

**DEPARTMENT OF CITRUS**  
**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 CITRUS

The Inspector General was appointed by the Florida Citrus Commission. Billy G. Weathers served as the Inspector General during the review period.

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

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**DEPARTMENT OF CITRUS**

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.

While not material to overall conformance to professional auditing standards, the internal audit activity can improve its audit management and work processes by updating the charter, demonstrating compliance with certain applicable standards, and improving the reporting process.

**BACKGROUND**

The Florida Citrus Commission (Commission) serves as the agency head of the Department of Citrus (Department). The Department was created pursuant to Chapter 601, Florida Statutes, and not Chapter 20, Florida Statutes. As such, the Department is not a state agency as defined by Section 20.055(1)(a), Florida Statutes, and is not subject to the requirements of Section 20.055, Florida Statutes. The Commission established an Office of Inspector General, which was assigned one position. The Inspector General provided the following information regarding activities performed by his audit position during the review period:

The Office of Inspector General	
Activity Performed	Percentage of Work Effort (1)
Auditing Activities	55
Performance Measure Activities	45
	<u>100</u>

(1) Direct time charged to engagement activities.

The Inspector General identified twelve 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 the *International Standards for the Professional Practice of Internal Auditing*.

**REPORT ON QUALITY ASSESSMENT REVIEW**

Pursuant to Section 11.45(3)(a), Florida Statutes, we have reviewed the quality assurance program for the Office of Inspector General’s internal audit activity of the Department of Citrus in effect for the period July 2007 through June 2008. 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. The *International Standards for the Professional Practice of Internal Auditing (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 Citrus as designed and implemented during the review period, provided reasonable assurance of conformance to applicable professional auditing standards.

## FINDINGS AND RECOMMENDATIONS

### Finding No. 1: Office of Inspector General's (OIG) Charter

As discussed previously, the Department is not subject to the requirements of Section 20.055, Florida Statutes. Therefore, it is essential that the charter address administrative matters and clearly define the purpose, authority, and responsibility of the OIG's internal audit activity. Our review of the OIG's charter disclosed the following:

- The charter did not address the OIG's appointment and removal, the OIG's salary or budgetary placement within the organization, or the OIG's performance evaluation.
- The charter, under the subheading ***Authority and Responsibility***, provides that "the OIG's authority, outlined in Section 20.055, Florida Statutes, allows for free and unrestricted access to all persons, records, properties, businesses, organizations, or agencies needed to accomplish the duties and responsibilities assigned therein. Such authority extends to audits, reviews, or investigations of contracts and other agreements or relationships with contractors, consultants, or vendors providing goods or services to the Florida Department of Citrus as well as those internal to the Department." The charter does describe the OIG's authority; however, it does not describe the OIG's responsibilities. In addition, although the charter implies that the OIG's authority is outlined in Section 20.055, Florida Statutes, the Department is, in fact, not subject to Section 20.055, Florida Statutes. Nor is it clear from the charter whether the Commission intended for the charter to make the authority and responsibilities prescribed by Section 20.055, Florida Statutes, applicable to the OIG.
- The charter, under the subheading ***Professional Standards***, provides that "the OIG shall embrace appropriate professional standards in executing its various responsibilities. These include applicable standards promulgated by the Association of Inspectors General, The Institute of Internal Auditors, Comptroller General of the United States, Association of Certified Fraud Examiners, and the Governor's Council on Integrity and Efficiency." Because the charter uses the term "embrace" instead of a more definitive term, it is not clear from the charter whether the OIG was required to adhere to professional standards promulgated by the cited organizations. Although the OIG represented to us that the OIG's internal audit activity was to follow *IIA Standards*, this was not clear from the charter.

Our review also disclosed the following instances in which compliance with charter provisions was not documented of record:

- The charter provides that the OIG shall review the charter at least bi-annually and propose any revisions deemed necessary to the Commission for its review and action. While the charter showed evidence of approval by senior management and the Commission, the approval was last dated November 2002 and it was not evident of record that the OIG had reviewed the charter since then.
- The charter provides that semi-annually, the Executive Director is to report the status of actions taken or planned for all open recommendations to the OIG. The OIG may, at his discretion, follow up on actions taken on matters reported to validate that corrective action was effective. Our review disclosed that while open recommendations appeared to be monitored and corrective actions taken as necessary, it was not evident of record that the Executive Director was making the required semi-annual reports.

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**Recommendation:** The charter should be amended to clearly establish the purpose, authority, and responsibility of the OIG, and to state which professional standards the OIG is expected to adhere to. Also, the OIG should document compliance with the above-noted charter review provisions. In addition, the OIG should document receipt of the semi-annual reports from the Executive Director or the OIG's efforts to obtain such reports.

