



**Office of Inspector General
Operations Manual
2014 Revision**

Prepared by

J. Timothy Beirnes, CPA, Inspector General



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|-------------------|--|
| CHAPTER 1 | INTRODUCTION |
| CHAPTER 2 | PROFESSIONAL CONDUCT |
| CHAPTER 3 | ANNUAL WORK PLAN |
| CHAPTER 4 | PERFORMANCE AUDITS |
| CHAPTER 5 | FINANCIAL AUDITS |
| CHAPTER 6 | INFORMATION SYSTEMS AUDITS |
| CHAPTER 7 | INVESTIGATIONS |
| CHAPTER 8 | INSPECTIONS, EVALUATIONS, and REVIEWS |
| CHAPTER 9 | NON-AUDIT SERVICES |
| CHAPTER 10 | WORKING PAPERS |
| CHAPTER 11 | STAFF DEVELOPMENT |
| CHAPTER 12 | QA & REPORT PROCESSING |
| CHAPTER 13 | FOLLOW-UP |
| CHAPTER 14 | ADMINISTRATIVE ISSUES |
| CHAPTER 15 | FORMS |



This manual codifies the procedures that staff in the Inspector General's Office are required to follow in the daily performance of their duties at the District. The Internal Audit Charter (District Policies and Procedures, Sections 101-201 through 101-208) is incorporated by reference. In addition, members of the Office of Inspector General should thoroughly familiarize themselves with the Audit and Finance Committee Charter (District Policies and Procedures, Sections 101-221 through 101-224).

Our Mission

Our mission is to provide citizens living within the boundaries of the South Florida Water Management District including their Governing Board, elected representatives, and District management with an independent view of operations through objective and professional audits, investigations, reviews, and evaluations of the economy, efficiency or effectiveness of taxpayer-financed programs.

Our Vision

We strive to be among the best Inspector General organizations in the State, recognized by our customers and our peers for innovation, the integrity of our audit work, and the quality of our reports. We are committed to promoting teamwork in a diverse workforce, and encouraging personal and professional growth.

Our Guiding Principles

A commitment to quality governs our work. We define quality as work that is: objective and unbiased, accurate, timely and meaningful, and presented in a way that is most useful to our customers.

Quality will pervade our work culture, which will be characterized by customer-focused continuous improvement in all that we do. We will strive to routinely meet or exceed customer expectations. To ensure success in achieving our vision, we will:



- maintain an absolute, proactive, and long-term commitment to customer-focused, continuous improvement, and
- act as role models for the quality values we espouse.

Our Goals

1. To enhance District accountability by assessing the performance of programs and functions, and by effectively communicating the results of our work.
2. To search for and to expose illegal, wasteful, or abusive use of public resources.
3. To improve District operations by recommending changes to increase the economy, efficiency, and effectiveness of government run or supported programs and processes.
4. To provide high quality professional services in carrying out the Inspector General's statutory audit responsibilities.
5. To provide a stimulating and rewarding place to work, and to encourage the continuing professional development of our employees.

Authority

The legal basis for the Inspector General's authority to conduct audits and investigations are contained in Section 20.055, Florida Statutes, Agency Inspector General.

Section 373.079(4)(b), Florida Statutes, authorizes the Governing Board to appoint an Inspector General whose scope of work is unrestricted. Our office is independent of District management and cannot be prevented "from initiating, carrying out, or completing any audit or investigation." As such, we also have the authority to audit the records of private firms and nonprofit organizations, which are awarded contracts by the District or receive District funds through



cooperative agreements.

We are also responsible for advising on performance measures, standards and procedures, and assessing the reliability and validity of information systems.

We also help ensure that there is effective coordination and cooperation with federal and state auditors with a view towards facilitating their work and avoiding duplication.

Whistle-Blower Act

Sections 112.3187 through 112.31895, Florida Statutes, constitute the “Whistle-blower's Act”. The intent of this act is to prevent retaliatory action against an employee who reports violations of laws or improper use of government office, gross waste of funds, or any other abuse or gross neglect of duty committed by an employee or agent of the District or independent contractor.

We are responsible for receiving, investigating, and reporting to the appropriate authorities, at the conclusion of any investigation arising from any disclosure covered under this Act.

The Whistle-blower policy outlines the process for disclosing, investigating, and maintaining the confidentiality of information, regarding allegations of violations of the law on the part of an employee or agent of the District, or independent contractor that create a substantial and specific danger to the public's health, safety, or welfare. More information on the Whistle-blower Act is contained in the District's Whistle-blower Policy (District Policies and Procedures, Sections 101-101 through 101-113). However, District employees are encouraged to contact our office if they require assistance in interpreting the act and its applicability to their particular circumstances.



Access to Records

During an audit, we will require access to records, files, and other information to effectively complete the audit. We have access to any records, data, and other District information per Section 20.055(5)(c), Florida Statutes. We are granted access to all District records and documents; have the ability to request reasonable assistance from appropriate personnel in acquiring requested records and documents; have inspection privileges to all assets owned, leased or borrowed by the District, and have entry privileges to all facilities used by the District.

Auditors are expected to maintain the confidentiality of any records that are confidential and are subject to penalties for violating confidentiality.

An audit report and related work papers become public record when the audit becomes final. An audit becomes final when it is presented to the Governing Board (Section 119.0713(2)(a), Florida Statutes)

Audit Standards

The conduct and performance of our audits are guided by professional auditing standards issued by the following standard setting bodies:

1. U.S. General Accounting Office (Government Auditing Standards) (the "Yellow" Book").
2. Institute of Internal Auditors (International Standards for the Professional Practice of Internal Auditing) (the "Red Book").

Section 20,055(5)(a), Florida Statutes, provides the Inspector General the choice of which standard to follow in conducting audits. Historically, the IG has applied the Yellow Book standards.

Types of Audits

The U.S. General Accounting Office has issued auditing standards for two basic



types of government audits:

PERFORMANCE AUDITS are objective and systematic examinations of evidence for the purpose of providing an independent assessment of the performance of an existing or proposed government organization, program, or activity in order to provide useful information to improve public accountability and decision-making. Performance audits include economy and efficiency and program audits, and are defined as follows.

Economy and efficiency audits - include determining (a) whether the entity is acquiring, protecting, and utilizing its resources (such as personnel, property, and space) economically and efficiently, (b) the causes of inefficiencies or uneconomical practices, and (c) whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

Program audits - include determining (a) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved, (b) the effectiveness of organizations, programs, activities, or functions, and (c) whether the entity has complied with significant laws and regulations applicable to the program.

FINANCIAL AUDITS include financial related and financial statement audits, and are defined as follows:

Financial related audits - include determining (a) whether financial information is presented in accordance with established or stated criteria, (b) whether the entity has adhered to specific financial compliance requirements, and (c) whether the entity's internal control structure or specific areas of risk over financial reporting are suitably designed and implemented to achieve the control objectives. Financial related audits may include audits of segments of financial statements, contracts and grants, internal control reviews, and financial systems such as payroll or procurement.

Financial statement audits - provide reasonable assurance about (a) whether the financial statements of an audited entity present fairly the financial position,



results of financial operations and cash flows, or changes in financial position in accordance with generally accepted accounting principles (i.e., an opinion statement audit), and (b) whether the entity has complied with laws and regulations for those transactions and events that may have a material effect upon the financial statements. Financial Statement audits are typically performed annually by independent certified public accounting firms engaged by the District. The District's Governing Board selects the accounting firm and the Inspector General manages the contract administrative matters.

Responsibilities of District's Management and Staff

We operate on the following basic premises, that the District's management and staff:

- have a responsibility to apply resources efficiently, effectively, and economically so that taxpayers receive value for their money,
- are accountable to the public and to other levels and branches of government, and
- are responsible for establishing and maintaining effective internal control systems to ensure:
 - goals and objectives are met,
 - district assets and resources are safeguarded,
 - laws and regulations are followed, and
 - reliable data are obtained, maintained, and accurately reported.



PROFESSIONAL CONDUCT

This section concerning professional conduct constitutes a guide for the professional staff of the Office of Inspector General. Taken as a whole, this section calls attention to the fact that the staff in the Office of Inspector General is held to high standards of trust, independence, objectivity, confidentiality and competence. The Staff must be committed to avoidance of conflicts of interest and to the full disclosure of actual or potential impairments.

Staff shall review and comply with HR Policies and procedures, which are incorporated into the District's Policies and Procedures.

Independence - Most products of the Office of Inspector General recommend improvements to existing policies, practices and operational aspects of the District. It is therefore essential that the audit staff be independent and be perceived as such. The independent attitude should indicate to all that the work efforts of the office are unbiased and impartial with respect to the presentation of any finding or recommendation. The opinions and conclusions that staff derives from audits, reviews and investigations must be based on facts, evidence and analysis irrespective of the influence of Department managers.

Each staff member shall complete a Statement of Independence at the time of assignment to an audit, review or investigation. After review by the Inspector General, the signed statement will be included in the audit working papers.

Conflict of Interest - Staff members should be neither advocates nor adversaries of any special interest party. At no time should they allow their views or personal situations impair their judgment and depth of reporting. Any official, professional, personal or financial relationships that might affect the staff member's objectivity or limit the extent of the analysis or the disclosure of findings should be disclosed to the Inspector General prior to the beginning of an assignment.

Integrity and Objectivity - No member of the staff shall knowingly misrepresent the facts in the presentation of findings developed during an audit. To ensure staff integrity, it is expected that work assignments have been adequately planned and relevant data have been sufficiently analyzed on which reasonable conclusions and/or recommendations can be made.

Confidentiality – Records shall not be removed from the auditee's premises without permission. Staff members shall not discuss the status of ongoing



internal audits or investigations with persons that are not a necessary part of the project. Inquiries from the media and public should be referred to the Public Records Coordinator in the Office of Board and Executive Services. Inspector General staff members should also notify the Director of Auditing and the Inspector General of any such requests they receive. No confidential information obtained in the conduct of work assignments that is not available to the general public shall be disclosed to others. This statement does not relieve employees from their obligations under the laws of the State of Florida governing public documents, nor does it restrict the exchange of information with any duly constituted legislative, investigative or disciplinary body.

Demeanor - It is expected that at all times during the course of business staff will present themselves in a professionally acceptable fashion. The demeanor of staff while on duty must reflect positively on the image of the Office of Inspector General and the District.

Codes of Ethics - Employees of the Office of Inspector General have an obligation to the State of Florida and to the District to maintain high standards of professional conduct. Staff should thoroughly familiarize themselves with the code of ethics of the District (see Employee Ethics pamphlet). The Office has also adopted the Code of Ethics of the Institute of Internal Auditors (See http://www.theiia.org/?doc_id=92). All employees of the Office are affiliated with this organization and adherence to this code is required in the daily performance of auditing duties.



ANNUAL WORK PLAN

The Internal Audit Charter (District Policies and Procedures, Section 101-207 Responsibilities) states:

The Inspector General shall develop long-term and annual audit plans based on the findings of periodic risk assessments.

The Inspector General shall submit an annual budget and audit plan reflecting scheduled audits, non-audit activities, and related resources to be devoted to the respective audit and non-audit activities to the Audit Committee within 45 days of the beginning of each fiscal year for review, discussion, and approval.

Accordingly, the Inspector General is responsible for developing and implementing long-range and short-range audit plans. The long-term and annual audit plans should be developed in cooperation with the Executive Director of the District.

In developing an audit plan the following should be considered:

- 1) What are the overall objectives of the audit section?
- 2) What programs and activities of the Department are to be audited?
- 3) Which of those programs and activities should be audited through evaluation of the risk associated with each function or activity? And why?

The Audit Committee has the right to amend the annual plan any time during the year and the Inspector General may initiate and conduct any other audit or review he/she deems necessary to undertake.

