

**DEPARTMENT OF HEALTH  
OFFICE OF INSPECTOR GENERAL'S  
INTERNAL AUDIT ACTIVITY**

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Quality Assessment Review

For the Review Period  
July 2007 Through June 2008



**INSPECTOR GENERAL OF THE DEPARTMENT OF HEALTH**

The Inspector General was appointed by the Surgeon General of Florida. James Boyd served as the Inspector General during the review period.

The review team leader was Frank Becton, CPA, and the review was supervised by Jennifer Barineau, CPA. Please address inquiries regarding this report to Jennifer Barineau, CPA, Audit Supervisor, by e-mail at [jenniferbarineau@aud.state.fl.us](mailto:jenniferbarineau@aud.state.fl.us) or by telephone at (850) 414-0832.

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

**DEPARTMENT OF HEALTH**

Office of Inspector General’s Internal Audit Activity

**SUMMARY**

In our opinion, the quality assurance program related to the Office of Inspector General’s internal audit activity, as designed and implemented during the review period July 2007 through June 2008, 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 properly reporting auditing standards followed in conducting audits and by performing risk assessments of information systems controls.

**BACKGROUND**

Section 20.055, Florida Statutes, requires that each State agency, as defined by Section 20.055(1)(a), Florida Statutes, establish an office of inspector general. The Department’s Office of Inspector General was assigned twenty positions. Four positions, excluding the Inspector General position, were dedicated to the internal audit activity. 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:

<b>The Office of Inspector General</b>	
<b>Activity Performed</b>	<b>Percentage of Work Effort (1)</b>
Auditing Activities	29
Performance Measure Activities	21
Other Accountability/Oversight Activities	50
	<u>100</u>
(1) Direct time charged to engagement activities.	

The Director of Auditing identified seven engagements that had been completed as part of internal audit activity during the review period within the Office of Inspector General’s quality assurance program. For engagements completed during the review period, the Office of Inspector General’s internal audit activity had elected to follow generally accepted government auditing standards.

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## REPORT ON QUALITY ASSESSMENT REVIEW

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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's internal audit activity of the Department of Health in effect for the period July 2007 through June 2008. 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 Office of Inspector General's 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. The design of the quality assurance program and compliance with it are the responsibility of the Office of Inspector General. 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 generally provide comparable guidance for the conduct of assurance engagements. The *IIA Standards* also provide supplemental guidance for the conduct of consulting engagements.

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's internal audit activity of the Department of Health, 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.

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## FINDING AND RECOMMENDATION

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### **Finding No. 1: Standards Compliance**

As previously disclosed, the Office of Inspector General's (OIG) internal audit activity has elected to follow generally accepted government auditing standards (GAGAS), which are issued by the Comptroller General of the United States. GAGAS require that when auditors comply with applicable GAGAS requirements they should state in the audit report that the performance audit was conducted in accordance with GAGAS. When auditors do not comply with all applicable GAGAS requirements, they should include a modified compliance statement in the audit report that indicates the standards that were not followed or that the auditor did not follow GAGAS. The Comptroller General issued a revised version of GAGAS in 2007. There are significant differences between the requirements of the GAGAS 2007 revision and the GAGAS 2003 revision. Our review disclosed that the OIG generally complied with GAGAS, accept as follows:

- Our review disclosed that the report for one of the three engagements (audits) selected for review improperly stated that the audit had been conducted in accordance with the GAGAS 2007 revision, although planning and

fieldwork documentation indicated that these phases were conducted in accordance with the GAGAS 2003 revision. Although the OIG began early implementation of the GAGAS 2007 revision during the review period, due to the timing of this particular audit the OIG had implemented the reporting standards relating to report contents, but had not updated the working papers to comply with the GAGAS 2007 revision planning and fieldwork standards. Inaccurate reporting of the applicable GAGAS standards followed in conducting an audit limits the readers' ability to determine applicable professional standards followed in an engagement.

- Paragraph 7.11(c), GAGAS 2007 revision, requires that audits include an assessment of information systems controls and related risks within the context of the audit objectives. Our review disclosed that for a second engagement (audit) selected for review, for which the working papers indicated compliance with the GAGAS 2007 revision, there was no evidence that the audit included a risk assessment of information systems controls or that information systems were not significant to the audit objectives. Contrary to GAGAS, the audit report did not include modified language regarding the lack of compliance with this standard. The Inspector General stated that the OIG discontinued performing risk assessments of information systems controls because the Information Technology (IT) Auditor resigned and available remaining staff did not have sufficient IT expertise. By not performing assessments of information systems controls for this audit, the OIG did not consider internal controls that may be significant to the audit objectives.

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**Recommendation:** The OIG should ensure that audit reports contain the correct reference to applicable standards and that applicable standards are followed in the performance of fieldwork, or that appropriate disclosures are included in the audit report. The OIG should also determine whether inaccurate compliance statements were included in other issued reports and assess the impact to determine whether reissuing the reports is warranted.

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### OBJECTIVES, SCOPE, AND METHODOLOGY

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We conducted this quality assessment review in accordance with applicable 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, and work products conform to applicable professional auditing standards; determine compliance with those provisions of Section 20.055, Florida Statutes, that relate to the operation of State agencies' offices of inspectors general and internal audit activities; assess the Office of the Inspector General's internal audit activity's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of agency management); 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.

Our review included an evaluation of three of the seven engagements completed as part of 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, Fifth Edition*.

**AUTHORITY**

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. Pursuant to the provisions of Section 11.45(2)(k), Florida Statutes, I have directed that this report be prepared to present the results of our review.



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

A written response from the Surgeon General of Florida is included as Exhibit A.

EXHIBIT A  
MANAGEMENT'S RESPONSE



Charlie Crist  
Governor

Ana M. Viamonte Ros, M.D., M.P.H.  
State Surgeon General

January 9, 2009

Mr. David W. Martin, C.P.A.  
Auditor General  
Room G74, Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

We are pleased to respond to the preliminary and tentative findings and recommendations concerning your quality assessment review:

**Department of Health Office of Inspector General's  
Internal Audit Activity Quality Assessment Review  
July 2007 through June 2008**

As required by section 11.45(4)(d), *Florida Statutes*, our response to the finding is enclosed.

We appreciate the effort of you and your staff in assisting to improve our operations. If you have any questions, please contact our Inspector General, James D. Boyd at 245-4140.

Sincerely,

A handwritten signature in black ink that reads "Ana M. Viamonte Ros".

Ana M. Viamonte Ros, M.D., M.P.H.  
State Surgeon General

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Attachment

cc: James D. Boyd, C.P.A., M.B.A.  
Inspector General  
Karen Zeiler  
Chief of Staff

DOH Office of Inspector General's Internal Audit Activity Quality Assessment Review

Para. # Finding:	Recommendation:	Management Response:	Corrective Action Plan:
<p>1 As previously disclosed, the Office of Inspector General's (OIG) internal audit activity has elected to follow generally accepted government auditing standards (GAGAS), which are issued by the Comptroller General of the United States. GAGAS require that when auditors comply with applicable GAGAS requirements they should state in the audit report that the performance audit was conducted in accordance with GAGAS. When auditors do not comply with all applicable GAGAS requirements, they should include a modified compliance statement in the audit report that indicates the standards that were not followed or that the auditor did not follow GAGAS. The Comptroller General issued a revised version of GAGAS in 2007. There are significant differences between the requirements of the GAGAS 2007 revision and the GAGAS 2003 revision. Our review disclosed that the OIG generally complied with GAGAS, except as follows:                      * Our review disclosed that the report for one of the three engagements (audits) selected for review improperly</p>	<p>The OIG should ensure that audit reports contain the correct reference to applicable standards and that applicable standards are followed in the performance of fieldwork, or that appropriate disclosures are included in the audit report. The OIG should also determine whether inaccurate compliance statements were included in other issued reports and assess the impact to determine whether reissuing the reports is warranted.</p>	<p>We concur. It is important we follow all reporting standards and guidance for audits conducted in accordance with generally accepted government auditing standards (GAGAS).</p>	<p>We will update our controls to ensure audit reports reference the applicable version (year) of audit standards. We have reviewed published reports and determined other published reports also referenced the 2007 GAGAS revision, without an appropriate modified GAGAS compliance statement. We have reviewed published reports and found no issues that would decrease the quality and impact of findings and recommendations made to agency management. We will improve our controls prospectively.</p>



<i>Para. # Finding:</i>	<i>Recommendation:</i>	<i>Management Response:</i>	<i>Corrective Action Plan:</i>
<p>stated that the audit had been conducted in accordance with the GAGAS 2007 revision, although planning and fieldwork documentation indicated that these phases were conducted in accordance with the GAGAS 2003 revision. Although the OIG began early implementation of the GAGAS 2007 revision during the review period, due to the timing of this particular audit the OIG had implemented the reporting standards relating to report contents, but had not updated the working papers to comply with the GAGAS 2007 revision planning and fieldwork standards. Inaccurate reporting of the applicable GAGAS standards followed in conducting an audit limits the readers' ability to determine applicable professional standards followed in an engagement.</p>			
<p>•□Paraphrase 7.11(c), GAGAS 2007 revision, requires that audits include an assessment of information systems controls and related risks within the context of the audit objectives. Our review disclosed that for a second engagement (audit) selected for review, for which the working papers indicated compliance with the GAGAS 2007 revision, there was no evidence that the audit included a risk assessment of information systems controls or that information systems</p>			

<i>Para. # Finding:</i>	<i>Recommendation:</i>	<i>Management Response:</i>	<i>Corrective Action Plan:</i>
<p>were not significant to the audit objectives. Contrary to GAGAS, the audit report did not include modified language regarding the lack of compliance with this standard. The Inspector General stated that the OIG discontinued performing risk assessments of information systems controls because the Information Technology (IT) Auditor resigned and available remaining staff did not have sufficient IT expertise. By not performing assessments of information systems controls for this audit, the OIG did not consider internal controls that may be significant to the audit objectives.</p>			