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## Finding No. 2: Standards Compliance

Standards are designed to guide the work and outline the tenants of the auditing profession. As previously noted, the OIG represented to us that the OIG's internal audit activity was to follow the *IIA Standards*. Our review disclosed instances in which the OIG's internal audit activity did not comply with the *IIA Standards*, as follows and as discussed in Finding No. 3:

- *IIA Standards* require that an external review be obtained at least every five years. As the Department is not included in the state agencies defined by Chapter 20, Florida Statutes, as discussed previously, the OIG has flexibility in determining who should perform the external reviews. However, contrary to *IIA Standards*, this review is the first external quality assessment review obtained by the OIG since its inception in June 1995.
- *IIA Standards* provide that the chief audit executive should establish policies and procedures to guide the internal audit activity. Our review disclosed that the OIG had not developed policies and procedures for internal audit activity.
- *IIA Standards* require that the OIG's quality assurance program provide for the identification and consideration of any personal or external impairments to independence for each audit. Although we noted no actual independence impairments, documentation was not maintained to support that the OIG was independent regarding internal audit activities performed during the review period.
- *IIA Standards* provide that the chief audit executive should establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals, and that the internal audit activity's plan of engagements should be based on a risk assessment, undertaken at least annually. Further, the input of senior management and the board should be considered in this process. Documentation was not maintained to support an annual risk assessment process and the final audit plan did not evidence input from senior management or the Commission. As a result, the final audit plan did not establish a link between the proposed audit topics and the operational and strategic risks of the organization.

**Recommendation:** The OIG should ensure and document compliance with *IIA Standards* regarding external peer reviews, the establishment of formal policies and procedures, independence, and the annual risk assessment process and audit plan methodology.

### Finding No. 3: Audit Communications and Reporting

*IIA Standards* require that auditors communicate engagement results and outline various requirements in connection with such reports. Section 601.045, Florida Statutes, provides that the Commission shall include, as an agenda item at each regularly scheduled meeting, a report by the internal auditor of the Department. Our review disclosed that the OIG prepared a final report for each engagement selected for review that properly included the engagement's objectives, applicable conclusions, recommendations, and action plans. In addition, Commission minutes evidenced that a report was presented by the OIG at each regularly scheduled meeting during the review period. However, such communications could be enhanced as follows:

- *IIA Standards* provide that when releasing engagement results to parties outside of the organization, the communication should include limitations on distribution and use of the results. For example, a statement such as "The contents of this report are intended for specified parties only and its distribution is limited" should be included in the written report or accompanying memo. Our review of the communications associated with the two engagements selected for review disclosed that the final reports did not include such a statement, although both reports were distributed to parties outside of the Department.
- *IIA Standards* encourage internal auditors to report that their activities are conducted in accordance with the *IIA Standards*; however, internal auditors may use the statement only if assessments of the quality improvement program demonstrate that the internal audit activity is in compliance with the *IIA Standards*. If the internal audit activity is not in conformance with the *IIA Standards*, Standard 1340 "Disclosure of Noncompliance" requires disclosure to senior management and the Commission that the internal audit activity has not achieved full compliance. Although the OIG, as discussed in Finding No. 2, had not complied with *IIA Standards* regarding external quality assessment reviews, there was no documentation evidencing that this had been communicated to senior management and the Commission.

**Recommendation:** Reports communicating the results of engagements should be enhanced to provide for limitations on distribution and use. Also, instances of noncompliance with *IIA Standards* should be communicated to senior management and the Commission.

## 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; 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

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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 two of the twelve 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**

Pursuant to the provisions of Section 11.45(3)(a), 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 Citrus is included as Exhibit A.

Exhibit A  
Management's Response



KENNETH O. KECK  
EXECUTIVE DIRECTOR  
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BENNY W. ALBRITTON, JR.  
CHAIRMAN  
FLORIDA CITRUS COMMISSION

May 12, 2009

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

RE: Quality Assessment Review of OIG – Preliminary and Tentative Findings

Dear Mr. Martin:

Thank you for the opportunity to review the referenced findings. The following is the Department's response to the recommendations:

**Recommendation No. 1:** The charter should be amended to clearly establish the purpose, authority, and responsibility of the OIG, and to state which professional standards the OIG is expected to adhere to. Also, the OIG should document compliance with the above-noted charter review provisions. In addition, the OIG should document receipt of the semi-annual reports from the Executive Director or the OIG's efforts to obtain such reports.

**Response:** We concur. The charter will be amended to include those items noted in the QAR report. The periodic review of the charter will be documented, and the required status reports to the OIG will be submitted on a timely basis and documented as such.

**Recommendation No. 2:** The OIG should ensure and document compliance with IIA Standards regarding external peer reviews, the establishment of formal policies and procedures, independence, and the annual risk assessment process and audit plan methodology.

**Response:** We concur. The documentation requirements for peer review, development of policies and procedures, independence statements, and risk assessment methodology will commence effective with the planning of the FY 2009-2010 fiscal year.

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Mr. David W. Martin  
May 12, 2009  
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**Recommendation No. 3:** Reports communicating the results of engagements should be enhanced to provide for limitations on distribution and use. Also, instances of noncompliance with IIA Standards should be communicated to senior management and the Commission.

**Response:** We concur. These disclosures will be added to OIG reports as recommended by September 30, 2009.

We appreciate the recommendations and constructive comments in the review of the Department's internal audit activities. If additional information is needed, please contact Billy Weathers, Inspector General, at 863-499-2517.

Sincerely,



Kenneth Keck  
Executive Director

cc: Florida Citrus Commission  
Billy Weathers, Inspector General