Risk Based Planning Approach

In developing the audit plans, the Office of Inspector General should periodically perform a risk assessment. In this assessment, the Inspector General should pay particular attention to high dollar expenditure areas, new program activities, topical items, and inherently sensitive areas.



- 1) High Dollar Expenditure Areas: A review of the District's annual budget will reveal the high dollar programs.
- 2) New Program Activities: New programs may be highly vulnerable to potential fraud, waste and abuse since experience has not been adequate to reveal weaknesses. For this reason, new programs must be considered high potential areas to which audit resources will be devoted. Comparison of legislative appropriations and organizational charts will reveal new program entities, which should be scrutinized with care.
- 3) Topical Items: Topical items may be analyzed during the initial assessment; however, various areas and programs will become subject to topical interest during the Governing Board' policy development process. Heightened news media and public interest group attention and or external investigations may also reveal worthwhile audit topics.
- 4) Inherently Sensitive Areas: Areas with enforcement of specifications or regulations are inherently prone to corrupt or fraudulent practices such as bribery and collusion. For example, the regulatory enforcement operation of the District should be identified and analyzed for vulnerability to corrupt practices.

To assist in assessing the risk associated with the District's various programs, interviews should be conducted with the Executive Director, Deputy Directors, Department Directors, Division Directors, Office Directors, Communications, Legislative Liaisons, and Finance and Accounting staff.

The audit reports issued by the Auditor General of the State of Florida should also be reviewed to identify problem areas requiring continued attention. The reports will also identify areas, which received favorable reports and may be given low priority for internal audits. Similarly, the Management Letter issued by the District's independent Certified Public Accounting Firm should be reviewed for reported control weaknesses.

Risk is significantly different from a program performance audit perspective than it is from a financial audit perspective. Performance audits, unlike financial audits, cannot be conducted on a regular audit cycle. The audit universe is too



large, the auditable elements too diverse and the cost of the audits too high. Also, program risk is difficult to assess. Traditional risk assessment, as used in internal auditing, is a good place to start. However, it is not an adequate tool for maximizing audit impact and is not a substitute for good judgment, because it does not consider opportunities to improve outcomes.

Each year the District updates its working Strategic Plan and develops an annual work plan to guide management and staff in fulfilling the District's mission. The District's annual work plan is the product of the annual strategic planning cycle that provides a new and improved approach to establishing priorities, allocating resources, implementing projects, and providing accountability. This is followed by a budget process that allocates resources to accomplish the planned activities.

The audit planning process should begin with reviewing the Strategic Plan and the upcoming fiscal year's annual work plan to identify those programs, activities and functions that are considered to present potential risk to the District. In addition to specific programs, attention should be given to identifying processes that are critical to the planning cycle that affect all programs.

The audit plan should reflect a consideration of risk and its relationship to the District's mission and objectives. The most ubiquitous risks to the District's mission revolve around spending, operations, data integrity and reliability, disaster recovery/contingency planning, regulatory compliance, and public perception. District programs such as our many restoration programs depend on land acquisition and construction processes, which represent high risks due to the mere magnitude of the financial resources to be consumed. Others, such as regulation and water supply, have inherent risks that are not necessarily related to program expenditures or dollar magnitude but rather represent high risk due to the nature of the function where consistency, objectivity, integrity, and strict adherence to rules and regulations are essential.

This risk-oriented approach to audit planning provides the Governing Board with the opportunity to optimize their audit assurance function, given the available resources. The audit plan reflects a consideration of risk and its relationship to the mission and objectives of the District. The proposed annual plan will be presented to the Governing Board's Audit Committee no later than November of each year. Approved copies of audit plans are kept on file in the office of the Inspector General.



PERFORMANCE AUDITS

A performance audit refers to a detailed assessment or evaluation of an organizational unit, program, activity, process, or procedure. The particular emphasis of an audit will depend on the nature of the individual assignment.

Various terms are used for non-financial/compliance audits. Program audits, according to Government Auditing Standards, include determining:

- (1) the extent to which the desired results or benefits established by the legislature or other authorizing body are being achieved,
- (2) the effectiveness of organizations, programs, activities, or functions, and
- (3) whether the entity has complied with laws and regulations applicable to the program.

Operational audits are more concerned with the economy and efficiency of operations. Performance audits, according to Government Auditing Standards, include both program and economy and efficiency audits and is therefore selected as the term to describe this function in the Office of Inspector General. In practice, the scope of a performance audit may be very narrow or very broad, depending on what is being audited.

Compared to financial audits, where there are rather clear-cut audit procedures, performance audit procedures are less uniform. Nonetheless, there are certain steps that need to be taken in every case. While the approach may not be as uniform as it may be for financial audits, it can be as systematic, and it can be carefully planned and executed.

Auditing Standards - Section 20.055(4)(a), Florida Statutes, prescribes that audits shall be conducted in accordance with the current International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors or in accordance with generally accepted government auditing standards, where appropriate. As used in this manual, generally accepted government auditing standards refers to *Government Auditing Standards* issued



by the Comptroller General of the United States (2011 Revision).

For convenience, the organizational unit, which is the subject of the management review, is referred to as the auditee, the audited entity, or the auditee organization in this manual.

Generally, performance audits will be specified in the annual audit work plan. Occasionally, management may request that a compliance audit be conducted that is not in the one-year audit work plan. Special assignments that do not fit the criteria for performance audits may include Technical Assistance/Special Assignments.

The Inspector General are responsible for determining the responsibility of staff to be assigned to each project. The project team will include one or more members of the Inspector General staff. Other District staff or outside consultants may also be needed for some projects where certain expertise maybe needed. A member of the Inspector General staff will be named as project leader.

Upon being assigned to undertake a performance audit, staff members will execute a Statement of Independence (located in the "INA" Common Directory under the Forms Subdirectory). After review by the Inspector General, the signed statement will be included in the working papers file.

The Inspector General will confer with management to determine their interests and concerns regarding the project and brief the audit team accordingly. This information will be conveyed to the staff who will ensure that the Senior Administrative Resource Associate provides them with a project number and enters appropriate information into the Inspector General Project Management database. The performance audit project leader should determine the resources necessary to perform the audit and obtain approval from the Inspector General. The auditee will be notified in writing of the audit, and an entrance conference will be conducted.



Audit Notification

At the earliest possible time, the Inspector General should communicate with the management of the auditee by telephone, email, or in person to explain the assignment, set a tentative date and time for an entrance conference, and ensure that there are no impediments to the conduct of the audit. The communication should include, but not limited to, the following information:

- 1) Type of audit to be conducted;
- 2) Purpose of the audit;
- 3) Methods to be used (interviews, file reviews, etc.);
- 4) Name(s) of audit staff involved;
- 5) Time of commencement and estimated duration;
- 6) Confirmation of the entrance conference; and
- 7) Any other information deemed useful to the auditee in preparation for the audit.

An entrance conference should be held with the management and appropriate staff of the auditee. The decision on participation from the auditee rests with its management. Wherever possible, however, the widest possible participation from the audited units should be encouraged.

Opening Conference - An opening conference is scheduled with District officials. A major objective of the opening conference is establishing a climate in which management and staff are aware of the audit process and are provided an opportunity for input. The following matters should be covered:

- Scope of audit including program areas being reviewed and period of time covered or specific areas District officials may want examined,
- Procedures for obtaining information and transmitting preliminary audit findings, arrangements should be made for acquisition of initial documentation and reports from the auditee. Establishing appropriate communication channels,
- Any known improprieties that have occurred since the last audit,
- Standard reporting procedures for preliminary, draft and final reports,



including the need for responses from management, and

- Arrangements for office space, equipment, etc.

The entrance conference should be documented in the working papers.

Despite efforts toward open and constant communication with auditee officials, differences of opinion and conflict can arise during the course of the audit. If disagreement develops, auditors should discuss the matter at issue openly with the appropriate level of the auditee. When such disagreements are not immediately resolved, the auditors should inform the Inspector General, who will decide whether to take the issue to higher authority organizationally for resolution.

Scope and Objectives

Perhaps the most important activity in the entire performance audit process is the formulation of the scope and objectives, which is included in the assignment authorization.

Scope refers to the depth and coverage of an audit. The scope statement should include supportive information such as the period audited. The scope should be broad enough to enable the objectives to be achieved, yet narrow enough that audit efforts can be focused and accomplished within a reasonable time period. A well-formulated scope statement will indicate the areas not to be covered in the audit to delineate the audit boundaries.

The stated **objectives** (or purpose) of an audit indicate what is to be accomplished in the audit. Objectives should be clearly articulated and used as a guide in the development of findings. Both the scope and objectives will be gradually formulated and refined over the course of the audit. As soon as possible after the auditors receive the assignment and are briefed on management's interests and concerns and other background information regarding the auditee, the tentative scope and objectives should be prepared by the auditors, included as part of the assignment authorization, and be approved by the Inspector General. This will serve to ensure that there is a clear understanding of what the focus of the audit should be.



| GUIDELINES FOR WRITING AUDIT OBJECTIVES | |
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| Why develop audit objectives? | To define those questions that can be answered through the audit process. |
| | To clarify the purpose of the audit. |
| | To determine the type of audit to conduct and the audit standards to follow. |
| | To establish direction for detailed audit work. |
| What does an audit objective identify? | Audit subject. |
| | Performance aspect. |
| | Finding elements to develop. |
| How do you phrase objectives? | As a question: "Is Procurement following the prescribed steps to monitor vendor performance?" "Does CERP submit detailed evaluation forms to document vendor performance?" |
| | As a "to determine" statement: "To determine whether CERP is filing evaluation forms as required to document performance by its vendors." |
| | As a conditional statement: "To determine whether CERP is following the prescribed steps to monitor performance by its vendors; if not, determine the consequences; and if the consequences are significant, determine the cause of the problem, and what can be done about it." |

The tentative scope and objectives may be fairly general. After the preliminary survey phase of the audit, they should be refined and become part of the planning memorandum. The final scope and objectives will be stated in the first part of the report. The findings of the audit should be clearly related to the objectives.



The Planning Memorandum

Proper planning is crucial to the successful execution of a performance audit. Often the planning phase may occupy a significant portion of the time required for an audit. Various terms are used to refer to different types of audit planning documents. The terms include audit plan, audit program, and planning memorandum. The term audit plan describes the annual audit plan and the strategic audit plan for anticipated work by the Office of Inspector General. The audit program refers to a detailed series of steps to be followed during an audit. In the context of performance audits, the term planning memorandum refers to a document displaying the overall planning information for a particular audit. Additionally, a standardized Planning Checklist (located in the "INA" Common Directory under the Forms Subdirectory) should also be completed for each assignment.

Initially, the engagement letter serves to indicate the general direction that the auditor(s) believe the audit will take. The preparation of the planning memorandum should be commenced as soon as possible after the start of an audit and should be completed along with the Audit Program during the Survey phase of the project.

The planning memorandum for a performance audit may include the following:

- 1) Scope and objectives,
- 2) Background information, including previous audits,
- 3) Staffing requirements for the audit,
- 4) Milestone completion dates,
- 5) Important contacts,
- 6) Requirements of laws, regulations, procedures and policies applicable to the audit, and
- 7) Risk assessment.

The Survey Phase

During the survey phase, often referred to as the planning phase, the auditor gathers adequate information as quickly as possible in order to plan and program the audit and also to identify problem areas warranting additional audit work.



The focus of survey work and the time required will vary, depending on the audit. Time requirements will also be influenced by the audit staff's prior knowledge of the areas being examined and by the size and complexity of the activities undertaken by the auditee organization. According to Government Auditing standards auditors are responsible for determining which requirements of laws and regulations are to be considered in the audit and need to exercise professional judgment in determining those laws and regulations that might have a significant impact on the audit objectives. It is recommended that the Auditors consult with Office of Counsel to ensure that all statutes and regulations have been identified.

