



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



DEPARTMENT OF ENVIRONMENTAL PROTECTION 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 as summarized below:

Finding No. 1: Documentation of the annual risk assessment and audit planning processes should be enhanced.

Finding No. 2: The Department's responses to reports issued by the Auditor General were not submitted within six months as required by Florida Statutes.

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 eight other positions. The Inspector General provided the following information regarding activities performed by these audit positions during the review period:

The Office of Inspector General	
Activity Performed	Percentage of Work Effort (1)
Auditing Activities	80
Investigative Activities	1
Other Accountability/Oversight Activities	19
	<u>100</u>

(1) Direct time charged to engagement activities.

The Director of Auditing identified 2 assurance engagements, 11 consulting engagements, and 25 external audit engagements that had been completed within the Office of Inspector General's quality assurance program. Our review included an evaluation of three of these engagements 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 Environmental Protection 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 Environmental Protection, 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: Risk Assessment and Audit Planning

Risk assessments serve in identifying possible auditable activities and facilitate internal audit decisions as to the significant risks and exposures of the major areas of the organization and the identified auditable activities. Section 20.055(5)(h), Florida Statutes, requires the Inspector General to develop long-term and annual audit plans based on periodic risk assessments. The audit plans are required to show the individual audits to be conducted during each year and the related resources to be allocated to the respective audits.

For the period under review, the Department used a risk assessment process that took into consideration numerical rankings (risk scores) to assist in the identification of possible auditable topics. Department personnel stated that the selection of the auditable topics included in the 2005-06 fiscal year audit plan was based on the annual risk assessment and other factors such as management requests, audits required by statute, and district office rotational audits.

While the risk assessment included a ranking to indicate the areas of greatest exposure for the Department, the audit plan did not always reflect those areas. The judgments or rationale for selecting lesser ranked areas was also not documented. In addition, although several auditable activities in the risk assessment were not assigned a numerical ranking, they were selected for review.

In response to our inquiries, the Department concurred and indicated that explanations would be included in future risk assessments to more fully document the selection process.

Recommendation: We recommend the Department fully document the justification or rationale upon which audit activities are selected from the risk assessment for inclusion in the annual audit plan.

Finding No. 2: Follow-up on External Audit Reports

Section 20.055(5)(g), Florida Statutes, requires that no later than six months after the Auditor General or the Office of Program Policy Analysis and Government Accountability publishes a report on the state agency, the Inspector General shall provide a written response to the agency head on the status of corrective actions taken.

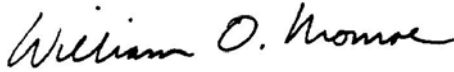
During the review period, three reports issued by the Auditor General required a six month response. For two reports, the responses were not provided to the Secretary within six months as required. The reports were issued 29 and 42 days late.

The Department indicated that due to coordinating several reports to management, the responses were not timely submitted, and that Department procedures were being revised to ensure timeliness of responses.

Recommendation: We recommend that the Inspector General pursue the implementation of procedures to reasonably ensure timely responses.

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 24, 2006, the Secretary of the Department of Environmental Protection provided a response to our preliminary and tentative review findings. 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 Samantha Colbert, CPA, and supervised by Jane Flowers, CPA. Please address inquiries regarding this report to Jane Flowers, Audit Manager, via e-mail at janeflowers@aud.state.fl.us or by telephone at (850) 487-9136.

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).

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APPENDIX A

MANAGEMENT RESPONSE



Jeb Bush
Governor

Department of Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, Florida 32399-3000

Colleen M. Castille
Secretary

October 24, 2006

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

Dear Mr. Monroe:

In accordance with Section 11.45(4)(d), Florida Statutes, below is our response to the findings contained in the Auditor General's Quality Assessment Review of the Department of Environmental Protection Office of Inspector General/ Internal Audit Activity. We have addressed the Review's findings and recommendations.

Finding 1: Documentation of the annual risk assessment and audit planning processes should be enhanced.

Recommendation: The Auditor General recommends the Department fully document the justification or rationale upon which audit activities are selected from the risk assessment for inclusion in the annual audit plan.

Response: The Office of Inspector General (OIG) has taken steps to document which activities are selected from the risk assessment for inclusion in the annual audit plan. In areas which are categorized as medium to high or high risk on the risk assessment score card, a field has been added which identifies the audit plan project. To accommodate management requests and changing circumstances, the Audit Plan will be evaluated at regular intervals and adjusted as necessary.

Finding 2: The Department's responses to reports issued by the Auditor General were not submitted within six months as required by Florida Statutes.

Recommendation: The Auditor General recommends that the Inspector General pursue the implementation of procedures to reasonably ensure timely responses.

Response: The OIG has improved procedures to ensure that six-month response deadlines are met. These include establishing target dates required for requesting and receiving program responses and notifying managers of delays. The Director of Auditing will be responsible for monitoring deadlines and reporting delays to Department management. Also, internal audit

"More Protection, Less Process"

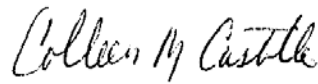
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Mr. William O. Monroe
October 24, 2006
Page 2

follow-up reporting and monitoring will be better coordinated to avoid duplication of effort and ensure that deadlines are met.

The Office of Inspector General appreciates the effort of the Auditor General and will ensure that appropriate corrective actions are implemented. If you have questions or need additional information, please call Joe Aita, Director of Auditing at (850) 245- 3151.

Sincerely,



Colleen M. Castille
Secretary

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