

STATE OF FLORIDA AUDITOR GENERAL

Quality Assessment Review

Report No. 2024-080
December 2023

DEPARTMENT OF MILITARY AFFAIRS

Office of Inspector General's
Internal Audit Activity

For the Review Period
July 2022 Through June 2023



Sherrill F. Norman, CPA
Auditor General

Inspector General of the Department of Military Affairs

The Chief Inspector General of the Executive Office of the Governor appointed the Inspector General. Jennifer Ranick served as the Inspector General during the review period.

The review team leader was Adeyemi Olaogun, CPA, and the review was supervised by Barry Bell, CPA.

Please address inquiries regarding this report to Matthew Tracy, CPA, Deputy Auditor General, by e-mail at matthewtracy@aud.state.fl.us or by telephone at (850) 412-2922.

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DEPARTMENT OF MILITARY AFFAIRS

Office of Inspector General's Internal Audit Activity

SUMMARY

In our opinion, except as described in the following paragraph, the quality assurance and improvement program related to the Department of Military Affairs, Office of Inspector General's internal audit activity was adequately designed and complied with during the review period July 2022 through June 2023 to provide reasonable assurance of conformance with applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors. 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 internal audit activities.

The internal audit activity did not demonstrate compliance with professional auditing standards by conducting and retaining records related to periodic internal assessments to evaluate conformance with the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing (IIA Standards)*. Additionally, the internal audit activity did not ensure that the results of internal assessments were reported to senior management or refrain from communicating that the internal audit activity conformed with the *IIA Standards* when the results of periodic internal assessments were not sufficiently comprehensive to support.

BACKGROUND

Section 20.055(2), Florida Statutes, established in each State agency, as defined by Section 20.055(1)(d), Florida Statutes, the Office of Inspector General. The Adjutant General assigned two positions to the Office of Inspector General and the Inspector General dedicated one position to the internal audit activity. The Audit Evaluation and Review Analyst performed internal audit and other accountability and oversight activities.

Section 20.055(6)(a), Florida Statutes, requires that internal audits be conducted in accordance with current *IIA Standards* or, where appropriate, *Government Auditing Standards*. *IIA Standards*, issued by The Institute of Internal Auditors, and *Government Auditing Standards*, issued by the Comptroller General of the United States, generally provide comparable guidance for the conduct of assurance engagements. *IIA Standards* also provide supplemental guidance for the conduct of consulting engagements.

The Inspector General identified two engagements that had been completed or substantially completed as part of the Office's internal audit activity during the review period. For these engagements, the Office elected to follow *IIA Standards*.

REPORT ON QUALITY ASSESSMENT REVIEW

Pursuant to Section 11.45(2)(i), Florida Statutes, we have reviewed the quality assurance and improvement program for the Office of Inspector General's internal audit activity in effect for the period July 2022 through June 2023. We also reviewed compliance with specific provisions of Section 20.055,

Florida Statutes, governing the operation of State agencies' offices of inspectors general internal audit activities.

A quality assurance and improvement program for the Office of Inspector General's internal audit 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 and the Code of Ethics issued by The Institute of Internal Auditors. The design of the quality assurance and improvement program and compliance with it are the responsibility of the Office of Inspector General.

In conducting our review, we obtained an understanding of the quality assurance and improvement program and performed such tests and other procedures as we considered necessary. Because of inherent limitations in any quality assurance and improvement program, departures from the program may occur and not be detected. Also, projection of any evaluation of the quality assurance and improvement 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, except for the matters described in Finding 1, the quality assurance and improvement program related to the Office of Inspector General's internal audit activity was adequately designed and complied with during the review period to provide reasonable assurance of conformance to applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors. 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 internal audit activities.

FINDING AND RECOMMENDATION

Finding 1: Quality Assurance and Improvement Program

As noted in the **BACKGROUND** section of this report, the Office of Inspector General's (Office) internal audit activity elected to follow the *International Standards for the Professional Practice of Internal Auditing (IIA Standards)*. The *IIA Standards* provide a framework for performing and promoting internal auditing services. The *IIA Standards* contain mandatory requirements that include statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance. Our review disclosed that the internal audit activity did not always demonstrate compliance with the *IIA Standards*.

Sections 1300, 1310, and 1311 of the *IIA Standards* specify that the chief audit executive must develop and maintain a quality assurance and improvement program (QAIP) that includes internal and external assessments. Internal assessments are to include periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of the internal audit practices and be designed to evaluate the internal audit activity's conformance with the Code of Ethics and the *IIA Standards*. Accordingly, Office policies and procedures¹ required the conduct of annual internal self-assessments that may include:

¹ Department *Internal Audit Policies and Procedure Manual*.

