



INTERNAL AUDIT QUALITY ASSURANCE REVIEW

Report # Q-1213DOH-008 • March 12, 2014

EXECUTIVE SUMMARY

Purpose of this project:

The Department of Health, Office of Inspector General conducted a quality assurance review (QAR) of the Internal Audit (IA) unit. This self-assessment was conducted by a new staff auditor who was not involved in the audits reviewed.

What was reviewed:

The objectives of the QAR were to evaluate IA's conformance with the Institute of Internal Auditor's, International Professional Practices Framework (IPPF), including standards, the code of ethics, the audit charter, the organization's risk and control assessment, and the use of successful practices. The scope of this assessment was IA activities during the Fiscal Years 2011/2012 and 2012/2013.

To accomplish our objectives, we reviewed IA's background and current environment, organizational placement, activity charter, access to the organization, the quality improvement process, workpapers, the risk assessment process, engagement planning, and staff time. Surveys were conducted of internal auditors and interviews were conducted with the Director of Auditing and the Inspector General.

The IA unit generally complied in all material aspects with the IPPF attribute standards. However certain instances came to our attention which the IA unit management should address to help improve the unit.

What was found:

- ❖ The Internal Audit Unit does not have a recently signed audit charter.
- ❖ The Internal Audit Unit's Policies and Procedures Manual requires updating.
- ❖ The length of time to complete one of the reviewed engagements, based on project start date to project end date, was insufficiently explained.
- ❖ Failure of the customer to return the post engagement customer satisfaction survey result was not documented in one of the reviewed engagements.
- ❖ Cumulative direct time measurement data for Internal Audit projects was unavailable.

What is being recommended:

DOH Internal Audit management should:

- ❖ Obtain a signed copy of an updated audit charter from the current Surgeon General.
- ❖ Update the Internal Audit Policies and Procedures Manual to reflect procedural changes since the last revision.
- ❖ Require auditors on future engagements to document and justify in their workpapers instances when the span of days from project start to project end is greater than one year. Such practice should be codified in the Internal Audit Policies and Procedures Manual.
- ❖ Require a note be added to the workpapers to reflect instances where no customer survey response was received and update the Internal Audit Policies and Procedures Manual to reflect this requirement.
- ❖ Continue efforts to compile cumulative project direct time measurement information.

Details supporting the statements listed in this Executive Summary can be found in the remainder of this report. DOH Internal Audit management agreed with all findings and has submitted corrective action plans, which are included in this report. The Office of Inspector General will conduct a follow-up six months from the publication date of this report to update the status of corrective actions.

BACKGROUND

Section 20.055(5)(a), Florida Statutes, mandates audits shall be conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors (IIA) or where appropriate, in accordance with generally accepted governmental auditing standards. Additionally, all audit reports shall include a statement the audit was conducted pursuant to the appropriate standards.

The IIA's IPPF is the conceptual framework that organizes authoritative guidance promulgated by the IIA. The IPPF is comprised of the definition of internal auditing, the code of ethics, standards, position papers, practice advisories, and practice guides.

According to the IPPF Standards (standards), the quality assurance process must include both internal and external assessments. (Standard 1300)

Internal assessments should be comprised of ongoing internal evaluations of the IA activity, coupled with periodic self-assessments and/or reviews. These internal assessments are conducted by persons within the organization's Internal Audit activity or by other persons within the organization with sufficient knowledge of internal audit practices. The assessments are conducted under the direction of the chief audit executive.

Section 11.45(2)(i), *Florida Statutes* requires that the Office of the Auditor General (AG), once every three years, evaluate the extent of compliance by each Office of Inspector General with the current *International Standards for the Professional Practice of Internal Auditing* or, if appropriate, government auditing standards. The last report issued by the AG was December 2011, Report No. 2012-044. The report stated the OIG's internal audit activity was adequately designed and complied with during the review period (Fiscal Year 2010/2011) to provide reasonable assurance of conformance with applicable professional auditing standards. It further stated the Office of Inspector General generally complied with the provisions of Section 20.055, *Florida Statutes*, governing the operation of State agencies' offices of inspectors general internal audit activities.

