



## Internal Quality Assurance Report

### Internal Audit/Inspector General Department



**LeeClerk.ORG**  
LINDA DOGGETT : CLERK OF COURT

**Tim Parks, Chief Internal Audit Officer/Inspector General**  
**Sandy Bottone – Senior Internal Auditor**  
**September 30, 2016**



# Internal Quality Assurance Report



September 30, 2016

The Honorable Linda Doggett, Lee County Clerk of the Circuit Court & Comptroller

Dear Ms. Doggett,

Enclosed is the Internal Quality Assurance Report for the Internal Audit/ Inspector General (IA/IG) Department. This review was done in advance of the Association of Inspectors General (AIG), External Peer Review, scheduled for December 2016. The Internal Quality Assurance review was performed by team member Sandy Bottone, Senior Internal Auditor.

In accordance with the guidelines published by the Institute of Internal Auditors (IIA), Association of Local Government Auditors (ALGA) and the Association of Inspectors General (AIG), we have conducted an Internal Quality Assurance Review. The objectives of our review were to determine if the IA/IG Department conforms to the International Standards for the Professional Practice of Internal Auditing (the Standards) and the Principles and Standards for Offices of Inspector General (the Principles); and to identify opportunities to enhance its administration, management, and work processes.

The Standards require that the Chief Internal Audit Officer/Inspector General (CIO/IG) must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. This internal quality assurance report conforms to the Standards.

Sincerely,

Tim Parks, CIA, CIG  
Chief Internal Audit Officer/Inspector General  
Internal Audit/Inspector General Department

Sandra Bottone  
Senior Internal Auditor  
Internal Audit/Inspector General Department



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## Synopsis

I have completed an Internal Quality Assurance review (assessment) of the Lee County Clerk of the Circuit Court & Comptroller's Internal Audit/Inspector General Department for the period calendar years 2015 and 2016. I have concluded that the Audit Services Unit (Internal Audit Team) is operating effectively and generally conforms to the *International Standards for the Professional Practice of Internal Auditing* (the Standards) issued by the Institute of Internal Auditors as part of their *Professional Practices Framework* and the *Principles and Standards for Offices of Inspector General* (the Principles). I noted areas for consideration regarding the projects; risk assessment, planning, testing documentation, Intent to Audit Memo, and Conflict of Interest & Independence Statement.

## Scope and Methodology

I reviewed and conducted tests of the internal quality control system for the period of calendar years 2015 and 2016 in order to determine if the Department provided reasonable assurance of conformance with the Standards and Principles. In conducting my review, I followed the standards and guidelines contained in the *Peer Review Guide for Assessing Conformance with International Standards for the Professional Practice of Internal Auditing* by the Association of Local Government Auditors (ALGA).

## Opinion

The Department has undergone significant reorganization and cultural changes during the past two years with a new name, new management, new software, and new policies and procedures. Based upon the results of my review, it is my opinion that the Department's preliminary internal Quality Assurance and Improvement Program is suitably designed and effectively operating so as to provide reasonable assurance of conformance to the Standards and Principles.

While all audit reports are well written, the most notable observations are with documentation deficiencies within the TeamMate audit program. TeamMate was implemented in January 2014, and as with any new software program there is an associated learning curve. There are various levels of working proficiency noted within the Audit team. Significant improvement is noted in quality of the documentation within the 2016 audits as compared to the prior years. However, training is recommended to improve audit documentation quality.

Management has taken action to implement training within the department. Some of the areas currently being addressed:



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- Performing project based risk assessments
- Documenting the planning process
- Strengthening test documentation and results
- Including Intent to Audit Memos where applicable
- Ensuring Conflict of Interest and Independence Statements are included within each project

Management has set up an enhanced Standard Internal Audit template within TeamMate to assure that all Standards, Principles, Department policies and the recommendations of this review, are addressed in every project. I commend the Chief Internal Audit Officer/Inspector General for leading a progressive department with a forward-thinking approach, and striving to continuously improve the Department's operations.

## CIAO/IG General Response

The IA/IG Department is continually reviewing and updating our policies & procedures, manuals, audit and investigative forms. We are updating the TeamMate audit program to ensure all projects conform to the International Standards for the Professional Practice of Internal Auditing (the Standards) and the Principles and Standards for Offices of Inspector General (Principles). We have strengthened our Quality Assurance and Improvement Program by better identifying the resources required to maintain the program.

