



# AUDITOR GENERAL

## WILLIAM O. MONROE, CPA



### DEPARTMENT OF JUVENILE JUSTICE

## 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 2004 through June 2005, 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. Our review disclosed the following matters requiring corrective actions:

- Some internal audit policies and procedures had not been updated to clearly implement the most current provisions of *Government Auditing Standards*, as amended and revised.
- The internal audit activity's practice for securing confidential information exempt from public inspection is to mark applicable pages as confidential and separate those pages from the remaining working papers; however, the internal audit activity had not always adhered to this procedure.

**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, *Government Auditing Standards*.

During the review period, the Office of Inspector General dedicated five positions, excluding the Inspector General position, to the internal audit activity. The Director of Internal Audits, within the Office of Inspector General, provided the following information regarding internal audit activities performed during the review period:

Internal Audit Activity	
Activity Performed	Percentage of Work Effort (1)
Auditing Activities	76
Requested Reviews	24
	100

(1) Direct time charged to engagement activities.

The Director identified three internal audit reports on engagements completed during the review period, all of which were performed using *Government Auditing Standards*. Our review included an evaluation of one audit report and the related working papers for compliance with applicable professional 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/internal audit activity of the Department of Juvenile Justice in

effect for the period July 2004 through June 2005. 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, *Government Auditing Standards*. The *IIA Standards*, as promulgated by The Institute of Internal Auditors, and *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 Juvenile Justice, 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.

Our review disclosed the following matters requiring corrective actions:

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### Finding No. 1: Policies and Procedures

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*Government Auditing Standards* state that policies adopted and procedures established by an organization are a part of the organization's quality assurance program. The purpose of the program is to provide reasonable assurance of complying with standards.

Our review of the Office of Inspector General's quality assurance program disclosed that some policies and procedures had not been updated to clearly implement the most current provisions of *Government Auditing Standards*, as amended and revised. In particular, while we did find in the policies and procedures some coverage of the following topics, the guidance provided should be clarified and more closely tied to current standards:

- With respect to fraud detection, the Office's policies and procedures required that auditors be alert to indicators of fraud, abuse, and illegal acts. It was not clear that this procedural approach provided reasonable assurance that Department internal audits would adhere to current *Government Auditing Standards*, which require that the internal audit team discuss and document for each engagement the risk of fraud and design procedures, as appropriate, to provide reasonable assurance of detecting fraud significant to the audit objectives.
- The Office's continuing education policy states that individuals who plan or direct an audit, conduct a substantial portion of fieldwork, or report on the audit should complete, every two years, at least 80 hours of continuing education, at least 24 of which must relate to subjects directly related to the government environment and government auditing standards. Procedures do not address the continuing education

requirements for auditors who do not plan, direct, conduct a substantial portion of fieldwork, or report on audits. *Government Auditing Standards* require that persons involved in fieldwork, but who do not plan, direct, or report on and who charge less than 20 percent of their time to GAGAS audits and attestation engagements, must complete, at least every two years, 24 hours of government-related continuing professional education.

For the engagement reviewed, the above procedural deficiencies did not result in noncompliance with applicable auditing standards. However, absent clear guidance in the Office's policies and procedures, there is less assurance that internal audits will always be conducted in accordance with applicable standards.

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**Recommendation:** To properly guide the internal audit activity in meeting its objectives and complying with applicable standards governing audits, we recommend the internal audit activity update its policies and procedures.

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**Auditee Response:**

*We concur. The Office of Inspector General will update its procedure manual to clarify and provide adequate guidance in the areas of fraud detection and continuing education requirements.*

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**Finding No. 2: Confidential Information**

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Section 20.055(5)(b), Florida Statutes, provides that internal audit working papers are public records to the extent that they do not include information confidential and exempt from public disclosure. To the extent that working papers do include confidential and exempt information, the Inspector General is responsible for appropriately restricting access to the information.

The internal audit activity's practice for securing confidential information exempt from public inspection is to mark applicable pages as confidential and separate those pages from the remaining working papers. Our review disclosed that the internal audit activity had not always adhered to this procedure. We observed instances in which confidential information, included in the working papers, had not been marked as confidential and separated from the other working papers.

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**Recommendation:** To ensure the protection of confidential information, we recommend the internal audit activity consistently apply its procedures for securing information that is exempt from public inspection.

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**Auditee Response:**

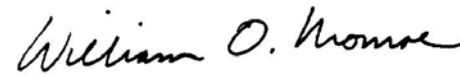
*We concur. The Office of Inspector General will modify its review process to ensure procedures for securing confidential data are consistently applied.*

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**AUTHORITY**

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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

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**AUDITEE RESPONSE**

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In a letter dated September 30, 2005, the Secretary of the Department of Juvenile Justice provided written responses to our preliminary and tentative findings. This letter may be viewed, in its entirety, on the Auditor General's Web site.

This quality assessment review was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. This review was conducted by Marcia Bremer, CPA, and supervised by Don Hancock, CPA. Please address inquiries regarding this report to Don Hancock, Audit Manager, via e-mail at [donhancock@aud.state.fl.us](mailto:donhancock@aud.state.fl.us) or by telephone at (850) 487-9037.

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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**FLORIDA DEPARTMENT OF JUVENILE JUSTICE**  
**Jeb Bush, Governor** **Anthony J. Schembri, Secretary**

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September 30, 2005

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

**RE: QUALITY ASSESSMENT REVIEW OF OIG INTERNAL AUDIT ACTIVITY  
PRELIMINARY AND TENTATIVE FINDINGS**

Dear Mr. Monroe:

Pursuant to Section 11.45(4)(d), Florida Statutes, we are providing our response to the referenced findings.

**Finding 1: Policies and Procedures**

*Recommendation:* To properly guide the internal audit activity in meeting its objectives and complying with applicable standards governing audits, we recommend the internal audit activity update its policies and procedures.

*Response:* We concur. The Office of Inspector General will update its procedure manual to clarify and provide adequate guidance in the areas of fraud detection and continuing education requirements.

**Finding 2: Confidential Information**

*Recommendation:* To ensure the protection of confidential information, we recommend the internal audit activity consistently apply its procedures for securing information that is exempt from public inspection.

*Response:* We concur. The Office of Inspector General will modify its review process to ensure procedures for securing confidential data are consistently applied.

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*The mission of the Department of Juvenile Justice is to protect the public by reducing juvenile crime and delinquency in Florida.*

Mr. William O. Monroe  
Page 2 of 2  
September 28, 2005

The Office of Inspector General will promptly address the identified issues as they apply to current activities and fully implement all corrective actions by March 30, 2006. If additional information is needed, please contact Steven Meredith, Acting Inspector General at 921-6344.

Respectfully,

A handwritten signature in black ink, appearing to read "Anthony J. Schembri".

Anthony J. Schembri  
Secretary

AJS/OIG/sm

cc: Deputy Secretary Steve Casey  
Acting Inspector General Steve Meredith  
Management Review Specialist Naomi Screen