- Examining workpapers for evidence of compliance with *I/A Standards* and Office policies and procedures.
- Reviewing training records to ensure that all audit staff received training as required by the *I/A Standards* and *Government Auditing Standards*.
- Reviewing customer service responses to determine areas for improvement.
- Reviewing follow-up activities and records to ensure adequate follow-up has been conducted.

Sections 1320 and 1321 of the *I/A Standards* specify that the chief audit executive must communicate the results of the QAIP to senior management and that the internal audit activity may only indicate that it conforms with the *I/A Standards* if supported by the results of the QAIP.

As part of our review, we inquired of the Inspector General, examined the final report for one audit engagement substantially completed during the review period, and evaluated the Office's QAIP and noted that:

- Although the Inspector General indicated that an internal assessment had been conducted during the review period, the results of the assessment could not be provided due to Departmentwide file conversion issues. Additionally, while the Office provided the results of the internal assessment conducted in August 2021 that covered the period July 2020 through June 2021, our review of the assessment found that it did not evaluate, or conclude on, the Office's conformance with the Code of Ethics and each *I/A Standard*.
- The Office did not communicate the results of the August 2021 internal assessment to senior management. According to the Inspector General, it was not Office policy to communicate the results of periodic internal assessments to senior management.
- Even though the results of the last documented periodic internal assessment were not comprehensive and consequently did not support, the Office indicated in the report included in our review that the internal audit activity conformed with the *I/A Standards*. In response to our inquiry, the Inspector General indicated that, although a comprehensive report evidencing conformance with the *I/A Standards* was not retained, the internal audit activity conformed with the *I/A Standards*.

Conducting periodic internal assessments and communicating the results to senior management would provide greater assurance of the internal activity's conformance with the Code of Ethics and the *I/A Standards*. Communicating conformance with the *I/A Standards* when the results of periodic internal assessments are not sufficiently comprehensive to support is inappropriate and contrary to the *I/A Standards*.

Recommendation: We recommend that Office management ensure that Office records evidence that:

- **Periodic internal assessments are conducted in accordance with the *I/A Standards* and Office policies and procedures.**
- **The results of periodic internal assessments are communicated to senior management.**
- **The internal audit activity only communicates that it conforms with the *I/A Standards* if supported by QAIP results, including sufficiently comprehensive internal assessments.**

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this quality assessment review in accordance with 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, work products, and other selected programs, activities, and functions conform to applicable professional auditing standards and the Code of Ethics issued by The Institute of Internal Auditors; determine compliance with those provisions of Section 20.055, Florida Statutes, that relate to the operation of offices of inspectors general internal audit activities; 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 Department management.

Our review included an evaluation of one of the two engagements completed or substantially completed as part of the Office's 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*.

As part of our review, we prepared and submitted for management response the finding and recommendation that is included in the report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45(2)(i), Florida Statutes, requires that the Auditor General, once every 3 years, review a sample of internal audit reports to determine 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*. Pursuant to the provisions of Section 11.45(2)(i), Florida Statutes, I have directed that this report be prepared to present the results of our review.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



STATE OF FLORIDA
Department of Military Affairs
Office of the Adjutant General

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21 November 2023

Ms. Sherrill F. Norman
Auditor General of Florida
Claude Denson Pepper Building, G74
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Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, below is our explanation concerning our actual or proposed corrective action relating to the preliminary and tentative audit finding and recommendation which may be included in your quality assessment review of the Department of Military Affairs Office of the Inspector General's (OIG) Internal Audit Activity.

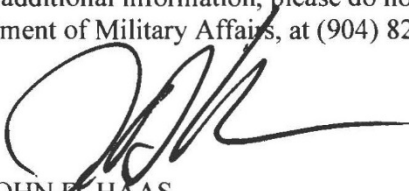
Finding 1: Quality Assurance and Improvement Program

Recommendation: We recommend that Office management ensure that Office records evidence that:

- Periodic internal assessments are conducted in accordance with the *IIA Standards* and Office policies and procedures.
- The results of periodic internal assessments are communicated to senior management.
- The internal audit activity only communicates that it conforms with the *IIA Standards* if supported by QAIP results, including sufficiently comprehensive internal assessments.

Response: The OIG does conduct internal assessments in accordance with internal policies and procedures. In the future however, the results of the assessment will be communicated to senior management in a comprehensive manner. Furthermore, we will ensure to only communicate conformance with *IIA Standards* when it is supported by QAIP results.

We appreciate the courtesy and professionalism of your staff throughout the quality assurance review process. If you have any questions, or require any additional information, please do not hesitate to contact Jennifer Ranick, Inspector General, Florida Department of Military Affairs, at (904) 823-0126.



JOHN D. HAAS
Major General
Florida National Guard
The Adjutant General