Although survey work will differ depending on the type of audit undertaken, the usual approach in conducting the survey phase is to make a broad appraisal of the auditee organization and how it operates. The next step is to narrow the survey scope by identifying areas, activities, and programs which appear to warrant additional preliminary evaluation. Practical information for each area selected would then be obtained on:

- 1) how the operations are actually carried out;
- 2) what management controls are in place;
- 3) how necessary the work steps are;
- 4) the process used to monitor results; and
- 5) whether or not the work satisfies legal requirements, achieves established goals and/or follows common practices.

The following methods for obtaining survey information should be considered:

- 1) Review of applicable laws, legislative history, regulations, procedures, and policies;
- 2) Discussions with the organization's officials and personnel directly involved in operations;
- 3) Interviews with people directly affected by a program and others knowledgeable about the organization and its activities;



- 4) Physical inspection and on-site observation;
- 5) Reviews of management's reports;
- 6) Reviews of studies and previous audit reports;
- 7) Test transactions - tracing a very limited sample of specific work transactions from beginning to end; and
- 8) Documenting procedures undertaken, such as flow charts and graphics.

The kind of information to be obtained during the survey phase depends on the type, purpose and scope of the audit. In general, the information needed can be grouped as follows:

- 1) General background information - working knowledge of programs, activities, operating methods, purposes, goals and objectives;
- 2) Organization - staffing, duties, organizational charts, position descriptions, and functional diagrams;
- 3) Authority and responsibility;
- 4) Financing - even though the performance audit is not likely to involve financial auditing, the auditor should make a judgment on the amount of financial information that will be useful to the audit, such as source and amount of funding, budget data, cost and location of assets, operational costs, program administration costs, etc.; and
- 5) Goals and objectives established.

The objectives of the survey phase are to make observations and decide what additional work or detailed reviews are to be done, and what work is not to be done, during the examination phase.

The result of the survey is a summary prepared to facilitate communication and to lay the groundwork for the detailed audit. The summary should include



information developed during the survey phase and suggested next steps. At the end of the survey phase, audit staff should have a preliminary estimate of time and resources required to complete the assignment as well as a target date for completing the audit work and the reporting phase.

With survey results and summary in hand, the auditor is now in a position to finalize the audit program.

Reference Materials Useful In Preparation For Performance Audits

- 1) Audit Reports
- 2) Functional Organization Charts
- 3) Staffing Organizational Charts
- 4) Position Descriptions
- 5) Florida Statutes
- 6) Current Legislation
- 7) Administrative Rules (Florida Administrative Code)
- 8) District Policies And Procedures
- 9) Class Specifications (for position classes)
- 10) Employee Grievances
- 11) Employee Turnover Data
- 12) Agency Plans
- 13) Interagency Working Agreements
- 14) Budget Information
- 15) Agency Legislative Agenda
- 16) Personnel List --Title, Telephone
- 17) Program Evaluations, Evaluation Reports
- 18) Operations Flowcharts
- 19) Federal Grant Agreements



The survey state should also consider whether one or more specialist's will be need. If so, an assessment should be made regarding the specialist's professional qualifications and independence, which involves the following

- Professional certifications
- Licenses, or other recognition of competence
- Reputation and standing with peers
- Experience and previous work
- Prior experience the auditor has had with the specialist

The Audit Program

The audit program, as defined in this manual, is a detailed list of steps to be followed during the course of a performance audit. Parts of the audit program will remain constant from one audit to the next, while other parts will change. The audit program will normally be developed during the preliminary survey and after the planning memorandum. It will refer back, however, to steps completed earlier, such as the engagement memo. One of the functions of the audit program is that of a checklist of tasks that are required to be performed in all audits. This helps to ensure compliance with audit standards.

The audit program will include steps to be performed during the examination phase of the audit. Since performance audits may vary considerably in scope, the part of the audit program dealing with the examination phase will also vary. For this reason, the audit program should be prepared separately for each audit.

The parts of the audit program that are constant may be kept on a computer file and the remaining parts may then be added to make up the unique audit program for each performance audit.

The format for the audit program includes, for each separate step or task, space for date of completion, auditor initials, and working paper references. The Inspector General should approve the audit program as a whole. At the completion of the audit, the audit program will become part of the working papers and appropriately cross-referenced.



Examples of recurring parts of the audit program include:

- Written assignment authorization approved
- Engagement memorandum sent
- Assignment of responsibilities received
- Certificates of independence signed
- Tentative scope and objectives defined and approved
- Planning memorandum prepared and approved
- Laws, regulations, procedures, and policies reviewed
 - Procedures manual reviewed
- Previous audit findings reviewed
- Entrance conference completed
- Audit tracking sheet initiated (this will cover steps involving completion of the report)
- Working papers indexed, labeled, and cross-referenced
- Exit conference completed

Variable parts of the audit program include:

- Other preliminary survey steps to be performed
- Auditee internal controls identified related to the scope of the review
- Audit methods, including tests to be performed in the examination phase, and
- Other examination phase steps to be performed.

The Examination Phase

The examination phase is also referred to as the on-site phase, audit fieldwork, implementing the audit, or the verification and analysis phase.

During the examination phase, the auditor will complete the steps necessary to attain the objectives spelled out in the planning memorandum and tentatively developed during the survey phase. The approach should adhere closely to the scope and purpose of the planning memorandum. It is this phase in which a determination is made as to whether a problem does in fact exist, whether or not it is significant, and what should be done about it. The focus of the examination



phase is on detailed data collection, implementation of tests and measures, and analysis of the information obtained.

Areas of concern uncovered during the survey phase were derived mostly from secondary data, auditor familiarization with the operations of the audited entity, and from preliminary interviews. During the examination phase, these areas of concern are examined in depth, moving from possibility to reality, i.e., a reasonable person would conclude from the facts, the testing or the analysis that a specific problem does or does not exist.

There are so many examination phase situations that no single approach to in-depth probing can be uniformly applied. In all cases, however, the information collected and analyzed should be sufficient, appropriate evidence to provide a sound basis for findings and recommendations. See *Government Auditing Standards*, 6.56 – 6.59 for explanations of sufficient, appropriate evidence, as applied to the performance of audit work.

If auditors suspect or become aware of wrongdoing, abuse or illegal acts during any phase of the compliance audit, the Inspector General should be consulted immediately.

The activities and procedures employed during the examination phase should be selected in advance and expanded or altered as circumstances warrant. The process should be supervised and approved by the Inspector General to ensure objectivity and that audit objectives are being met. Among the activities and subjects selected and projected for the examination phase are the following:

- 1) Persons to be interviewed;
- 2) Internal controls to be assessed for adequacy and effectiveness;
- 3) Documents, records, reports and files to be reviewed for accuracy, completeness and effectiveness of controls over them;
- 4) Laws, regulations, policies and management directives complied with;
- 5) Appropriateness of policies, procedures and practices determined;
- 6) Specific sampling techniques selected;
- 7) High-risk areas identified for probing;
- 8) Continuing alertness to indications of fraud, mismanagement and abuse;
- 9) Assets appropriately safeguarded;
- 10) Evidence to meet tests of sufficiency, relevance and competence



gathered;

- 11) Organized assembling of working papers undertaken.
- 12) Comparisons and trends analyzed;
- 13) Types of surveys required;
- 14) Quality of performance assessed;
- 15) Program objectives and goals established and accomplished;
- 16) Operating standards established for meeting standards for economy and efficiency.

In addition to the activity and judgments called for above, the auditor must decide and make recommendations to the Inspector General on the need for audit activity away from the audited entity's offices or establishment. Among those activities that may need consideration are:

- 1) Field trips to consult with Field Stations and or Service Centers offices or recipients of grants administered by the auditee,
- 2) End-user surveys to elicit specific "customer" information about the receipt of services or other benefits mandated by statute or legislative history in the program being audited, including consideration of the fact that a considerable amount of time is usually required for surveys, and
- 3) Contact with other agencies or other organizations that have developed data or procedures that may help to establish what would be considered adequate or substantial compliance in a particular case.

The development of findings calls for application of the five basic elements of a finding: criteria, condition, cause, effect and recommendation. For each problem area found and analyzed by the auditor, there should be a standard or reasonable basis for measurement (the criteria). There should be a description of the existing situation and knowledge of the extent to which it deviates from the standard (the condition). There should be a clear understanding of the reasons for, or cause of, the variance (the cause). Finally, there should be an awareness of the significance of the problem and why the auditee management should be concerned about the variance (the effect). In formulating recommendations, the quality and reasonableness of those recommendations are predicated on the proper identification of problem causes. If the cause can be resolved by



implementation of the recommendation, then, logically, the adverse condition will be corrected. The "reasonableness" of the recommendation is indicated if a reasonable person, detached from the audit and the auditee, would accept the logic and conclusions summarized in the finding and recommendation.

Statement of Criteria (What should be?) Criteria represent an important first step in the development of an audit finding. They, after all, reflect the goals and objectives set by management for accomplishment; and inevitably, are the standards upon which actual performance will be evaluated. Criteria may either contain legal authority or "softer" universal features of sound internal control). Wherever applicable, reference a specific government regulation or agency policy or procedure.

Statement of Condition (What is the problem?) The condition describes the operation, procedure, or control as it exists. As such, this element constitutes the central thrust of the audit finding. The condition portrays the results of the auditor's procedures, what was obtained through observation, confirmation, inquiry and testing. It cannot be overemphasized that condition assessment is only as valid as the underlying methodology. **Appropriate** procedures performed, in an **appropriate** manner, using **appropriate** judgement, result in the **appropriate** identification of deficient conditions and firm, supported findings. In developing the condition, address a control objective or some other standard (criteria). Include the necessary level of detail by keeping the reader in mind.

Statement of Cause (Why did it happen?) The cause discloses why the criteria (standards) were not achieved. Causes are as essential to the forming of solutions as criteria are to the discovery of undesirable conditions. Despite this importance, causes are often difficult to determine. What is required in casual analysis is a high degree of analytical/reasoning skill. Suspected relationships must be tested and "hunches" corroborated by careful, detailed investigation. Answers to the following self-questions might provide helpful insights: (a) what is the deficiency? (b) where did it occur?; (c) when did it occur?; and (d) how large is it? As in any context, a problem is capable of successful resolution only when its cause has been successfully identified. Document the cause and obtain direct statements from the auditee. Obtain the cause from the right individual(s).



Statement of Effect (So what?) Audit findings are strengthened by documenting the results or risks involved, if the defective condition persists. Undoubtedly, this could mean the difference between the auditee's concurrence with or rejection of, the finding. Findings are further strengthened, when the effects of a deficiency are translated into some quantitative expression. This might be in terms of dollars of revenue lost; quantities wasted; number of days' delay in order processing; and percent of supplier turnover due to lax payment practices, to name just a few. Measure the loss and never exaggerate it.

Statement of Recommendation (How might the situation be remedied?) Recommendations describe the proposed courses of action that management should consider to improve weaknesses in controls or increase procedural compliance. It should be stressed that recommendations are proposals by the auditor, not demands. Clearly, management has the responsibility of correcting exception findings; the auditor is an outside party "looking in", management has a decided advantage in its ability to determine the most effective course(s) of action. The final point under Recommendations underscores the necessity of discussing audit findings with management prior to write-up of the formal report. Discussions with auditee personnel may reveal findings that are misplaced and yield recommendations that are impractical or cost prohibitive. Seeking management's input in this difficult process, however, is one proven way of minimizing the effects of such errors. In writing a recommendation address the cause. Play devil's advocate before finalizing the finding form. Make sure the recommendation maintains the proper balance between the risk and the cost to control it. When drafting recommendations, auditors should keep in mind that they might be involved in follow-up activity months after the completion of the audit. They would do well to ask themselves if their draft recommendations are specific enough to be implemented and are capable of verification.



