



**Office of Inspector General  
(OIG)**

Internal Audit Unit

# OIG Internal Audit

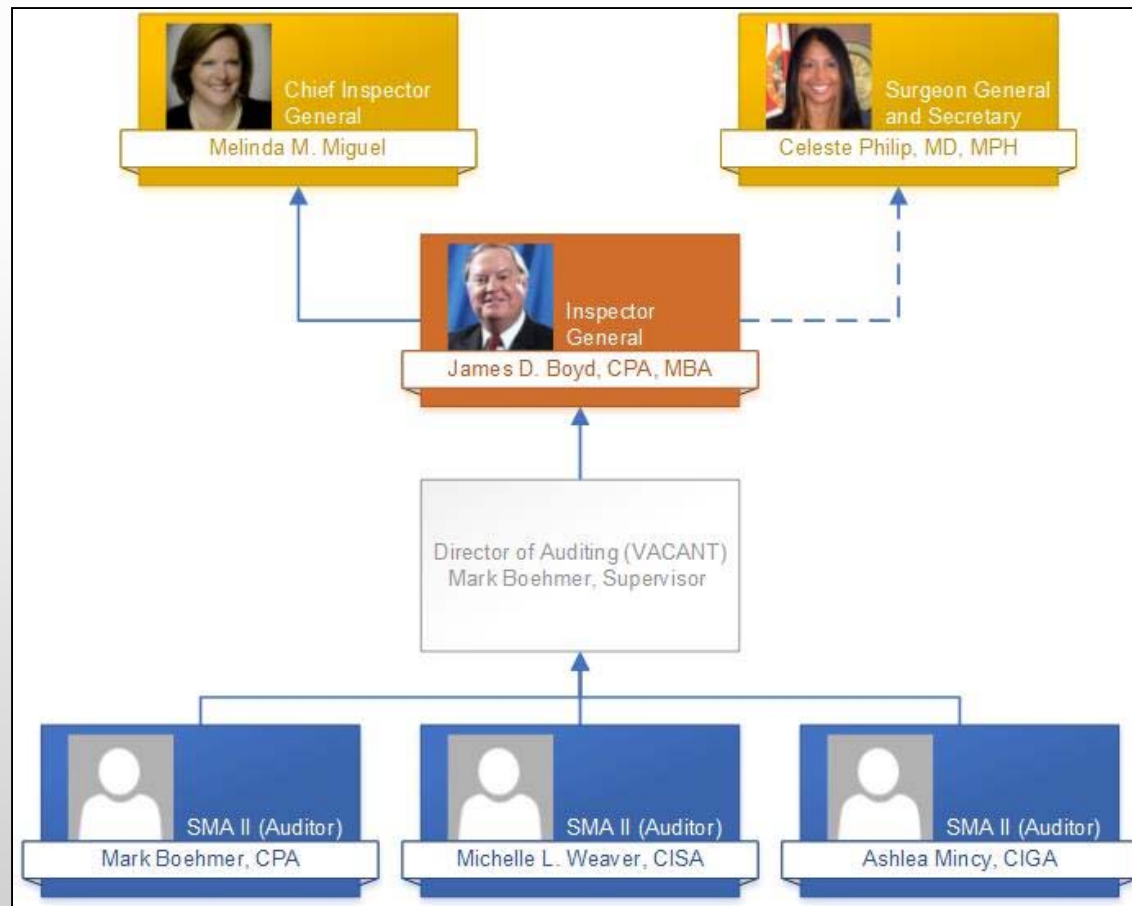
Authorized in Section 20.055, Florida Statutes

- Section 20.055, F.S. authorizes the Inspector General (IG) and the auditing function.

LAWS  
*you need to*  
KNOW

# OIG Internal Audit Organization

- Effective July 1, 2014, the DOH Inspector General reports to the CIG and is under the general supervision of the State Surgeon General.



# OIG Internal Audit

## Standards



- Audits must be conducted in accordance with the current *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors.
  - Section 20.055(6)(a), F.S.
- Standards apply to both assurance and consulting engagements.

# OIG Internal Audit Standards

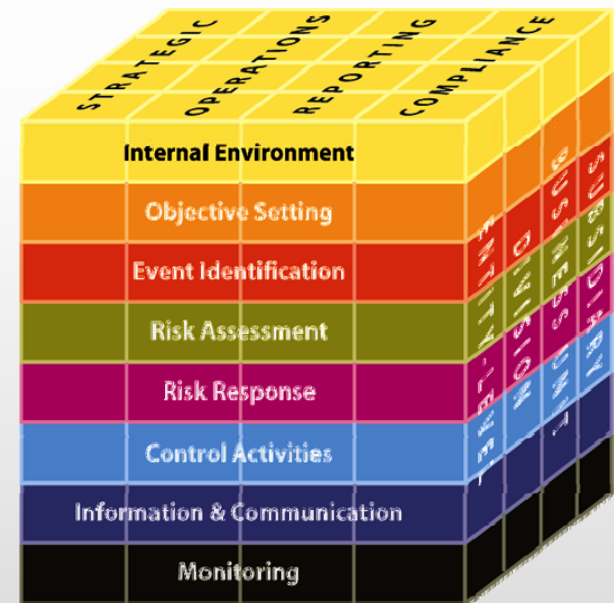
*The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance. IPPF guidance includes:*

