



DEPARTMENT OF BUSINESS & PROFESSIONAL REGULATION  
Office of Inspector General

RICK SCOTT  
Governor

JONATHAN ZACHEM  
Secretary



MEMORANDUM

TO: Jonathan Zachem, Secretary  
FROM: Lynne T. Winston, Inspector General *LW*  
DATE: June 27, 2018

SUBJECT: *Annual Audit Plan for Fiscal Year 2018-19 and Long-Term Audit Plans For Fiscal Years 2019-20 through 2020-21*

I am pleased to submit for your review and approval our annual *Audit Plan for Fiscal Year 2018-19 and Long-Term Audit Plans for Fiscal Years 2019-20 through 2020-21*.

Our audit plans are risk-based to provide the most effective coverage of department programs, activities, and functions. Beginning in April of this year, our office conducted a comprehensive assessment of department risk factors, which included dissemination of a Risk Assessment Survey to division directors. We then met with the director of each of the department's divisions and offices to discuss risks within their respective areas. Subsequently, we held similar discussions with you and the members of your executive management team. The proposed audit plans address department management's priorities and areas of higher risk exposure identified during our risk assessment process.

Our audit plans are intended to respond to changing conditions and emerging risks. We will modify these plans, as needed, in accordance with management concerns and our on-going assessment of circumstances and events impacting department operations.

At the request of the Chief Inspector General, we have reserved 400 hours of direct audit time to participate in enterprise-wide audits. These audits are intended to address risk exposures that exist across all executive agencies. We have also reserved staff time to respond to requests for assistance from you or your managers during the year. This time is available for formal consulting engagements, management advisory services, or other assistance to management.

I am requesting your review and approval of our proposed annual and long-term audit plans. Please indicate your concurrence with your signature below.

Attachment

Approved: *[Signature]* Date *6/27/18*  
Jonathan Zachem, Secretary

# DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION



RICK SCOTT  
Governor

JONATHAN ZACHEM  
Secretary

ERIC W. MILLER  
Chief Inspector General

LYNNE T. WINSTON, Esq., CIG  
Inspector General

## Office of Inspector General

Annual Audit Plan for Fiscal Year 2018-19  
and Long-Term Audit Plans for  
Fiscal Years 2019-21

June 2018



**DEPARTMENT OF BUSINESS & PROFESSIONAL REGULATION  
Office of Inspector General**

**Jonathan Zachem  
Secretary**

**Lynne T. Winston  
Inspector General**



**OIG ANNUAL AUDIT PLAN FOR  
FISCAL YEAR 2018-19 AND  
LONG-TERM AUDIT PLANS FOR  
FISCAL YEARS 2019-20 THROUGH 2020-21**

**INTRODUCTION**

The Office of Inspector General (OIG) was established within the Department of Business and Professional Regulation to provide a central point for coordination and responsibility for activities that promote accountability, integrity, and efficiency in government. Section 20.055, Florida Statutes, designates responsibilities of the Inspector General. These responsibilities include:

- Advising in the development of performance measures.
- Reviewing actions taken by the department to improve program performance.
- Providing direction for, supervising, and coordinating audits, investigations, and management reviews relating to department programs and operations.

To help promote accountability, integrity, and efficiency in department operations, the OIG conducts independent and objective audits and reviews of department programs, activities, and functions. The purpose of these engagements is to provide management with information on the adequacy and effectiveness of internal controls; to evaluate compliance with applicable laws, rules and regulations and to assess the effectiveness and efficiency of department operations.

The OIG conducts audits, reviews, and other projects in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* published by the Institute of Internal Auditors, Inc., or where appropriate, in accordance with generally accepted government auditing standards.

**RISK ASSESSMENT**

Section 20.055, Florida Statutes, requires the Inspector General to develop annual and long-term audit plans based on the findings of periodic risk assessments. The *Standards* require that we base our engagement plan on a documented risk assessment that is undertaken at least annually. Accordingly, our 2018 risk assessment included a broad-based review and analysis of department strategic plans, operational reports, budget, and other documents.

During the period of April 2018, the OIG submitted a Risk Assessment Survey to the department's division directors. Surveys were also appropriately allocated to bureau chiefs and staff by division directors. The purpose of this process was to gain an understanding of potential risk exposures that may impact the department as well as assist with the planning of the OIG annual audit plan and related activities. Divisions had a 98% response to the surveys disseminated. We then conducted risk assessment interviews with the directors of each of the

department's divisions and offices. We subsequently met with executive management to discuss divisions' responses, as well as enterprise risk exposures and internal controls.