Many deficiencies discovered and documented by the auditor do not warrant becoming reportable audit findings. Some are so immaterial that the costs of implementing corrective action would far exceed the benefits derived from placing that action into effect. The impact of other deficiencies may be mitigated by the presence of compensating controls. All reportable audit findings should contain the following characteristics:

- They should be significant enough to deserve being reported to management.
- They should be documented by facts, not opinions, and evidence that is sufficient, competent, and relevant.
- They should be objectively developed without bias or preconceived ideas.
- They should be convincing enough so that the conclusions reached are reasonable, logical, and based on the facts presented; they should compel action to correct the defective condition.

During the examination phase, the auditors will develop an informal listing of the major issues uncovered. The auditors will meet with the Inspector General periodically to discuss the significant issues and tentative findings as they are developed. These major agreed-upon issues/tentative findings will form the basis for discussions with Department heads and other cognizant program officials in the auditee organization during the examination phase and for the exit interview at the end of that phase. There should be no surprises for the Department/Program head at the exit interview or in the draft report. Findings & recommendations must be fully discussed as they are being developed so that the views and expertise of those officials can be brought to bear on the auditor's deliberations.

The Inspector General has an ongoing responsibility to report significant issues and tentative findings to the Executive Director during the course of the audit.

Rather than waiting until the end of the examination phase to reduce the emerging issues and tentative findings to writing, auditors should build on the informal listing, referred to above, to summarize the results of each activity during the examination phase. In the summary the auditors should develop each tentative finding and describe the criteria, condition, cause and effect. Auditors' suggestions on possible courses of action to resolve the problem or alleviate its effect will be refined to a recommendation during the report writing phase.



FINANCIAL AUDITS

The majority of District financial related audits involve contractors and subcontractors and the small business enterprise program. However, financial related audits can include some internal items such as various financial systems, e.g., treasury, payroll, etc. Some of the financial related contractor audits involve construction and consultant contracts.

Financial related audits may include audits of the following items:

- A. Segments of financial statements.
- B. Financial information (e.g. statements of revenue and expenses, statements of cash receipts and disbursements, statement of fixed assets).
- C. Reports and schedules on financial matters such as expenditures for specific programs or services, budget requests, and variances between estimated and actual financial performance.
- D. Contracts (e.g. contractor prequalification reviews, bid proposals/preaward reviews, contract pricing, amounts billed/consultant overhead audits, amount due on termination claims, compliance with contract terms).
- E. Grants and financial reviews of intergovernmental agreements between the District and other state and local Government entities for various services to be provided.
- F. Internal control systems structure over accounting, financial reporting, and transaction processing.
- G. Computer- based systems.
- H. Financial systems (e.g., payroll systems).
- I. Fraud.

Fieldwork and reporting standards are in the United States General Accounting Office (GAO) *Government Auditing Standards*.



INFORMATION SYSTEMS AUDITS

With the District's extensive dependency on information systems and the associated technologies, it is important that the Inspector General's Office include audits of these systems in its planning process.

Audits of District information systems ensure that good business practices are followed in protecting the security and integrity of communications systems, electronic data, and computer programming.

Auditing Standards - Information systems audits should follow the "Standards for Information Systems Auditing" as adopted by the Standards Board for the Information Systems Audit and Control Association (ISACA).

These include:

010 Audit Charter

010.010 Responsibility, Authority and Accountability

The responsibility, authority and accountability of the information systems audit function are to be appropriately documented in an audit charter or engagement letter.

020 Independence

020.010 Professional Independence - In all matters related to auditing, the information systems auditor is to be independent of the auditee in attitude and appearance.

020.020 Organisational Relationship - The information systems audit function is to be sufficiently independent of the area being audited to permit objective completion of the audit.

030 Professional Ethics and Standards

030.010 Code of Professional Ethics - The information systems auditor is



to adhere to the Code of Professional Ethics of the Information Systems Audit and Control Association.

030.020 Due Professional Care - Due professional care and observance of applicable professional auditing standards are to be exercised in all aspects of the information systems auditor's work.

040 Competence

040.010 Skills and Knowledge - The information systems auditor is to be technically competent, having the skills and knowledge necessary to perform the auditor's work.

040.020 Continuing Professional Education - The information systems auditor is to maintain technical competence through appropriate continuing professional education.

050 Planning

050.010 Audit Planning - The information systems auditor is to plan the information systems audit work to address the audit objectives and to comply with applicable professional auditing standards.

060 Performance of Audit Work

060.010 Supervision - Information systems audit staff are to be appropriately supervised to provide assurance that audit objectives are accomplished and applicable professional auditing standards are met.

060.020 Evidence - During the course of the audit, the information systems auditor is to obtain sufficient, reliable, relevant and useful evidence to achieve the audit objectives effectively. The audit findings and conclusions are to be supported by appropriate analysis and interpretation of this evidence.

070 Reporting



070.010 Report Content and Form - The information systems auditor is to provide a report, in an appropriate form, to intended recipients upon the completion of audit work. The audit report is to state the scope, objectives, period of coverage, and the nature and extent of the audit work performed. The report is to identify the organization, the intended recipients and any restrictions on circulation. The report is to state the findings, conclusions and recommendations and any reservations or qualifications that the auditor has with respect to the audit.

080 Follow-Up Activities

080.010 Follow-Up - The information systems auditor is to request and evaluate appropriate information on previous relevant findings, conclusions and recommendations to determine whether appropriate actions have been implemented in a timely manner.

Information systems audits follow the same guidelines as Performance Audits.



This procedure provides **guidelines** for processing and investigating complaints received by the Office of Inspector General concerning allegations of employee misconduct, contract crime, small business enterprise program fraud, Whistle-blower complaints, and other matters that may be investigated by the OIG. The Office of Inspector General is responsible for supervising and controlling investigations relating to programs, personnel, and operations of the District under Section 20.055, Florida Statutes, Inspector General Act of 1994.

While this procedure references the Whistle-blower Act, the subject is addressed in more detail in the District's Policies and Procedures, Article V, Section 101.

The Office of Inspector General shall act on behalf of the Governing Board in all investigations and is responsible for monitoring and staff control of all District investigations to ensure compliance, completion, and resolution of appropriate activity related to the complaint. District policy specifically addresses fraudulent activities and requires investigation or audit by the Office of Inspector General to resolve allegations or suspicions of such activity within any Department.

Government auditing field work standards for both financial and performance audits address irregularities, illegal acts, and other noncompliance (commonly referred to as fraud, waste, and abuse). These standards state that the auditor should design the audit to provide reasonable assurance of detecting irregularities or material misstatements in the area being audited.

The Institute of Internal Auditors standards state the auditor should be alert to the possibility of intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflict of interest. They should also be alert to those conditions and activities where irregularities are most likely to occur.

The Office of Inspector General will assist, cooperate, and provide investigative support to the Chief Inspector General of the Office of the Governor upon request. All reports, evidence and other pertinent documentation shall remain in the custody and control of the Chief Inspector General.

Professional Standards – Investigations should follow the Principles and Standards for Offices of Inspector General (the "Green Book"), Quality Standards for Investigations, as adopted by the Association of Inspectors General.



Definitions:

- Fraud-** Illegal acts characterized by intentional deception to cause a person to give up property or some lawful right.
- Waste-** To use up or spend without real need, gain, or purpose.
- Abuse-** To use wrongly or badly; excessive misuse.
- Irregularities-** Intentional misstatements or omissions of amounts or disclosures in financial records or statements.

Actions Constituting Fraud

Fraud encompasses defalcations, misappropriation, and other fiscal irregularities, which include, but are not limited to:

- Misappropriation of funds, securities, supplies, or other District assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, equipment, or other District assets of value.
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/materials to the District.
- Profiteering as a result of insider knowledge of District activities.
- Disclosing confidential or other publicly exempt information to outside parties.

Types of Investigations

Administrative Misconduct: Misconduct investigations consist of allegations of violation(s) of rules, regulations and work standards. These investigations are normally administrative in nature, and if sustained, would likely result in corrective or disciplinary action being taken by the Department.

Criminal: Allegations of criminal activity on the part of District employees would



be investigated by the Office of Inspector General in consultation with the appropriate criminal justice agency. Such allegations, if sustained, could result in arrest and prosecution as well as possible termination of employment with the District.

Civil: A civil investigation may occur when individuals or corporations make false claims against the District, particularly those that appear to meet the criteria of the Florida False Claims Act. Also situations may occur where Federal, State or Local criminal justice agencies request investigative assistance from the Office of Inspector General in civil fraud and Rico cases.

Whistle-blower: A Whistle-blower allegation exists when written complaint is received by the Office of Inspector General from an employee, former employee, applicant for employment that alleges that an employee or agent of an agency or independent contractor has violated any federal, state, or local law, rule, or regulation, thereby creating and presenting a substantial and specific danger to the public's health, safety, or welfare, or has committed an act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty.

Confidentiality

Office of Inspector General staff should be knowledgeable of confidentiality requirements and applicable statutes and should observe all restrictions on releasing information acquired during the investigation. Special attention should be paid to names and identities of individuals in Whistle-blower complaints.

Case Management

Receipt of Complaint: Upon receipt, each complaint will be evaluated by the Inspector General to determine whether a case could be opened, if it should be referred to district managers for resolution, or if some other disposition is appropriate. The disposition of each complaint and the rationale for that disposition will be documented.

Preliminary Inquiries: A preliminary inquiry may be conducted by or for the Inspector General before deciding to conduct a formal investigation. Investigative activity in a preliminary inquiry will be directed at corroborating an allegation or



determining the validity of the complaint so that the matter may be appropriately assigned and investigated.

Investigation Files: Investigation case files will be maintained and stored in the same manner as other project working papers.

Investigation Checklist. The following actions may or may not be necessary depending on the type and circumstances surrounding a particular investigation. As a general guideline, assigned staff shall consider the following:

- Evaluate the initial complaint.
- Identify standard, policy, procedure or statute violated.
- Prepare a draft investigative plan.
- Conduct a preinvestigation conference.
- Conduct entrance interview with appropriate personnel.
- Formulate questions based upon allegations.
- Obtain, secure, and review all pertinent documents and physical evidence.
- Interview all appropriate personnel and witnesses.
- Draft report.

Classification of Investigative Findings: All cases closed will be classified as one of the following categories:

Unfounded: The allegation is false or not factual.

Exonerated: The allegation occurred but was lawful and proper.

Not Sustained: Insufficient evidence to prove or disapprove the allegation(s)

Sustained: The allegation is supported by sufficient evidence to justify a reasonable conclusion that it occurred and was improper or unlawful.



Investigative Technique/Interviewing

The Interview: The primary purpose for conducting an interview is to discover the facts surrounding the allegation under investigation. A secondary purpose is to evaluate the credibility of the witness and the information furnished by him or her. The interview should be confined to those matters that are within the scope of the official investigation. Personal issues related to the witness or to the subject of the investigation should be discussed only if they are directly related to the matter under investigation. Every factor, which tends to prove or disprove the allegation, should be covered. Identification and/or authentication of relevant documents should be included in an interview where appropriate. Identification of data concerning the witness and information related to other investigative leads may be covered in an interview. A person being interviewed should be asked to corroborate important information furnished. Staff should always ask how a witness became aware of the facts stated and who else knows of these facts.

Preparation and Setting: Office of Inspector General staff should prepare for the interview by reviewing all known facts about the case. Related reports that are available should be discussed with the authors. An outline should be made of questions or points to be covered during the interview, including a listing of any documents, which will be presented for authentication or identification. Staff should review all available information (HR files) concerning the interviewee's background, specifically noting areas that may influence his/her attitude or the information he/she will give during an interview. Indications of possible bias, prejudice, or self-interest on the part of the interviewee may dictate the approach the investigator will take during the interview.