## Background

The Lee County Clerk of Circuit Court & Comptroller's Internal Audit/Inspector General's Department (IA/IG) attained Inspector General Accreditation from the Commission of Florida Law Enforcement Accreditation (CFA) in February 2016. The accreditation was the result of significant time and effort spent during 2015-2016 on building the necessary structure to attain accreditation and be in conformance with *The Association of Inspectors General, Principles and Standards for Offices of Inspector General*,

In December 2016, the IA/IG Department will be assessed by the Association of Inspectors General for conformance with *The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards)* as well as with the Principles.

The IA/IG Department implemented and maintains a Quality Assurance and Improvement Program (QAIP). The Department performs ongoing monitoring of the quality of internal audit activities as well as periodic reviews performed through self-assessment and external quality assessment reviews.





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The following report is presented in accordance with the IIA Standards which require internal audit departments to develop and maintain a QAIP that includes both internal and external assessments of the internal audit activity.<sup>1</sup> The objective of the internal and external assessments is to evaluate the internal audit activity's conformance with the definition of internal auditing, the IIA Standards, and the IIA Code of Ethics. The Standards require the results of these periodic assessments to be communicated to those charged with governance at least annually.

To assess the progress that the Department has made in regards to conformance with the Standards and to prepare for the upcoming peer review, a review of the completed 2015 and 2016 audits was performed. A total of eight audits were reviewed; three audits from the 2015 Audit plan and five audits from the 2016 Audit plan. Using the Audit Organization Description of Quality Control System – 2013 Revised Red Book Standards, the audits were reviewed to assure conformance with the Standards. A detailed testing spread sheet was used to compare each audit to the individual standards.

The Internal Quality Assessment team member has previous internal audit and quality assurance review experience. The review covered the risk assessment and planning processes, audit testing methodologies, project team member practices, and management and administration processes. The review was a thorough examination of a representative sample of audits, working papers and reports.

The audit environment is well structured and progressive, where the Standards and Principles are understood, and management is endeavoring to provide useful tools and implement appropriate practices. The Department utilizes the TeamMate audit program, which contains the audit documents. Among other tools and practices, frequent professional training for staff is provided that exceeds the Standards and Principles. The training is directed toward obtaining a related certified professional designation and/or continuing ongoing training to support and maintain existing designations. The Department maintains a good reputation and credibility with clients. The Department has in place a robust quality control system, and it has obtained accreditation from the Commission for Florida Law Enforcement. My comments and observations are intended to build upon the solid foundation that is already in place.

## Areas for Consideration

The internal quality review disclosed certain practices that could benefit if enhanced. The responses contained herein are those received from the Department's Chief Internal Audit Officer/Inspector General (CIAO/IG).

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<sup>1</sup> International Standards for the Professional Practice of Internal Auditing: Standards 1300, 1310, 1311, 1312, and 1320



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## *Project Individual Risk Assessments are not always completed*

In some instances, project Risk Assessments are not performed by department heads or managers. The audit team cannot be sure that all risks are addressed without a completed Risk Assessment, as it limits the ability to ensure the objective and scope of the audit is adequate and relevant.

IA/IG Policy 230.7 Risk Assessment states:

*Areas of auditee operations must be considered regarding their relative risk of material adverse conditions or areas needing improvement.*

IIA Performance Standard 2120 – Risk Management states:

*The internal audit activity must evaluate the effectiveness and contribute to the improvement of the risk management processes.*

Recommendation: It is recommended that a project risk assessment is conducted with department level management.

CIAO/IG Response: Not all department heads are mandated to create and provide the IA/IG Department with risk assessment documentation. We are mitigating the fact that not all of our audit clients have a risk management framework in multiple ways:

- Per Standard 2010, Planning; "...The chief audit executive uses his own judgement of risks after consideration of input from senior management and the board." We are holding pre-audit meetings with senior management to verbally obtain their risk related concerns.
- Per Standard 2120, Risk Management: "Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment..." We place significant reliance on the judgement of our internal auditors based on their training and experience in the absence of formal risk management processes.
- Per Standard 1220, Due Professional Care: "Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified." We understand that even with a well trained and experienced staff, our judgements are not infallible.
- We have begun and will continue a training program to help auditors better identify and document risks prior to each audit engagement. The identified risks will be used to establish the objectives and scope.