## Mandatory Guidance

- Core Principles
- Definition of Internal Auditing
- Code of Ethics
- Standards

## Strongly Recommended Guidance

- Implementation Guidance
- Supplemental Guidance



# OIG Internal Audit

## Core Principles



- **Demonstrates integrity**
- **Demonstrates competence and due professional care**
- **Is objective and free from undue influence (independent)**
- **Aligns with the strategies, objectives, and risks of the organization**
- **Is appropriately positioned and adequately resourced**
- **Demonstrates quality and continuous improvement**
- **Communicates effectively**
- **Provides risk-based assurance**
- **Is insightful, proactive, and future-focused**
- **Promotes organizational improvement**

# OIG Internal Audit

## Definition of Internal Auditing



Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

# OIG Internal Audit

## Code of Ethics



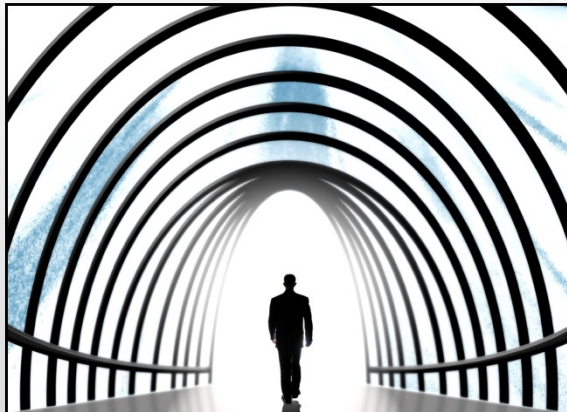
Internal auditors are expected to apply and uphold the following principles:

- ✓ Integrity
- ✓ Objectivity
- ✓ Confidentiality
- ✓ Competency



# OIG Internal Audit

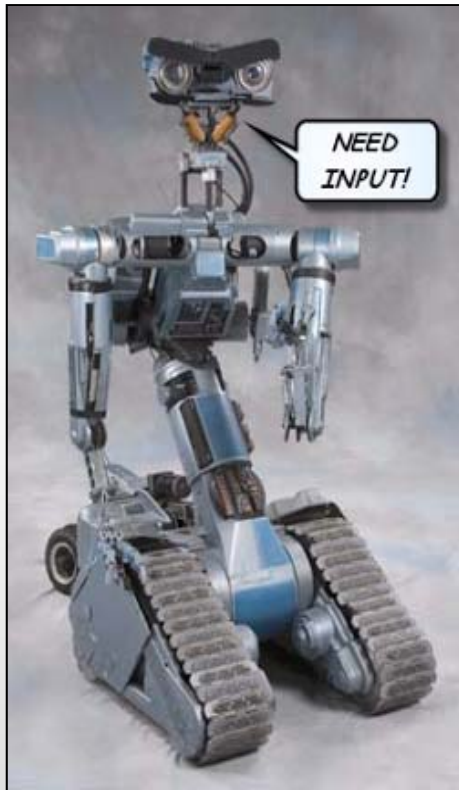
## Independence and Objectivity



- The internal audit activity must be independent, and internal auditors must be objective in performing their work.
- The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.
- Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

# OIG Internal Audit

## Access to Information



- Auditors examine and need access to a lot of information to do their jobs.
- Section 20.055 (6)(c), F.S. states, “The inspector general and the staff shall have access to any records, data, and other information of the state agency he or she deems necessary to carry out his or her duties. The inspector general may also request such information or assistance as may be necessary from the state agency or from any federal, state, or local government entity.”

# OIG Internal Audit

## Risk Assessment



### What is risk?

- The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

### How do we manage risk?

- Control Processes are the policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

# OIG Internal Audit Controls



- What are controls?
  - ✓ There are many definitions. In essence a control is any action taken by management and/or other parties or systems to manage and mitigate the negative impact of risk and increase the likelihood that established objectives and goals will be achieved.
- Some elements that comprise the control environment includes:
  - ✓ Integrity and ethical values
  - ✓ Management's philosophy and operating style
  - ✓ Organizational structure
  - ✓ Assignment of authority and responsibility
  - ✓ Human resource policies and practices
  - ✓ Competence of personnel

# OIG Internal Audit Controls (Cont.)



## **Examples of typical controls include:**

- Policies and procedures
- Management reviews and approvals
- Physical safeguards
- Authorization of transactions
- Segregation of duties (organizational structure)
- IT Security (e.g. passwords, access logs, etc.)
- Information processing / application controls

# OIG Internal Audit

## Risk Assessment and Audit Planning

- Section 20.055(6)(i), F.S. states, “The Inspector General shall develop long-term and annual audit plans based on the findings of periodic risk assessments. The plan shall show the individual audits to be conducted during each year and related resources to be devoted to the respective audits.”



# OIG Internal Audit

## Risk Assessment and Audit Planning (Cont.)



- The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually.
- The Audit Director should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations.