Scheduled appointments with witnesses are desirable; however, no advance appointment should be made with a witness who might avoid the interview or collude with other witnesses prior to it. The interview should be conducted in a place familiar to the interviewee since he/she will be more comfortable in these surroundings. However, it is sometimes desirable to interview in a conference room or a neutral place to facilitate privacy and access to needed documents. While cooperation is required, the interviewee should be informed that he/she is free to leave at any time.

Interview's Tone: The interviewer's approach should convey a sense of respect for



the respondent. The interviewer must control his/her own positive or negative personal feelings about the situation and any statements given. The interviewer should convince the respondent that his/her information is important to the investigation.

Witness Interviews: (usually anyone other than the subject of the investigation): A witness may be any person who has personal knowledge of any material facts in an incident and is able to relate these facts to the investigator. After an interview, the interviewer should document and report information presented by the witness. However, during an interview, the interviewer must also evaluate the credibility of the witness and the information provided, and he/she must determine whether to pursue further clarification or better evidence. The investigator should keep notes concerning an evaluation of the witness separate from notes on the information furnished by the witness.

Evidence: Normally, staff will interview expert witnesses. The opinions of persons who are not qualified experts may provide investigative leads, but they should not be relied upon to prove or disprove facts in the matter under investigation. Information, which is common knowledge and accounts of events personally witnessed, may constitute acceptable evidence.

One avenue for staff to explore during an interview is hearsay. Hearsay is information, which is not based on direct personal knowledge of the individual interviewed. However, hearsay may provide staff with investigative leads.

Interviews Involving Possible Criminal Acts. Before interviewing a person who is suspected of a criminal act, the Office of Inspector General should confer with the Office of Counsel and/or the State Attorney's Office or Department of Investigations to determine if it is advisable for Office of Inspector General staff to proceed. If the decision is to proceed, it is recommended that the interview be tape-recorded. If recorded, you must have the verbal and written consent of the interviewee. Alternatively, it is recommended that the interview team consist of at least two Inspector General staff members or a representative from the Office of Counsel.

When criminal acts are suspected, the interviewee should be informed of their Garrity Rights. Under Garrity Rights, an agency member may be compelled to give statements under threat of discipline or discharge but those statements may



not be used in the criminal prosecution of the individual.

When interviewing a person, who is suspected of a criminal act, that individual must be free to answer or not answer questions. He or she must not be in a coercive environment or subjected to coercive pressure, including any implied threat to his or her continued employment. Trickery or deceptive practices involved in obtaining a statement are inappropriate and may render the statement involuntary. A suspect should be advised of the nature of an investigation and potential consequences of making a statement.

Employee Interviews Involving Alleged Misconduct: A District employee may request that representation be present during any disciplinary investigation or other investigation meeting in which the employee is being questioned relative to his/her alleged misconduct. If an employee requests the presence of representation, all questioning should cease until suitable arrangements are made. It should be understood that a legal representative is not a participant, but an observer and advisor to their client. However, the representative may provide additional pertinent facts in the matter under investigation.

Interview Documentation: If notes are made during an interview, they should be reviewed and edited as soon as practical after the interview. If circumstances dictate that notes not be taken during the interview, they should be made as soon as possible after the interview. Notes should be as accurate and as comprehensive as possible and must be retained.

Staff will usually incorporate essential points covered in the interview (and information from other data resources) into the investigative report. All interview notes should be clearly marked with the date, time, place, and participant's name. Staff should always obtain copies of (or at least review) documents which back up interview statements whenever possible.

Ask open-ended questions early in the interview, such as "Tell me what you understand about the situation," "Can you tell me more about this?" and "What happened then?" This permits the narrative to come out freely and gives the respondent an opportunity to feel that everything he or she tells the interviewer has significance. Any questions should be withheld until the story is finished.

Allow the interviewee to give a complete account without interruption. Stay alert for any inconsistencies and omissions.



Wait out the respondent when the conversation lags. Long pauses are also uncomfortable for the respondent, and if you remain patient, he or she will often resume talking, frequently volunteering additional information.

Use nondirective questions. Repeat the respondent's last phrase, but with a rising inflection on the last word so that it becomes a question. Additional information is usually obtained without giving direction or restricting the thinking of the respondent.

Do not use leading questions; they make it likely that the respondent will say something he or she really does not mean, which may result in a fictional description of the incident. Rather than saying something such as, "You probably reported ties to your supervisor, right?", say something like, "Please give me your account of what happened".

Avoid yes/no questions. They automatically limit responses.

Avoid rapid-fire questions. They set the stage for emotional tension on the part of the respondent, may confuse him or her, and provide an uncooperative interviewee with an opportunity to withhold information.

Do not criticize or be sarcastic when an interviewee is talking. A sarcastic reply to an interviewee's statement (even if obviously false) may sabotage any intent on the respondent's part to offer information.

Do not interrupt an interviewee when he has begun to talk. Distractions may result in the interviewee unintentionally forgetting information.

Do not ask specific questions at the beginning of the interview. Direct questions may provide clues as to what the interviewer believes are significant points. As a result, the respondent may omit some relevant material. Direct questions have their place at the end of the interview after the respondent has finished his or her narration. Direct questions should be used to clarify or examine earlier statements, except when a reluctant respondent needs some prompting by answering a few direct questions such as name, address, occupation, etc., to initiate responses.

Closing the Interview: Summarize the content of what has been covered in the



conversation. Be sure to ask the respondent if there is anything else he or she wishes to add or to emphasize.

Clearly state your appreciation for the opportunity to interview the individual and let him or her know the information has been useful. Thank the respondent for cooperating and for taking time to assist you. Indicate that you may need to contact him or her for further information.

Investigative Reporting Formats

(a) Memorandum

A memorandum may be utilized to report results of investigations, printed on District letterhead and signed by the Inspector General.

(b) Formal Investigation

When an investigation reveals that the alleged allegations are factual a formal Investigative Report along with an Executive Summary will be prepared. The report should contain the investigative activity and pertinent documents supporting the findings and conclusions of the investigative effort. The Executive Summary includes the basis for the investigation, a summation of the facts, violations sustained and recommended corrective action.

(c) Criminal Investigative Reports

When the Office of Inspector General is engaged in a criminal investigation with a criminal justice agency, all reports generated by the Office of Inspector General shall be the property of the criminal justice agency.

(d) Follow-up Reports

When administrative, managerial and/or supervisory deficiencies are detected as a result of an investigation, those areas noted will be articulated and forwarded to the appropriate individual(s) for corrective action. In cases where corrective action is recommended or required, the Office of Inspector General will follow-up to determine if implementation has taken place within the timeframe that management has committed.



(e) Substantially Affected Subject's Response

At the conclusion of each investigation in which the subject of the investigation is a specific entity contracting with the state or an individual substantially affected, as defined by Section 20.055(1)(c), Florida Statutes, and if the investigation is not confidential or otherwise exempt from disclosure by law, the inspector general shall, consistent with Section 119.07(1), Florida Statutes, submit findings to the subject that is a specific entity contracting with the state or an individual substantially affected, who shall be advised in writing that they may submit a written response within 20 days after receipt of the findings. Such response and the inspector general's rebuttal to the response, if any, shall be included in the final investigative report.



EVALUATIONS, INSPECTIONS, and REVIEWS

This procedure provides guidelines for performing inspections, evaluations, and reviews (hereafter referred to as “Reviews”) that do not entail the level of examination that constitutes an audit. Such reviews are often performed at the request of management or the Governing Board for the purposes of providing information for decision making, and for making recommendations to improve programs, policies, or procedures.

Objectives of review projects are to provide information to assist management with making decisions. Examples of review projects are as follows:

- Review proposed internal controls over a certain process, program or activity for adequacy.
- Review processes or procedure manuals for adequacy.
- Review analysis to determine that appropriate data, reasonable assumptions, and sound logical were used in preparing the analysis and the conclusions reached.
- Prepare analysis to assist management with making informed decisions.
- Review and comment on performance measures.
- Monitoring certain projects or issues for the purpose of providing advice to team leaders and/or management.
- Providing expert assistance regarding legal matters and litigation.

Professional Standards – Inspections, Evaluations and Reviews should follow the Principles and Standards of Offices of Inspector General (the “Green Book”), Quality Standards for Inspections, Evaluations, and Reviews, as adopted by the Association of Inspectors General.

Similar to the Yellow Book auditing standards, Green Book standards provide for staff competence, independence, and due professional care. Reviews should:

- Be adequately planned
- Include sufficient and relevant data consistent with the objective of the review.
- Include workpapers containing sufficient, competent, and relevant evidence



to provide a reasonable basis for the findings, conclusions, and recommendations.

- Be properly supervised and reviewed.
- Provide for appropriate follow-up on any recommendations to ensure that they were adequately considered and properly addressed.

Safeguards

The auditor's role is to remain purely advisory in nature in order to maintain independence. The Statement of Independence – Reviews should be completed and signed by each staff member working on the engagement and by the Inspector General and included in the workpaper file.

Although the Green Book standards are to be used in conducting Inspections, Evaluations, and Reviews, these type services are generally considered as "Non-Audit" services under the "Yellow Book" standards. The "Yellow Book" also provides for considering safeguards that eliminate or reduce to an acceptable level threats to independence for 'Non-Audit' services.. The following safeguards were identified under the "Yellow Book" standards that apply to the OIG:

- The OIG's activities are not determined by management [GAGAS 3.19a]. The OIG's activities are performed pursuant to an Annual Audit Plan that is approved by the Governing Board. However, it should be noted that management may make request for audit's and reviews but the decision to perform them is left to the Inspector General with approval by the Audit and Finance Committee.
- The Inspector General is appointed directly by, and reports directly to, the Governing Board [GAGAS 3.28d]. This provides strong organizational structure since the office is established independent of management. Further, such organizational structure is mandated by state statute.

Reporting - Reviews may or may not result in a written report. In situations where a written report is not prepared, the analysis, findings, conclusions, and recommendations communicated to management should be adequately documented in the workpapers.



NON-AUDIT SERVICES

The OIG at times may be requested to perform other professional services that do not constitute an audit, review, or investigation (hereafter referred to as “Non-Audit Services”). When the OIG is requested to perform Non-Audit Services the Inspector General and/or Director of Auditing should evaluate whether the services create and independence impairment either in fact or in appearance with respect to areas that are, or may be, audited. Based on the facts and circumstances, professional judgment is used in determining whether a Non-Audit Services engagement would impair the OIG’s independence with respect to the organizational unit, the nature, and materiality of the requested services.

As a general practice, the OIG should avoid accepting Non-Audit Service engagements when at all possible. The OIG should recommend that management first explored other options to determine whether the services can be performed by another organizational unit or external contractor. However, in the event that it is determined that the services are best provided by the OIG the following policies, procedures and guidelines should be followed:

- The services (if at all possible) should not involve performing management functions or making management decisions.
- The staff performing the services should not later be assigned to auditing their own work. Another auditor should be assigned in such circumstances.
- Inform the requestor of potential or actual impairment to the OIG to later audit such organizational unit, program, or activity.
- Materiality should be considered in accepting and assigning Non-Audit Services projects.

In general, prohibited nonaudit activities are those that entail performing operational activities. These include, but are not limited to:

- Recording, posting, adjusting, approving, or authorizing any type of



financial records.

- Setting policies, strategic direction, or making any type of management decisions.
- Developing internal controls processes or information technology systems.
- Performing operational activities.