The following annual and long-term audit plans reflect areas of higher risk identified through the risk assessment process, along with management's priorities for audit coverage. We note that the risk assessment process establishes risk priorities at a specific point in time. We will continue to monitor the department's risk environment to identify emergent issues that may require more immediate review. We also strive to accommodate management requests for audit services that may arise during the year as these typically represent current agency concerns. The plan may be adjusted to meet management's needs and other priorities.

### INTERNAL AUDIT STAFFING

The Bureau of Internal Audit is staffed by a Director of Auditing and three internal auditors. We estimate that 5,395 hours of auditor staff time are available annually for direct audit activities. These staff resources are available to conduct internal audits of department programs, activities, and functions perform consulting engagements and management reviews; provide advisory services to management and participate in enterprise-related activities as requested by the Chief Inspector General.

HOURS AVAILABLE FOR DIRECT AUDIT ACTIVITY	
<b>Total Staff Hours (2,080 Hours x 4 Staff)</b>	<b>8,320</b>
Less Estimated Hours:	
<b>Holiday and Leave Time</b>	(1040)
<b>Professional Training</b> <i>(40 hours annually required per audit standards x 4 staff)</i>	(160)
<b>Administrative Activities</b> <i>[General administrative activities of the Bureau of Internal Audit, including the Quality Assurance and Improvement Program (QAIP) activities required by internal audit standards]</i>	(650)
<b>Statutory and Other Required Activities</b> <ul style="list-style-type: none"> <li>• Follow-up reviews of the status of corrective action taken in response to internal audits and reviews conducted by external state and federal audit entities: (300)</li> <li>• Coordination of external reviews: (250)</li> <li>• Florida Single Audit Act coordination and technical assistance: (150)</li> <li>• Annual and on-going risk assessment: (200)</li> <li>• Annual and long-term audit plan preparation: (50)</li> <li>• Annual Report preparation: (75)</li> <li>• LBR Schedule IX preparation: (50)</li> </ul>	(1,075)
<b>Direct Audit Hours</b>	<b>5,395</b>

## ANNUAL AUDIT PLAN

The Chief Inspector General has directed Executive Branch agency Offices of Inspectors General to reserve 400 available direct audit hours for participation in enterprise audits. Enterprise audits address issues that are common to most state agencies. These audits seek to identify best practices within the enterprise and practical solutions for agency implementation. The Chief Inspector General will establish the topics for these audits in consultation with agency Inspectors General.

The following table lists the internal audits planned for Fiscal Year 2018-19. The table includes an estimate of the staff resources required to complete each review. A brief description of the focus of each engagement is provided on the following pages.

<b>ANNUAL AUDIT PLAN Fiscal Year 2018-19</b>		
<b>Division/Office</b>	<b>Engagement Topic</b>	<b>Estimated Hours</b>
Direct Audit Hours Available Less Estimated Hours for Position Vacancy*		5,395
Net Hours Available		<u>(100)</u> <u>5,295</u>
<i>To Be Determined</i>	Chief Inspector General Enterprise Audits <i>[Selected Topic(s)]</i>	400
Selected Division	Performance Measure Validity and Reliability (Annual requirement per s. 20.055, F.S.)	350
Division of Administration and Financial Management/Agency Services	Mail Room Procedures <i>This is a carry-forward engagement from Fiscal Year 2017-18.</i>	150
Division of Service Operations	Performance Measure Validity and Reliability (Annual requirement per s. 20.055, F.S.) <i>This is a carry-forward engagement from Fiscal Year 2017-18.</i>	150
Division of Alcoholic Beverages and Tobacco, Licensing	Cash Management Procedures <i>This is a carry-forward engagement from Fiscal Year 2017-18.</i>	1,050
Division of Administration and Financial Management/Agency Services	Purchase Card Program	1,050
Florida State Boxing Commission	Process Review	995
<b>Division/Office</b>	<b>Management Reviews and Advisory/Technical Assistance Services</b>	<b>Estimated Hours</b>
Department	Internal Controls over Agency Property	950
<i>To Be Determined</i>	Ad Hoc Services Per Management's Request	200
<b>Total Hours</b>		<b>5,295</b>

**NOTE: This plan is subject to change based on changes in the department's risk environment and extenuating circumstances.**

\*Please note an internal auditor position is currently vacant.

### **Overview of Engagements Planned for Fiscal Year 2018-19**

**Performance Measure Validity and Reliability Review:** Section 20.055, Florida Statutes, requires the Inspector General to assess the validity and reliability of the department's performance measures and standards and make recommendations for improvement, if necessary. The OIG will evaluate the validity and reliability of selected performance measures and standards, as well as the methodology used to calculate results. The audit will also review the sufficiency and effectiveness of internal controls established to ensure the accuracy of source data. The specific division to be reviewed will be identified later in the fiscal year.