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## *Inadequate project planning documentation*

Although the objective and scope of the audit project was mentioned in the final audit report, they were not adequately documented within TeamMate.

IA/IG Policy 230.6 Preliminary Survey states:

*The purpose of the preliminary audit work is to gather basic information about the audit area. This step is a thoughtful, systematic approach for developing project objectives, scope, and methodology sufficient to design an audit fieldwork plan to accomplish project objectives. It consists of familiarization, problem identification, internal control review, and audit planning detail.*

IIA Performance Standard 2200 – Engagement Planning states:

*Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.*

Recommendation: Document the project plan to ensure all areas of the project's concerns and risks were addressed.

CIAO/IG Response: We have begun and will continue a training program to help auditors better identify and document risks prior to each audit engagement. The identified risks will be used to establish the objectives and scope. We have added additional steps within the Standard internal audit template to remind team members to document planning steps.

## *Testing steps and documentation missing*

It was noted that the testing documentation sometimes did not clearly demonstrate how the tests were created and what the results were.

IA/IG Policy 240.4 states:

*Methodologies used in the audit process may include identification of best practices, conducting interviews, surveys, examination of pertinent records and researching both present and historical information. For engagements involving sampling, the identification and rationale for selecting a particular sampling size and testing method must be described.*

IIA Performance Standard 2240.A1 – Engagement Work Program states:





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*Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement.*

Recommendation: Documentation is needed to support audit observations. A well designed testing spreadsheet shows what steps were followed to make determinations on the observations. Auditors must base conclusions and project results on appropriate analysis and evaluations. Auditors must document relevant, valid, and reliable information to support the conclusions and results.

CIO/IG response: Additional Steps were developed within the standard internal audit template to remind team members to adequately document project testing steps. Collaboration training is scheduled on a recurring basis to reinforce the need to strengthen test documentation.

## ***Intent to Audit notification was not documented***

In one instance, the Intent to Audit notification was not documented.

Department P & P: 230.1 - Intent to Audit Memo

*The initial notification of the start of an audit, except those included in the Port Authority's annual work plan, will be made through a communication (e.g., e-mail or memo) to management or the Clerk, as applicable. A copy of the communication will be placed in the audit documentation.*

Recommendation: In order to establish an understanding with audit clients about objectives, scope, respective responsibilities, and other client expectations, an Intent to Audit or Engagement letter should be sent out.

CIAO/IG Response: I concur with the recommendation and will ensure the Intent to Audit Memo is a documented step in every project and is signed off for each team member assigned to the project.

## ***Conflict of Interest & Independence Statement is omitted***

One incidence of an omitted Conflict of Interest & Independence Statement was noted. When non-conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards impacts a specific engagement, communication of the results must be disclosed.

Recommendation: Develop a check list to make sure that all required documentation is scanned into the TeamMate audit program. Remind team members to ensure a Conflict of Interest & Independence Statement is completed for every project.



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IA/IG Policy 140.8 - Reporting and Resolution of Impairments states:

*All impairments to independence (conflicts of interest or bias) must be reported. In order to ensure that this is done, an Annual Independence Statement, Mission Statement, Code of Ethics, and Confidentiality Agreement must be completed every calendar year. In addition, at the time of project assignment, an Auditor Assignment and Conflict of Interest or an Investigator Assignment and Conflict of Interest is completed. If impairments are encountered after the start of a project, they are to be reported to the CIAO/IG in writing at the time they are identified.*

IIA Standards state:

## 1120 – Individual Objectivity

*Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.*

## 1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. To ensure the auditor's independence and objectivity are maintained, any conflict of interest is disclosed and the Department's policy is followed, auditors should complete the Conflict of Interest & Independence Statement for every project.

CIAO/IG Response: The Department's policy requires team members to complete a Conflict of Interest & Independence Statement for each project. However, the department conforms to the Standards by signing an annual Conflict of Interest & Independence statement. Even though the Department's policy exceeds the Standards' requirement, team members should strive to meet the Department's policy requirements.