The “Acceptance of Non-Audit Services Engagement” form must be completed for nonaudit services engagements; however, the form is not required for nonaudit services that are performed that are mandated responsibilities pursuant to statutory requirements or the Internal Audit Charter. Following are examples of (but not limited to) the type of services that may be performed that do not require completing the “Acceptance of Non-Audit Services Engagement”:

- Providing information or data to a requesting party without auditor evaluation or verification of the information or data.
- Developing standards, methodologies, audit guides, audit programs, or criteria for use throughout the government or for use in certain specified situations.
- Collaborating with other professional organizations to advance auditing of government entities and programs.
- Developing question and answer documents to promote understanding of technical issues or standards.
- Providing assistance and technical expertise to legislative bodies or independent external organizations and assisting legislative bodies by developing questions for use at a hearing.
- Providing training, speeches, and technical presentations.



- Developing surveys, collecting responses on behalf of others, and reporting results as "an independent third party".
- Providing oversight assistance in reviewing budget submissions.
- Contracting for audit services on behalf of an audited entity and overseeing the audit contract, as long as the overarching principles are not violated and the auditor under contract reports to the audit organization and not to management.
- Identifying good business practices for users in evaluating program or management system approaches, including financial and information management systems.
- Providing audit, investigative, and oversight-related services that do not involve a GAGAS audit (but which could be performed as an audit, if the audit organization elects to do so), such as:
 - (1) investigations of alleged fraud, violation of contract provisions or grant agreements, or abuse;
 - (2) review-level work such as sales tax reviews that are designed to review whether governmental entities receive from businesses, merchants, and vendors all of the sales taxes to which they are entitled;
 - (3) periodic audit recommendation follow-up engagements and reports;
 - (4) identifying best practices or leading practices for use in advancing the practices of government organizations;
 - (5) analyzing cross-cutting and emerging issues; and
 - (6) providing forward-looking analysis involving programs.



References: Refer to the Yellow Book, Sections 3.34 – 3.59 for further guidance regarding services that may constitute non-audit services and those services that may be acceptable to provide.



Audit working papers serve certain basic purposes for every type of audit. In order to achieve those purposes, working papers need to be properly maintained. Following is an explanation of the basic purposes of working papers and some recommendations for work paper content and readability.

Working papers are used by the auditor to:

- 1) Provide a form of documentation as to the extent of audit work performed;
- 2) Serve as a basis for audit conclusions;
- 3) Provide evidential support for the audit report;
- 4) Facilitate and document supervision and review of the audit;
- 5) Provide a starting point for subsequent audit assignments;
- 6) Aid in the professional development of the internal audit staff;
- 7) Document compliance with Government Auditing Standards; and
- 8) Provide evidence as to the competence of audit staff.

In most cases, the content and readability of working papers can be improved. Although known to most internal auditors, certain basic methods for overall improvement in working papers are often neglected or overlooked. They are as follows:

- 1) **Appropriate identification** - Each working paper should have a heading, a description of the contents, a preparation date, the initials of the preparer, and some form of code number for cross-referencing. To the extent practicable, each work paper (or series of working papers) should identify at the bottom of the page its Source, Purpose, Scope, and Conclusion.
- 2) **Excessive material** - Do not include excessive or extraneous material within the working papers. Include only what is essential and germane to the audit.
- 3) **Electronic Working papers** - Include backup disks of all electronic working paper including the draft report in the working paper files.
- 4) **Indexing** - A set of neat, well-indexed working papers is the work of an effective auditor. A system for indexing should be adopted that is consistent, using letters and numbers. Accordingly, working papers will be identified using the following tab system:



| Required Sections | Work Paper Tab | Comments |
|--------------------------------|----------------|---|
| Audit Report | A | Include copy of referenced draft report and the final report (reference any subsequent changes to the report to appropriate working papers) |
| Planning & Supervision | B | Supervisory review notes Statement of Independence Audit Planning Memo Planning Checklist/Audit Plan |
| Correspondence/ Conferences | C | Engagement letter/meetings including entrance & exit conference other correspondence & exchanges of e-mail relating to the audit. |
| Summary of Audit Findings | D | Findings Facts Sheets referenced to relevant work papers. |
| General Working Papers | E-Z | Organize working papers around individual findings. |

- 5) **Cross-referencing** - The cross-referencing system should permit items to be traced not only from the working papers to the internal audit report, but also from working paper to working paper. For example, if an item in working paper H-3 is related to accounts receivable, which has been indexed as H-6, such item should be cross-referenced by having an H-6 next to it. The related item on working paper H-6 should be cross-referenced back H-3.
- 6) **Explanatory notes** - Unless standard tickmarks or symbols are used, and explained at the front of the working paper file, each working paper should identify the meaning of each symbol (tickmark, square, triangle, etc.) that has been used for indicating verification of items.
- 7) **Notations** - Leave space at the bottom of each working paper for the addition of comments by reviewers and for any other data that might be added subsequently.
- 8) **Internal audit notes** - During the course of the audit, the audit staff should maintain a list of: 1) questions raised and not yet answered, 2) additional steps to be taken by the Department or function under audit, 3) items to be



checked out, and 4) any noted exceptions. Such noted items should be cleared and indicated as such on the working paper by the audit staff to their satisfaction before completion of the audit.

- 9) **Integration of changes** - Where a change affects a number of schedules or working papers, it should be carried through so that each working paper reflects the final information.
- 10) **Tape odd-sized working papers** - In order to insure neatness, tape odd-sized working papers such as receipts and adding machine tapes to larger sheets of paper.
- 11) **Maintain multiple schedules** - In order to develop a concise and logical set of working papers, use multiple schedules. For example, if an internal financial audit is being conducted that includes a review of the District's bank accounts, use a multi-column spread sheet and list each bank reconciliation in a separate column, rather than preparing separate working paper for each bank reconciliation.
- 12) **Use lead schedules** - The use of a lead schedule is effective for financial audits where trial balance figures are generally transferred to a lead schedule for each major group of accounts, such as cash, receivables, inventories, and fixed assets. For example, if there are a number of fixed asset accounts, they should be listed on a fixed assets lead sheet. The total of this lead sheet would then be entered on the working balance sheet, which should contain only one caption for "fixed assets." Each lead schedule should then be supported by detailed and indexed working papers arranged in the same order that the accounts are listed on the lead schedule.



In order to comply with Government Auditing Standards the Office of Inspector General will maintain a program to ensure that staff maintains professional proficiency through continuing education and training. Similarly, the Standards for the Professional Practice of Internal Auditing require that auditors maintain their technical competence through continuing education.

To satisfy these requirements, auditors responsible for planning, directing, or conducting audits will complete, every two (2) years, eighty (80) hours of continuing education and training which contributes to the auditor's professional proficiency. At least twenty (20) hours will be completed in any one-year of the two-year period. At least twenty-four (24) hours will be related to the government environment and government auditing.

It is the responsibility of the Inspector General to monitor the training needs of the staff to meet the above requirements. The Continuing Professional Education (CPE) requirements shall be prorated for staff actively employed for only a portion of a year due to extended leave or a change in employment.

The continuing education and training may include such topics as current developments in audit methodology, accounting, assessment of internal controls, principles of management and supervision, financial management, statistical sampling, evaluation design, data analysis, and other topics related to the auditor's field of work.

Upon completion of the continuing education or training, each auditor will be responsible for ensuring that it is properly documented. A database will be maintained to summarize each staff members training. A scanned copy of the completion certificate will be maintained on the "common" server drive.

The District's Employee Development Unit offers extensive training and resources on communications, teamwork, problem solving and related workplace disciplines. The District also has a tuition reimbursement program to encourage a well-educated workforce. Inspector General staff is encouraged to take advantage of these opportunities as they arise and as time permits.



Quality Assurance Reviews

The audit activities of the Office of Inspector General are subject to a quality review at least once every three years by a professional, non-partisan objective group utilizing guidelines endorsed by the United States General Accounting Office (GAO). The Inspector General has designated the Association of Local Government Auditors (ALGA) as the peer review body for this office. A copy of the written report of the independent review will be furnished to the Governing Board Audit Committee and Executive Director.

Draft Report Reviews

Upon completion of a project, a copy of the draft report, thoroughly referenced to supporting documentation, should be submitted to the Inspector General for review. Completed working papers must accompany the draft report. The review of the report will be documented using a Work-Paper/Report Review Notes form.

Following the Inspector General's review (or his designee), the report will be returned to the auditor for appropriate changes. The auditor will make the changes to the report and resubmit it to the Inspector General (or his designee) who will ascertain whether appropriate changes have been made. This process will continue until the Inspector General approves the report for distribution.

The report review process, whereby the content of a report is independently checked within the Office of Inspector General, will be followed without exception. The report review includes verifying that statements in the report are supported by adequate working paper documentation. The basic objectives of the review is to verify the accuracy of all facts stated and to ascertain whether the underlying working papers and related materials adequately support the findings included in the report.

Working papers and draft report review is an essential internal control process between the performance of the work and the release of a final report. It involves the following:

1. A careful review of the text of the report and the supporting schedules and exhibits as to general form, content, clarity, correctness of expression, and



consistency with past reporting formats.

2. The examination of satisfactory evidence in our files or the performance of necessary mathematical or clerical checks, to prove that every statement of fact and table/schedule in the report is correct.
3. The examination of available working papers and other material in support of findings reported to ascertain whether such material is adequate.

Generally the review will include:

1. Every figure and every statement of fact must be checked for consistency within the report itself and back to the working papers. Generally, it should not be necessary to go beyond the top schedules of the working papers. The review of all working papers and satisfaction with the work performed and agreement with the conclusions recorded should be signified by the Inspector General (or his designee) initialing each worksheet or groups of worksheets.
2. The opinions, conclusions, and recommendations proposed in a report are initially those of the individual responsible for preparing the report and result from considerable experience and firsthand knowledge of the program activities examined. Where the reviewer is the Inspector General designee, he or she may have insufficient knowledge to either approve or disapprove those matters. Nevertheless, they should be alert to question anything that looks unreasonable, should record their views when they believe opinions, conclusions, and recommendations are not consistent with or supported by the factual material they have examined.
3. All legal citations should be checked by the reviewer to assure that they are accurate.
4. The reviewer should be concerned with grammar and choice of words only insofar as clearness of meaning is concerned. The draft of the report should be grammatically correct when it reaches the reviewer.



Referencing Marks and Points

The reviewer will use a blue pencil or pen to indicate the extent of his verification and to signify his satisfaction with the supporting material. He should place an individual check mark (✓) over each figure, each date, each citation to legal or other reference material, and each proper name of a person, place or thing that appears in the draft

Report Processing Checklist

A report is released only after the report and supporting working papers have been reviewed and certain other steps have been completed. To assist in the processing, a Report Processing Checklist shall be prepared for each audit report and special project report. The function Report Processing Checklist contains several processing steps. All steps apply to audit reports and most apply to special project reports. The Inspector General may waive certain steps such as response due date as warranted for limited scope reviews.

The purpose of the function Report Processing Checklist is to provide a guide and checklist to provide consistency and assure each report is processed through certain essential steps before it is issued. The name of each responsible member shall be shown on the function Report Processing Checklist as the report clears each processing step. The date a step was completed shall also be shown. The function Report Processing Checklist shall be included as part of the report file.

A letter to the auditee transmitting a copy of the report shall be prepared and contain at least three elements:

1. A statement of transmittal,
2. A statement the report includes recommendations for corrective action, and
3. A statement of the Inspector General's appreciation for the auditee's cooperation.

Appropriate distribution of formal audit reports is made by the Office of Inspector General in accordance with the approved Report Distribution Checklist. The



distribution of a limited scope review report is determined by the Inspector General and will normally be limited.

Audit reports are public records under the Florida Sunshine laws. State statutes; however, exempt certain types to reports from public disclosure; for example, if the report content contains information regarding physical or technological security issues. Limitations on limited report distributions are to be documented on the cover of the workpaper file and a notice placed on the cover of the report.

If after the report is issued, a discovery is made that the there was insufficient appropriate evidence to support the report's conclusions, such information should be communicated to the executive management, the Governing Board, and any other parties that may place reliance on the report. The report should be removed from the District's website. A determination should then be made whether to conduct additional audit work necessary to revise or confirm the original findings and conclusions.

