

DEPARTMENT OF LAW ENFORCEMENT
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 LAW ENFORCEMENT

The Inspector General was appointed by the Commissioner of the Department of Law Enforcement. Al Dennis served as the Inspector General during the review period.

The review team leader was Christi Alexander, 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 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; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

DEPARTMENT OF LAW ENFORCEMENT
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 including in its working papers audit documentation in sufficient detail to more clearly demonstrate the planning of the engagement, audit procedures performed, assessment of evidence obtained, and conclusions reached.

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 ten 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:

The Office of Inspector General	
Activity Performed	Percentage of Work Effort (1)
Auditing Activities	63
Other Accountability/Oversight Activities	<u>37</u>
	<u>100</u>
(1) Direct time charged to engagement activities.	

The Director of Auditing identified five 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 Law Enforcement 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 Law Enforcement, 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: Audit Documentation

As previously disclosed, the Office of Inspector General's (OIG) internal audit activity elected to follow generally accepted government auditing standards (GAGAS). GAGAS require audit documentation to contain sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed; the audit evidence obtained and its source; and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions.

Our review of working papers for three engagements (audits) selected disclosed that the OIG needed to improve its documentation of audit engagement planning, audit procedures performed, assessment of evidence obtained, and conclusions reached, as follows:

- While working papers included audit planning checklists, OIG staff did not always clearly reference items on the checklists or other planning documents to working papers describing procedures followed to address certain planning considerations and how those considerations impacted the nature timing and extent of the audit procedures performed. Specifically, we noted that consideration of the following were not adequately documented:

- The risk of illegal acts, fraud, and violations of provisions of contract or grant agreements and their affect on audit testing.
 - Whether the work of other auditors or experts would be needed to satisfy audit objectives.
 - Potential sources of data that could be used as audit evidence, and consideration of the validity and reliability of the data as well as the sufficiency and relevance of the evidence.
 - Information system controls for purposes of assessing audit risk and planning.
- For one audit reviewed, the working papers did not include sufficient detail. For example, the audit objectives included determining whether sufficient controls were in place. However, the working papers did not clearly identify the controls, the audit procedures performed to assess the controls, or the conclusions relative to the audit objectives.

Having a clear and systematic approach to documenting the internal audit activity's efforts provides the principal support for the auditor's report and can assist auditors in conducting and supervising the audit as well as reviewing audit quality. The Director of Auditing indicated that the OIG is planning to implement an electronic working paper system, which should help ensure audit engagements are sufficiently documented.

Recommendation: The OIG should ensure that audit working papers contain sufficient documentation to clearly demonstrate compliance with applicable standards.

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 three of the five engagements and the related working papers 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 Commissioner of the Department of Law Enforcement is included as Exhibit A.

EXHIBIT A
MANAGEMENT'S RESPONSE



Florida Department of
Law Enforcement

Gerald M. Bailey
Commissioner

Office of Executive Director

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February 10, 2009

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

Dear Mr. Martin:

Enclosed find the preliminary findings and recommendations from:

Florida Department of Law Enforcement
Office of Inspector General (OIG)
for the review period July 2007 through June 2008

Finding No. 1, Audit Documentation: While working papers included audit planning checklists, OIG staff did not always clearly reference items on the checklists or other planning documents to working papers describing procedures followed to address certain planning considerations and how those considerations impacted the nature timing and extent of the audit procedures performed.

Recommendation 1: The OIG should ensure that audit working papers contain sufficient documentation to clearly demonstrate compliance with applicable standards.

FDLE Response: *Agree.* As indicated in your audit report, the OIG began implementing an electronic working paper system called Audit Leverage in October 2008. With this system, we have designed audit templates to incorporate steps that address each generally accepted government auditing standard. This requires each auditor to include written descriptions or attach sufficient documentation to demonstrate compliance with the standards before progressing to the next step.

If you need further information, please contact me or Inspector General Al Dennis at 410-7225.

Sincerely,

Gerald M. Bailey
Commissioner

GMB/ALD/dkk