FINDINGS AND RECOMMENDATIONS

The IA unit generally complied in all material aspects with the IPPF standards. However certain instances came to our attention which IA unit management should address to further strengthen the unit's compliance with the standards.

Finding 1: The Internal Audit Unit does not have a recently signed audit charter

IPPF Standard 1000 states "The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval." During our review the most recent Internal Audit charter found was unsigned by the previous Surgeon General, Dr. Frank Farmer. The most recent, signed charter dates back to 8/16/2010 by then Surgeon General, Dr. Ana M. Viamonte Ros.

We recommend Internal Audit management obtain a signed copy of an updated audit charter from the current Surgeon General.

Finding 2: The Internal Audit Unit's Policies and Procedures Manual requires updating

IPPF Standard 2040 states, "The chief audit executive must establish policies and procedures to guide the internal audit activity." The 2011 Internal Audit Policies and Procedures Manual requires updating to reflect changes since its approval on 6/30/2011. The Director of Auditing confirms this and advised he will be revising this document in Fiscal Year 2013-2014. We reviewed the current Policies and Procedures Manual, highlighting and commenting on areas in need of possible revision. Aside from necessary technical corrections, updates and grammar corrections, the Internal Audit Policies and Procedures Manual materially conforms to the IIA Standards.

We recommend Internal Audit management update the Internal Audit Policies and Procedures Manual to reflect procedural changes since the last revision.

Finding 3: The length of time to complete one of the reviewed engagements, based on project start date to project end date, was insufficiently explained

Only one exception was noted for Assurance Engagement A-1011DOH-021, *Division of Information Technology Systems Development Life Cycle* report released 6/1/2012. There is a five month gap between 4/1/2011 and 9/23/2011 for documented activity in this engagement that is unexplained. This engagement also took over one year to complete. The date of the entrance conference was 9/30/2010. However, the exit conference was held on 1/23/2012. There is insufficient explanation/documentation as to possible delays in the audit contributing to the length of time to complete the engagement.

We recommend Internal Audit management require auditors on future engagements to document and justify in their workpapers instances when the span of days from project start to project end is greater than one year. Such practice should be codified in the Internal Audit Policies and Procedures Manual.

Finding 4: Failure of the customer to return the post engagement customer satisfaction survey result was not documented in one of the reviewed engagements

Customer satisfaction survey results were not available for Audit A-1011DOH-021, *Division of Information Technology Systems Development Life Cycle*, nor was there an explanation as to why there were no survey results. The distribution email for the survey was included in the workpapers.

Based on a new procedure adopted on 11/6/2013, customers are given two weeks to respond to the survey. If the customer fails to respond we recommend Internal Audit management require a note be added to the workpapers to reflect instances where no customer survey response was received. We further recommend the Internal Audit Policies and Procedures Manual be updated to reflect these changes.

Finding 5: Internal Audit cumulative direct time measurement data was unavailable

Cumulative project time information used to monitor allocation of staff time and project performance was not readily available for the past two fiscal years. Per conversation with the Director of Auditing, the office lost their staff assistant who helped compile timesheet information in the past to determine direct time for the IA unit. The office has already begun addressing the issue by having one of the audit staff members assist in compiling FY 2013-2014 timesheet information to calculate cumulative project direct time.

We recommend Internal Audit management continue efforts to compile cumulative project direct time measurement information.

SUPPLEMENTAL INFORMATION

Section 20.055, *Florida Statutes*, charges the Department's Office of Inspector General with responsibility to provide a central point for coordination of activities that promote accountability, integrity and efficiency in government. Audits are conducted to review and evaluate internal controls necessary to ensure the fiscal accountability of the Department.

This review was conducted by Tony Hernandez, CIA, CISA, Senior Management Analyst II, under the supervision of Michael J. Bennett, CIA, Director of Auditing.

The scope of this assessment was Fiscal Years 2011/2012 and 2012/2013. It should be noted that the Internal Audit Unit had planned to conduct separate QARs in both 2012 and 2013. However, due to an unexpected influx of critical projects assignments by DOH management and the Chief Inspector General's Office, the two years were combined into this QAR.

Our methodology included a review of the IA unit's background and current environment, organizational placement, activity charter, access to the organization, the quality improvement process, workpapers, the risk assessment process, engagement planning, and staff time. Surveys were conducted of department internal auditors and interviews were conducted with the Director of Auditing and the Inspector General.

This project was not an audit. It falls under standard 1300, Quality Assurance and Improvement Program, which states "*the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity*. Practice Advisory 1300-1, states in part, "...standard 1300 requires the Chief Audit Executive (CAE) develop and maintain a quality assurance and improvement program (QAIP)."

The CAE is accountable for implementing processes designed to provide reasonable assurance to the various stakeholders that the internal audit activity:

- *Performs in accordance with the internal audit charter, which is consistent with the definition of Internal Auditing, the Code of Ethics, and the Standards.*
- *Operates in an effective and efficient manner.*
- *Is perceived by those stakeholders as adding value and improving the organization's operations.*

These processes include appropriate supervision, periodic internal assessments and ongoing monitoring of quality assurance, and periodic external assessments."

CLOSING COMMENTS

Copies of final reports may be found on our website at:

<http://www.floridahealth.gov/public-health-in-your-life/administrative-functions/inspector-general/index.html>

Questions or comments related to the information provided in this report should be addressed to the Director of Auditing, Florida Department of Health by the following means:

Address: 4052 Bald Cypress Way, Bin A03,
Tallahassee, FL 32399

Email: InspectorGeneral@flhealth.gov

Phone: (850) 245-4141

APPENDIX A: MANAGEMENT RESPONSE

	Recommendation	Management Response
1	We recommend Internal Audit management obtain a signed copy of an updated audit charter from the current Surgeon General.	A copy of the audit charter will be forwarded to the current State Surgeon General for signature. <i>Contact: Michael Bennett</i> <i>Anticipated Completion Date: April 30, 2014</i>
2	We recommend Internal Audit management update the Internal Audit Policies and Procedures Manual to reflect procedural changes since the last revision.	The Internal Audit Policies and Procedures Manual will be updated to reflect current practices. <i>Contact: Michael Bennett</i> <i>Anticipated Completion Date: June 30, 2014</i>
3	We recommend Internal Audit management require auditors on future engagements to document and justify in their workpapers instances when the span of days from project start to project end is greater than one year. Such practice should be codified in the Internal Audit Policies and Procedures Manual.	A requirement will be added to the Internal Audit Policies and Procedures Manual to justify in the project workpapers instances of increased audit cycle time if the amount exceeds 25% of the originally scheduled time. <i>Contact: Michael Bennett</i> <i>Anticipated Completion Date: June 30, 2014</i>
4	Based on a new procedure adopted on 11/6/2013, customers are given two weeks to respond to the survey. If the customer fails to respond we recommend Internal Audit management require a note be added to the workpapers to reflect instances where no customer survey response was received. We further recommend the Internal Audit Policies and Procedures Manual be updated to reflect these changes.	A requirement will be added to the Internal Audit Policies and Procedures Manual to document in the project workpapers instances where no response was received from a customer satisfaction survey within the two week allotment. <i>Contact: Michael Bennett</i> <i>Anticipated Completion Date: June 30, 2014</i>
5	We recommend Internal Audit management continue efforts to compile cumulative project direct time measurement information.	While the information was no longer being immediately updated and available on an ongoing basis due to the recent loss of the Internal Audit staff assistant position, the information could be compiled when needed. We have already begun to take steps to secure a new means of having this information compiled so that it is updated on a more continuous basis. <i>Contact: Michael Bennett</i> <i>Anticipated Completion Date: June 30, 2014</i>