



# AUDITOR GENERAL

WILLIAM O. MONROE, CPA



## DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION 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 and the internal audit activity, as designed and implemented during the review period July 2005 through June 2006, 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 by developing annual and long-term audit plans that are based on the findings of annual risk assessments.

### 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, *Generally Accepted Government Auditing Standards*.

As authorized by statute, the Department's Inspector General delegated internal audit responsibilities to the Director of Auditing and three other positions. The Director of Auditing provided the following information regarding activities performed by these audit positions during the review period:

The Office of Inspector General Internal Audit Activity	
Activity Performed	Percentage of Work Effort (1)
Auditing Activities	61
Other Accountability/Oversight Activities	39
	<u>100</u>

(1) Direct time charged to engagement activities.

The Director of Auditing identified three assurance engagements that had been completed during the review period. Our review included an evaluation of one of these engagements (an audit report) and the related working papers for compliance with applicable professional auditing standards. For engagements completed during the review period, the internal audit activity had elected to follow the *International Standards for the Professional Practice of Internal Auditing*.

---



---

**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 Business and Professional Regulation in effect for the period July 2005 through June 2006. 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, *Generally Accepted Government Auditing Standards*. The *IIA Standards*, as promulgated by The Institute of Internal Auditors, and *Generally Accepted 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 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 Business and Professional Regulation, 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.

---



---

**Finding No. 1: Audit Planning and Annual Risk Assessments**


---



---

Both the *IIA Standards* and Section 20.055(5)(h), Florida Statutes, require the preparation of a risk assessment. *IIA Standards* provide that the internal audit activity's plan of engagements should be based on a risk assessment, undertaken at least annually. As indicated in the *IIA Standards*, the risk assessment process should incorporate information from a variety of sources, such as discussions among management and internal auditors, internal auditor consideration of applicable laws and regulations, internal auditor analyses of financial and operating data, internal auditor reviews of prior audits, and internal auditor consideration of the effectiveness of internal controls. Section 20.055(5)(h), Florida Statutes, requires that the inspector general develop long-term and annual audit plans based on the findings of periodic risk assessments.

As required by Section 20.055(5)(h), Florida Statutes, the Department's internal audit activity developed a long-term audit plan and an annual audit plan for the 2005-06 State fiscal year. However, these plans were based on a divisionwide approach to auditing adopted in August 2004. Under this approach, each division was to be audited at least once every three years. However, the approach was not supported by a risk assessment that documented consideration of the information indicated in the *IIA Standards*.

The Inspector General did provide us with a risk assessment and audit plan for the 2006-07 State fiscal year that had been completed in June 2006. In response to our inquiries, the Inspector General provided a copy of the next most recent risk assessment that was prepared in August 2003.

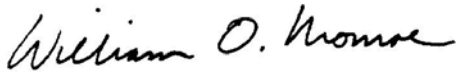
---

**Recommendation:** We recommend that the Department's Office of Inspector General ensure that audit plans are based on annual risk assessments that are prepared in accordance with *IIA Standards*.

---

**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 6, 2006, the Secretary of the Department of Business and Professional Regulation provided a response to our preliminary and tentative review finding. This letter is included at the end of this report as Appendix A.

This quality assessment review was conducted in accordance with applicable **Generally Accepted Government Auditing Standards**. This review was conducted by Hillman G. Brannon, Jr., CPA, and supervised by Sherrill F. Norman, CPA. Please address inquiries regarding this report to Dorothy R. Gilbert, CPA, Audit Manager, via e-mail at [dorothygilbert@aud.state.fl.us](mailto:dorothygilbert@aud.state.fl.us) or by telephone at (850) 488-5444.

This report and 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).

APPENDIX A  
MANAGEMENT RESPONSE



STATE OF FLORIDA  
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION



October 6, 2006

William O. Monroe  
Auditor General  
State of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Jeb Bush  
Governor  
Simone Marstiller  
Secretary

Office of the Secretary  
1940 North Monroe Street  
Tallahassee, Florida  
32399-0750

VOICE  
850.413.0755

FAX  
850.921.4094

EMAIL  
Secretary@dbpr.state.fl.us

INTERNET  
www.MyFlorida.com/dbpr

Dear Mr. Monroe:

In accordance with Section 11.45(4)(d), Florida Statutes, enclosed is our response to the State of Florida Auditor General's September 26, 2006 Preliminary and Tentative Finding and Recommendation based on a review of the Office of Inspector General/Internal Audit Activity.

We appreciate the time and energy put forth by your staff, and your efforts to improve the operations of state government. Please contact me at 413-0755 if you need further information of have additional questions.

Sincerely,

Simone Marstiller  
Secretary

SM/RF/vbh

Enclosure

cc: James Blount, Chief of Staff  
Ron Russo, Inspector General



**APPENDIX A**  
**MANAGEMENT RESPONSE**

**Department of Business and Professional Regulation**  
**Office of Inspector General/Internal Audit Activity**  
**Response to Finding and Recommendation**

**Finding No. 1:**

While not material to overall conformance to professional auditing standards, the internal audit activity can improve its audit management and work processes by developing annual and long-term audit plans that are based on the findings of annual risk assessments.

**AG Recommendation:**

We recommend that the Department's Office of Inspector General ensure that audit plans are based on annual risk assessments that are prepared in accordance with *IIA Standards*.

**Agency Response:**

We concur with the finding. As stated in the report, the annual audit plan for 2005-06 fiscal year was based on a division-wide approach to auditing adopted in August 2004. Under this approach, each division was to be audited at least once every three years.

Also, as stated in the report, the Inspector General provided a risk assessment and audit plan for the 2006-07 fiscal year that had been completed in June 2006. This risk assessment was performed in accordance with *IIA Standards* and *Practice Advisories* and will be conducted on an annual basis.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**THIS PAGE INTENTIONALLY LEFT BLANK**