Terminated Audits

If an audit is terminated prior to completion and no report is issued, the termination should be documented in a memo to the workpaper file. The memo should explain the reasons for the termination and be filed in the Report Tab (usually Tab A) of the workpaper file.



As audits are assigned an entry is made in Office of Inspector General's Audit/Recommendation database by the Inspector General. This entry contains the Audit Number assigned, Title of the Audit, Department/Office being audited, the Type of Audit, Objective of the audit, and the name of the Auditor in Charge.

Upon completion of every report issued by the Office of Inspector General, an entry is made in the database directly from the report for each recommendation. These entries contain the Audit & Recommendation Number, Recommendation Description, Responsible District Department/Office, Management's Response, and the projected Completion Date.

Department Directors are contacted after the end of each fiscal quarter to assess the status and progress made towards implementing each audit recommendation. The database is updated to reflect the current implementation status and comments regarding actions taken, actions in progress, and planned actions, towards implementing each audit recommendation. This information is then compiled into a quarterly follow-up report that includes the following information:

- Audit number
- Audit title
- Recommendation number
- Status in the prior quarter
- Status in the current quarter
- Original due date
- Revised due date (if necessary)
- Original recommendation in the audit report
- Original management response in the audit report
- Current period comments regarding implementation status

The quarterly follow-up reports include a summary of the implementation status by audit report showing the number of recommendations that have been fully implemented, partially implemented, or in process. Each audit report remains listed in this summary until all recommendations for such report have been fully implemented. The reports also include a summary of all recommendations of all audit reports for which one or more recommendations have not yet been fully



implemented. Audits are no longer listed in the follow-up report after all recommendations have been fully implemented. The quarterly follow-up reports are distributed to the Executive Management Team the, Audit and Finance Committee members, and all Governing Board members.



External Audit Contract

The District engages an external accounting firm to perform the annual audit of the financial statements contained in the Comprehensive Annual Financial Report (CAFR). The Inspector General is responsible for managing this contract, including the following responsibilities:

- Preparing the Statement of Work and coordinating with the Procurement Department to solicit a Request for Proposal (RFP) to select a qualified accounting firm (generally every 5 years - but is at the Governing Boards discretion).
- Intervene between Accounting Department and the auditors regarding any disagreements concerning accounting issues.
- Approve the accounting firm's invoices for payment
- Coordinate the scheduling of the auditors presentation of the annual report to the Audit and Finance Committee.

OIG Annual Report

The OIG is required by state statutes to prepare an annual report and submit such report to the Governing Board and the Chief Inspector General in the Office of the Governor within 90 days after the fiscal year end. The annual report shall contain a summary of the activities of the OIG during the year and information regarding follow-up on audit recommendations contained in previously issued reports.

Documentation of Compliance with Quality Control Policies and Procedures

In accordance with Government Auditing Standards (2011 Revision), Section 3.84, documentation should be prepared annually that demonstrates compliance with the policies and procedures contained in this manual. Such documentation shall be retained until the next peer review is completed, or longer if necessary in order to comply with statutory requirement regarding public records retention.

**South Florida Water Management District
Office of Inspector General**



**Audit Survey Stage
Planning Checklist**

Auditee: _____

Audit Number: _____

Audit Title: _____

Planning Completion Target Date: _____

Submitted by: _____ **Date:** _____

Approved by: _____ **Date:** _____

Staff Assigned: _____

Effective audit planning is crucial to the success of every audit project. Thorough planning ensures an effective audit and produces an outstanding final report. The auditor's goal during the survey stage of an audit is to gather background criteria for the program and identify key processes. Those policies and processes that vitally affect the success of the program must be considered to maximize the benefit that the audit produces. During the survey stage of the audit the auditor needs to identify the various challenges confronting the managers of the program. After the issues are defined, the auditor needs to evaluate the risks associated with each issue, rank the risks, and establish a work plan to address the issues.

During the survey phase of the audit it is appropriate to perform an initial assessment of the internal control structure of the program being audited. Assess policies and procedures and other controls designed to ensure that: program objectives are being met and District assets are adequately safeguarded. This would include an assessment of the control

environment, record keeping systems, control procedures, compliance issues and consideration of the potential for abuse or illegal acts.

This work program/checklist is to be used as a guide for audit planning. The auditor-in-charge should complete this checklist during the survey stage of an assignment as completely as the particular assignment necessitates and include it as part of the working papers.

| | Sign Off | Date | Ref. |
|--|----------|------|------------|
| <u>Required for All Audits</u> | | | |
| 1. Written assignment of authorization (e.g. Audit Plan) | | | B-1 |
| 2. Send a Job Start Letter/Memorandum to the auditee informing them of the audit. | | | B-2 |
| 3. Schedule an entrance conference and prepare a memo of what was discussed at the meeting. | | | B-3 |
| 4. Summarize the results of the preliminary survey work and identify risk areas. Include in the survey document: interviews with key auditee staff to ensure an adequate understanding of the auditee's policies, operations and potential problem areas. | | | B-4 |
| 5. Prepare an audit planning memo/work plan for IG's review and approval that includes: <ul style="list-style-type: none"> • Audit scope and objectives • Background information • Staffing requirements for the audit • Important contacts • Audit criteria: such as laws, regulations, policies, procedures, and other applicable audit criteria • Risk Assessment | | | B-5 |
| 6. Complete & Sign Statement of Independence. | | | B-6 |
| 7. Prepare Audit Program outlining audit procedures to be performed. | | | B-7 |

| | Sign Off | Date | Ref. |
|---|----------|------|------|
| <u>Perform as Applicable</u> | | | |
| 8. Obtain and review the auditee's mission Statement. | | | |
| 9. Review the auditee's organization chart(s). | | | |
| 10. Perform an on-site visit of the auditee and walk-through of the auditee's activities. For field office locations perambulate the actual work site and note any unsafe conditions and/or unused or underutilized space or equipment. | | | |
| 11. Obtain and review the current statutory authority, regulations, duties, responsibilities, function, and activities of the auditee (review the Florida Statutes and Administrative Code as applicable). | | | |
| 12. Determine the District policies and procedures for which the auditee is responsible for administering or which directly relate to the auditee's duties and activities. | | | |
| 13. Obtain and familiarize yourself with the job descriptions for key auditee positions. | | | |
| 14. Determine if there are any personnel issues unique to the auditee. | | | |
| 15. Review audit findings from any previous audits or reviews pertaining to same audit subject matter. | | | |
| 16. Obtain and review reports and Management studies prepared by consultants, auditors, or others, that pertain to the auditee. | | | |
| 17. Review the Local Government Auditors Newsletter for abstracts of similar audit subjects/topics noting the methodologies employed and problem areas. Other similar sources of information may be found on the Internet. | | | |
| 18. Review audit reports prepared by other entities for similar audit topics. | | | |
| 19. Determine whether the Office of Counsel maintains records that pertain to the auditee | | | |

| | Sign Off | Date | Ref. |
|--|-----------------|-------------|-------------|
| and inquire as to any litigation relating to those activities. | | | |
| 20. Obtain and review procedures and operations manuals. | | | |
| 21. Obtain the auditee's budget information for several fiscal years and obtain explanations for any significant changes or trends during the years reviewed. | | | |
| 22. Review and perform comparative analysis of the subject program contained in recent adopted budgets. Such information should include the number of personnel, clients, workload and performance indicators of the auditee. Also, compare actual to budgeted expenditures for several recent fiscal years. | | | |
| 23. Obtain and review (from GPA or directly from the Auditee) any newspaper, magazine, and professional journal articles or papers about the program being reviewed. | | | |
| 24. Identify sources and types of comparative data on the auditee's counterparts in other organizations. | | | |
| 25. Test a very small sample of transactions and procedures from beginning to end to gain a quick understanding of the process and document the adequacy of internal controls. | | | |
| 26. If computer-processed information is anticipated to be used in performing audit procedures, assess the sufficiency and appropriateness of such computer-processed information regardless of whether this information is expected to be provided to the auditor or the auditors expects to independently extract it. | | | |

| | Sign Off | Date | Ref. |
|--|----------|------|------|
| <u>Other Planning Activities</u> | | | |
| 27. Perform other planning activities as deemed necessary. | | | |
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**OFFICE of INSPECTOR
GENERAL**

WORK PAPERS INDEX

**Audit Number
XX-YY**



| | |
|----------|-----------------------------------|
| A | Audit Report |
| B | Planning & Supervision |
| C | Correspondence/Conferences |
| D | Summary of Audit Findings |
| E | |
| F | |
| G | |
| H | |
| I | |
| J | |
| K | |
| L | |
| M | |
| N | |
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**South Florida Water Management District
Office of Inspector General**

Statement of Independence - Audits

Audit No.: _____ **Audit Title:** _____

Auditor In-Charge: _____

Paragraph 3.02 & 3.03 of the *Government Auditing Standards* promulgated by the United States Government Accountability Office states that:

[3.02] In all matters relating to the audit work, the audit organization and the individual auditor, whether government or public, must be independent.

[3.03] Independence comprises:

[a] Independence of Mind - The state of mind that permits the performance of an audit without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.

[b] Independence in Appearance - The absence of circumstances that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or member of the audit team had been compromised

This standard places responsibility on each auditor and the Inspector General's Office to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. Auditors should consider not only whether they are independent and their attitudes and beliefs permit them to be independent but also whether there is anything about their situations that might lead others to question their independence. All situations deserve consideration because it is essential not only that auditors are, in fact, independent and impartial, but also that knowledgeable third parties consider them so.

There are circumstances under which auditors may not be impartial, or may not be perceived as impartial. The Inspector General's Office is responsible for having policies and procedures in place to help determine if auditors have any personal impairments. The Inspector General needs to be alert for personal impairments of his/her staff members. Auditors are responsible for notifying the Inspector General if they have any personal impairments. These impairments apply to individual auditors, but they may also apply to the audit organization. Personal impairments may include, but are not limited to, the following:

- a. official, professional, personal, or financial relationships that might cause an auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way;
- b. preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit;
- c. previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being audited;
- d. biases, including those induced by political or social convictions, that result from employment in, or loyalty to, a particular group, organization, or level of government;
- e. subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims, and other proposed payments of the entity or program being audited;
- f. concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records;³ and
- g. financial interest that is direct, or is substantial though indirect, in the audited entity or program.

Factors external to the Inspector General's Office may restrict the audit or interfere with an auditor's ability to form independent and objective opinions and conclusions. For example, under the following conditions, an audit may be adversely affected and an auditor may not have complete freedom to make an

independent and objective judgment:

- a. external interference or influence that improperly or imprudently limits or modifies the scope of an audit;
- b. external interference with the selection or application of audit procedures or in the selection of transactions to be examined;
- c. unreasonable restrictions on the time allowed to complete an audit;
- d. interference external to the audit organization in the assignment, appointment, and promotion of audit personnel;
- e. restrictions on funds or other resources provided to the audit organization that would adversely affect the audit organization's ability to carry out its responsibilities;
- f. authority to overrule or to influence the auditor's judgment as to the appropriate content of an audit report; and
- g. influences that jeopardize the auditor's continued employment for reasons other than competency or the need for audit services.

In addition to the Government Auditing Standards, the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors require internal auditors to be independent so that they may render the impartial and unbiased judgements essential to the proper conduct of audits. The Professional Standards for the Governor's Council on Integrity and Efficiency state that investigators must avoid impairments that can influence judgements used in obtaining evidence and conducting interviews.

To ensure compliance with these standards, the Office of Inspector General requires each professional staff member to disclose any impairments to their independence and to acknowledge their responsibility to report any impairments or situations may be perceived as such.

The below-signed auditor certifies that to the best of his/her knowledge and belief, that they have no impairments to their independence. If the auditor believes that there may be impairments or potential impairment to their independence, they should disclose the impairment below their signature.

Certification

- I have no known impairments - Staff
- I have no known impairments – Inspector General
- I have no known impairments. – Other _____
- Impairments or potential impairments are disclosed below - Staff
- Impairments or potential impairments are disclosed below – Inspector General
- Impairments or potential impairments are disclosed below – Other _____

I also acknowledge my obligation to promptly disclose to the Inspector General any situations that may appear to impair my independence or introduce external factors, which may restrict the audit or interfere with the Inspector General Office's ability to form independent and objective opinions and conclusions relative to the subject audit.

Staff _____ Date _____

Inspector General _____ Date _____

Other _____ Date _____

Actual/Potential Impairments

**South Florida Water Management District
Office of Inspector General**

Statement of Independence - Reviews

Project No.: _____ **Project Title:** _____

Auditor In-Charge: _____

The Independence standard of the *Principles and Standards for Offices of Inspectors General, Quality Standards for Offices of Inspector General* promulgated by the Association of Inspectors General states that:

[D] The inspector general and OIG staff involved in performing or supervising any assignment should be free from personal or external impairments to independence and should constantly maintain an independent attitude and appearance.

[C] Personal impairments may include, but are not limited to, the following:

- **Official, professional, personal, or financial relationships that might appear to lead the OIG to limit the extent of the work, to limit disclosure, or limit disclosure, or to alter the outcome of the work.**
- **Preconceived ideas toward activities, individuals, groups, organizations, objectives, or particular programs that could bias the outcome of the work.**

External Impairments should also be considered that may restrict the efforts or interfere with the OIG's ability to form independent and objective opinions and conclusions.

This standard places responsibility on each auditor and the Inspector General's Office to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. Auditors should consider not only whether they are independent and their attitudes and beliefs permit them to be independent but also whether there is anything about their situations that might lead others to question their independence. All situations deserve consideration because it is essential not only that auditors are, in fact, independent and impartial, but also that knowledgeable third parties consider them so.

There are circumstances under which auditors may not be impartial, or may not be perceived as impartial. The Inspector General's Office is responsible for having policies and procedures in place to help determine if auditors have any personal impairments. The Inspector General needs to be alert for personal impairments of his/her staff members. Auditors are responsible for notifying the Inspector General if they have any personal impairments. These impairments apply to individual auditors, but they may also apply to the audit organization. Personal impairments may include, but are not limited to, the following:

- a. official, professional, personal, or financial relationships that might cause an auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way;
- b. preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit;
- c. previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being audited;
- d. biases, including those induced by political or social convictions, that result from employment in, or loyalty to, a particular group, organization, or level of government;
- e. subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims, and other proposed payments of the entity or program being audited;
- f. concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records;³ and
- g. financial interest that is direct, or is substantial though indirect, in the audited entity or program.

Factors external to the Inspector General's Office may restrict the audit or interfere with an auditor's ability to form independent and objective opinions and conclusions. For example, under the following conditions, an audit may be adversely affected and an auditor may not have complete freedom to make an

independent and objective judgment:

- a. external interference or influence that improperly or imprudently limits or modifies the scope of an audit;
- b. external interference with the selection or application of audit procedures or in the selection of transactions to be examined;
- c. unreasonable restrictions on the time allowed to complete an audit;
- d. interference external to the audit organization in the assignment, appointment, and promotion of audit personnel;
- e. restrictions on funds or other resources provided to the audit organization that would adversely affect the audit organization's ability to carry out its responsibilities;
- f. authority to overrule or to influence the auditor's judgment as to the appropriate content of an audit report; and
- g. influences that jeopardize the auditor's continued employment for reasons other than competency or the need for audit services.

In addition to the Principles and Standards for Offices of Inspectors General, Government Auditing Standards, and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors require internal auditors to be independent so that they may render the impartial and unbiased judgements essential to the proper conduct of audits. The Professional Standards for the Governor's Council on Integrity and Efficiency state that investigators must avoid impairments that can influence judgements used in obtaining evidence and conducting interviews.

To ensure compliance with these standards, the Office of Inspector General requires each professional staff member to disclose any impairments to their independence and to acknowledge their responsibility to report any impairments or situations may be perceived as such.

The below-signed auditor certifies that to the best of his/her knowledge and belief, that they have no impairments to their independence. If the auditor believes that there may be impairments or potential impairment to their independence, they should disclose the impairment below their signature.

Certification

- I have no known impairments - Staff
- I have no known impairments – Inspector General
- I have no known impairments. – Other _____
- Impairments or potential impairments are disclosed below - Staff
- Impairments or potential impairments are disclosed below – Inspector General
- Impairments or potential impairments are disclosed below – Other _____

I also acknowledge my obligation to promptly disclose to the Inspector General any situations that may appear to impair my independence or introduce external factors, which may restrict the audit or interfere with the Inspector General Office's ability to form independent and objective opinions and conclusions relative to the subject audit.

Staff _____ Date _____

Inspector General _____ Date _____

Other _____ Date _____

Actual/Potential Impairments

**South Florida Water Management District
Office of Inspector General**

Statement of Independence - Investigations

Project No.: _____ **Project Title:** _____

Auditor In-Charge: _____

The Independence standard of the *Principles and Standards for Offices of Inspectors General, Quality Standards for Offices of Inspector General, Quality Standards for Investigations* promulgated by the Association of Inspectors General, states that:

[D] The inspector general and OIG staff involved in performing or supervising any investigative assignment must be free from personal or external impairments to independence and should constantly maintain an independent attitude and appearance.

[C] Personal impairments may include, but are not limited to, the following:

- **Official, professional, personal, or financial relationships that might appear to lead the OIG to limit the extent of the work, to limit disclosure, or limit disclosure, or to alter the outcome of the work.**
- **Preconceived ideas toward activities, individuals, groups, organizations, objectives, or particular programs that could bias the outcome of the work.**

External Impairments should also be considered that may restrict the efforts or interfere with the OIG's ability to form independent and objective opinions and conclusions.

This standard places responsibility on each auditor and the Inspector General's Office to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. Auditors should consider not only whether they are independent and their attitudes and beliefs permit them to be independent but also whether there is anything about their situations that might lead others to question their independence. All situations deserve consideration because it is essential not only that auditors are, in fact, independent and impartial, but also that knowledgeable third parties consider them so.

There are circumstances under which auditors may not be impartial, or may not be perceived as impartial. The Inspector General's Office is responsible for having policies and procedures in place to help determine if auditors have any personal impairments. The Inspector General needs to be alert for personal impairments of his/her staff members. Auditors are responsible for notifying the Inspector General if they have any personal impairments. These impairments apply to individual auditors, but they may also apply to the audit organization. Personal impairments may include, but are not limited to, the following:

- a. official, professional, personal, or financial relationships that might cause an auditor to limit the extent of the inquiry, to limit disclosure, or to weaken or slant audit findings in any way;
- b. preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the audit;
- c. previous responsibility for decision-making or managing an entity that would affect current operations of the entity or program being audited;
- d. biases, including those induced by political or social convictions, that result from employment in, or loyalty to, a particular group, organization, or level of government;
- e. subsequent performance of an audit by the same individual who, for example, had previously approved invoices, payrolls, claims, and other proposed payments of the entity or program being audited;
- f. concurrent or subsequent performance of an audit by the same individual who maintained the official accounting records;³ and
- g. financial interest that is direct, or is substantial though indirect, in the audited entity or program.

Factors external to the Inspector General's Office may restrict the audit or interfere with an auditor's ability to form independent and objective opinions and conclusions. For example, under the following conditions, an audit may be adversely affected and an auditor may not have complete freedom to make an

independent and objective judgment:

- a. external interference or influence that improperly or imprudently limits or modifies the scope of an audit;
- b. external interference with the selection or application of audit procedures or in the selection of transactions to be examined;
- c. unreasonable restrictions on the time allowed to complete an audit;
- d. interference external to the audit organization in the assignment, appointment, and promotion of audit personnel;
- e. restrictions on funds or other resources provided to the audit organization that would adversely affect the audit organization's ability to carry out its responsibilities;
- f. authority to overrule or to influence the auditor's judgment as to the appropriate content of an audit report; and
- g. influences that jeopardize the auditor's continued employment for reasons other than competency or the need for audit services.

In addition to the Principles and Standards for Offices of Inspectors General, Government Auditing Standards, and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors require internal auditors to be independent so that they may render the impartial and unbiased judgements essential to the proper conduct of audits. The Professional Standards for the Governor's Council on Integrity and Efficiency state that investigators must avoid impairments that can influence judgements used in obtaining evidence and conducting interviews.

To ensure compliance with these standards, the Office of Inspector General requires each professional staff member to disclose any impairments to their independence and to acknowledge their responsibility to report any impairments or situations may be perceived as such.

The below-signed auditor certifies that to the best of his/her knowledge and belief, that they have no impairments to their independence. If the auditor believes that there may be impairments or potential impairment to their independence, they should disclose the impairment below their signature.

Certification

- I have no known impairments - Staff
- I have no known impairments – Inspector General
- I have no known impairments. – Other _____
- Impairments or potential impairments are disclosed below - Staff
- Impairments or potential impairments are disclosed below – Inspector General
- Impairments or potential impairments are disclosed below – Other _____

I also acknowledge my obligation to promptly disclose to the Inspector General any situations that may appear to impair my independence or introduce external factors, which may restrict the audit or interfere with the Inspector General Office's ability to form independent and objective opinions and conclusions relative to the subject audit.

Staff _____ Date _____

Inspector General _____ Date _____

Other _____ Date _____

Actual/Potential Impairments

**South Florida Water Management District
Office of Inspector General
FINAL Report Processing Checklist**

Report Number

Report Name

| | Date | Initials of Responsible Staff Member |
|---|------|---|
| • Management responses have been incorporated into the report. | | |
| • "Draft" header has been removed. | | |
| • Report has been proofread and corrected as necessary. | | |
| • Inspector General has reviewed the report format. | | |
| • Report has been copied to Report File CD. | | |
| • Report has been copied to the "Common" server. | | |
| • Report has been formatted for the Web site. | | |
| • Recommendations have been entered into the Access Follow-up Database. | | |
| • Report "Internal" Cover Memo has been reviewed. | | |
| • Report "External" Transmittal Memo has been reviewed. | | |
| • "Distribution Checklist" has been reviewed. | | |

Approved by Inspector General

Date

Acceptance of Non-Audit Services Engagement

Date: _____

Project No: _____

Project: _____

Estimated Time Period: _____

Nature of Services:

[Briefly describe nature and objectives of services to be performed]

Independence Considerations:

[Explain safeguards for maintaining independence and compliance with standards (GAGAS3.59)]

Other Alternatives:

[Describe why these services cannot be performed by other District staff]

Management Oversight & Responsibility

[Document consideration of management's ability to effectively oversee this nonaudit service and accept responsibility for them. Also describe the auditor's responsibilities and any limitations of the nonaudit services.]

Conclusion:

[Providing conclusion as to why these nonaudit service will not impair our Offices independence.]

Inspector General _____ Date _____

Review Engagements Classification

Project No: _____

Project: _____

The purpose of this form is to document the rationale for classifying a project as a review rather than an audit. The table below outlines the differences regarding the nature of the scope, objectives, and procedures, between an audit and a review, and should be used as a guideline in making a determination of the appropriate classification.

| Nature of Work | “Green Book” Review | “Yellow Book” Audit |
|-----------------------|--|---|
| Scope | Limited in size and extent. | Broader in scope and generally encompasses entire program, activity, or function, or a subset of such. |
| Objectives | Typically provides information to management for decision making purposes: <ul style="list-style-type: none"> • Providing factual information • Providing analytical information • Monitoring compliance • