

DEPARTMENT OF VETERANS' AFFAIRS
OFFICE OF INSPECTOR GENERAL'S
INTERNAL AUDIT ACTIVITY

Quality Assessment Review

For the Review Period
July 2007 Through June 2008



INSPECTOR GENERAL OF THE DEPARTMENT OF VETERANS' AFFAIRS

The Inspector General is appointed by the Executive Director of the Florida Department of Veterans' Affairs. Phil Lemons served as the Inspector General during the review period, but resigned effective October 2, 2008. The current Inspector General is Ken Oliver.

The review team leader was Brian Werthmiller, CPA, and the review was supervised by Karen Collington, CPA. Please address inquiries regarding this report to Jennifer Barineau, CPA, Audit Supervisor, by e-mail jenniferbarineau@aud.state.fl.us or by telephone (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; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DEPARTMENT OF VETERANS' AFFAIRS
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 ensuring that findings in audit reports are accurate and that the annual report is timely filed.

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 three positions. Two 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 one other position. The current 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	37
Investigative Activities	13
Other Accountability/Oversight Activities	50
	<u>100</u>

(1) Direct time charged to engagement activities.

The current Inspector General identified two 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.

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's internal audit activity of the Department of Veterans' Affairs 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 Veterans' 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.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Reporting Process

Generally accepted government auditing standards require supervisory review of audit work performed in support of findings contained in the audit report, and further requires that the audit report be supported by sufficient, appropriate evidence with key facts, figures, and findings being traceable to audit evidence. To establish a basis for demonstrating compliance with these standards, Office of Inspector General (OIG) policy requires use of a review checklist documenting supervisory review of working papers and the audit report.

Our review of two engagements, the Disbursement and Resident Trust audits, disclosed that specific quantifications noted in one finding in the Disbursements audit report did not agree with documentation included in the supporting working papers, as follows:

- The audit finding noted that 11 invoices were paid by a warrant and had confidential information uploaded to MyFloridaMarketPlace (MFMP), but our review of the working papers disclosed support for only 10 such invoices.
- The audit finding noted that 61 payments were made to a vendor, but documentation included in the working papers supported 62 such payments.
- The audit finding concluded that one invoice uploaded to MFMP had confidential information correctly removed from it. Our review disclosed that although an attempt to remove the confidential information was made, the information could still be viewed on the MFMP information included in the working papers.

When information presented in the audit report is not supported by sufficient, appropriate evidence with key facts, figures, and findings being traceable to audit evidence, readers of the audit report could be unintentionally misled and objectives of the audit may not be fully attained.

Recommendation: The **OIG should strengthen its procedures over report writing to ensure that the results of the engagement are accurately presented in its reports.**

Finding No. 2: Annual Report

Section 20.055(7), Florida Statutes, requires that the OIG, no later than September 30 of each year, submit to the agency head an annual report summarizing the activities of the office during the immediate preceding state fiscal year. Our review disclosed that the OIG's annual report for the 2007-08 fiscal year was not submitted to the agency head until November 27, 2008. Agency personnel indicated that the delay was due to the resignation of the former Inspector General.

Recommendation: The **OIG should ensure that the annual report is timely submitted.**

OBJECTIVES, SCOPE, AND METHODOLOGY

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 both of the 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 Executive Director of the Department of Veterans' Affairs is included as Exhibit A.

EXHIBIT A
MANAGEMENT'S RESPONSE



LeRoy Collins, Jr.
Executive Director

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Commissioner of Agriculture

17 April 2009

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

Dear Mr. Martin,

The report of preliminary and tentative audit findings and recommendations for the Florida Department of Veterans' Affairs (FDVA) Quality Assessment Review for the period July 2007 through June 2008 identified two areas as having deficiencies.

The department's response follows Auditor General format and responds to each finding individually.

Finding #1: Reporting Process

Recommendation: The OIG should strengthen its procedures over report writing to ensure that the audit finding details included in the audit reports are accurately presented.

Response: The Office of Inspector General will emphasize the review of audit finding details included in the audit report during the report writing process and report reviewing process.

Finding # 2: Annual Report

Recommendation: The OIG should ensure that the annual report is timely submitted.

Response: The Office of Inspector General will ensure that future reports are submitted to the agency head prior to September 30.

I wish to thank the audit team for a job well done. Their efforts have identified areas which will improve audit reports and ensure that the annual report is timely filed.

If further information is needed concerning any department responses please contact Ken Oliver, FDVA Inspector General, at (727) 518-3202 x584.

Sincerely,

LeRoy Collins, Jr.
Rear Admiral, U. S. Navy Reserve (Ret.)
Executive Director

"Serving Florida's Veterans"