# OIG Internal Audit Assurance Engagements



- Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services:
  - ✓ The person or group directly involved with the entity, operation, function, process, system, or other subject matter (e.g. process owner),
  - ✓ The person or group making the assessment (e.g. the internal auditor), and
  - ✓ The person or group using the assessment (e.g. the user).



# OLG Internal Audit Review Engagements



- Internal Audit also performs reviews and special projects of certain processes and functions that do not require a comprehensive audit.
- Management reviews assess effectiveness and responsiveness, provide assistance in identifying opportunities for improvement, and provide assistance in developing and implementing corrective actions necessary to enhance proficiency.

# OIG Internal Audit Consulting Engagements



- Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties:
  - ✓ The person or group offering the advice (e.g. the internal auditor), and
  - ✓ The person or group seeking and receiving the advice (e.g. the engagement client).
- When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

# OIG Internal Audit

## Audit Process



### Audit Cycles:

- Engagement Planning
- Fieldwork
- Report Writing
- Follow Up at 6 Month Frequency

**\*Review and consulting engagement cycle elements are less involved than an audit.**

# OIG Internal Audit Audit Process (Continued)



- Planning
  - ✓ Background Review (authoritative references, contractual requirements, budgetary information, policy and procedure review, process mapping, and risk & control assessment)
  - ✓ Entrance Conference
  - ✓ Work Program Development
- Fieldwork
  - ✓ Work Program Execution
  - ✓ Testing of controls
- Report Writing
  - ✓ Draft and Approval
  - ✓ Exit Conference
  - ✓ Management Response (20 working days)
  - ✓ Final Report Issuance w/ Management Response
- Follow Up (6 month intervals)
  - ✓ Corrective Action Status Updates
  - ✓ Verification
  - ✓ Status Report Issued

# OIG Internal Audit External Audit Entities



## Who audits the auditor?

The Auditor General (AG) reviews a sample of each state agency's internal audit reports to determine compliance with current standards once every 3 years.

OCTOBER 2014

REPORT NO. 2015-030

### DEPARTMENT OF HEALTH

Office of Inspector General's Internal Audit Activity

#### SUMMARY

In our opinion, the quality assurance program related to the Department of Health, Office of Inspector General's internal audit activity was adequately designed and complied with during the review period July 2013 through June 2014 to provide reasonable assurance of conformance with 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 internal audit activities.

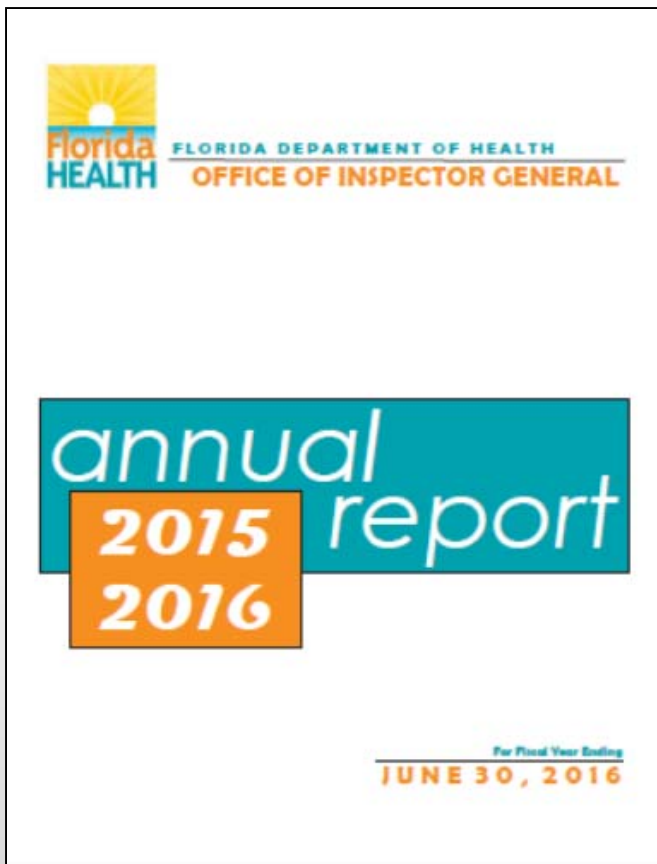
# OIG Internal Audit

## External Audit Liaison Role



- Section 20.055(6)(h), F.S. requires the following:
  - ✓ The Inspector General shall monitor the implementation of the state agency's response to any report on the state agency issued by the Auditor General (AG) or by the Office of Program Policy Analysis and Government Accountability (OPPAGA).
  - ✓ No later than 6 months after the AG or OPPAGA publishes a report on the state agency, the Inspector General shall provide a written response to the agency head and the CIIG on the status of corrective actions taken.
  - ✓ A copy of the response shall be filed with the Legislative Auditing Committee.

# OIG Internal Audit Annual Report



- Section 20.055(8)(a), F.S., requires the OIG submit an annual report no later than September 30, summarizing the activities of the office during the preceding fiscal year.
  - ✓ The report includes a summarization of the internal audit activities of the OIG.



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