20.055, Florida Statutes.

We appreciate the courtesy and professionalism of your staff throughout the review process. If you have any questions, or require any additional information, please do not hesitate to contact Mr. Edward C. Mosca, CPA, Inspector General, Florida Department of Military Affairs, at (904) 823-0220.

Sincerely



Douglas Burnett  
Major General  
Florida National Guard  
The Adjutant General

Distribution:  
Mr. John Duffy