#### **Audit of Mail Room Procedures - *(Carry forward engagement from Fiscal Year 2017-18)***

The purpose of this review was to evaluate the sufficiency and effectiveness of established internal controls to ensure appropriate handling, logging and distribution of mail; completion of this engagement will be effective 1<sup>st</sup> quarter of fiscal year 2018-19.

#### **Performance Measure Validity and Reliability Review - *(Carry forward engagement from Fiscal Year 2017-18)***

The purpose of this review was to evaluate the validity and reliability of the department's performance measures and standards and to ensure the sufficiency and effectiveness of internal controls established; completion of this engagement will be effective 1<sup>st</sup> quarter of fiscal year 2018-19.

#### **Division of Alcoholic Beverages and Tobacco – Cash Management Procedures - *(Carry forward engagement from Fiscal Year 2017-18)***

The purpose of this review is to evaluate the sufficiency and effectiveness of internal controls established to ensure appropriate cash management procedures are in place to mitigate the risk of fraud. Special attention will be paid to the appropriate segregation of duties for cash intake and licensing functions.

#### **Purchase Card Program**

Management of the Division of Administration and Financial Management requested an internal audit review of criteria and procedures governing the internal controls of the department's purchase card program.

#### **Florida State Boxing Commission**

The purpose of this review is to evaluate the efficiency and effectiveness of internal controls established for the division

### LONG-TERM AUDIT PLANS

The following tables present the OIG's audit plans for the remaining two years of the audit cycle. As part of the 2018 annual risk assessment, the OIG will evaluate whether changes in the department's risk environment require that we realign our long-term plans to address issues of higher risk or matters of more immediate concern to management.

<b>LONG-TERM AUDIT PLAN Fiscal Year 2019-20</b>		
<b>Division/Office</b>	<b>Engagement Topic</b>	<b>Estimated Hours</b>
<i>To Be Determined</i>	Chief Inspector General Enterprise Audits <i>[Selected Topic(s)]</i>	400
Selected Division	Performance Measure Validity and Reliability (Annual requirement per s. 20.055, F.S.)	450
Division of Administration and Financial Management/Human Resources	Payroll Audit	1,050
Division of Condominiums, Timeshares and Mobile Homes/Compliance	Complaint Intake and Investigation Process	1,050
Division of Regulation	Child Labor – Inspection Process	1,050
Office of Communications	Process Review	610
<b>Division/Office</b>	<b>Management Reviews and Advisory/Technical Assistance Services</b>	<b>Estimated Hours</b>
Department	Contract Management	625
<i>To Be Determined</i>	Ad Hoc Services per Management's Request	160
<b>Total Hours</b>		<b>5,395</b>

**NOTE: This plan is subject to change based on changes in the department's risk environment and extenuating circumstances.**

<b>LONG-TERM AUDIT PLAN Fiscal Year 2020-21</b>		
<b>Division/Office</b>	<b>Engagement Topic</b>	<b>Estimated Hours</b>
<i>To Be Determined</i>	Chief Inspector General Enterprise Audits <i>[Selected Topic(s)]</i>	400
Selected Division	Performance Measure Validity and Reliability (Annual requirement per s. 20.055, F.S.)	450
Division of Certified Public Accounting	Processed-Approved Applications for Licensure	1,150
Department	QLIK Application Usage	1,050
Division of Hotels and Restaurants	Online Application Program	1,150
<b>Division/Office</b>	<b>Management Reviews and Advisory/Technical Assistance Services</b>	<b>Estimated Hours</b>
Department	Security Controls	1,035
<i>To Be Determined</i>	Ad Hoc Services per Management's Request	160
<b>Total Hours</b>		<b>5,395</b>

**NOTE: This plan is subject to change based on changes in the department's risk environment and extenuating circumstances.**

To promote accountability, integrity, and efficiency in government, the Office of Inspector General conducts audits and reviews of Department of Business and Professional Regulation programs, activities, and functions. This project was conducted pursuant to Section 20.055, Florida Statutes, and in conformance with applicable *Principles and Standards for Offices of Inspectors General* as published by the Association of Inspectors General and applicable standards of the *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors, Inc.

Other reports prepared by the Office of Inspector General of the Department of Business and Professional Regulation can be obtained by telephone (850-414-6700) or by mail (2601 Blair Stone Road, Tallahassee, FL 32399-1018). OIG reports are also available online at <http://www.myfloridalicense.com/dbpr/oig/auditreports.html>.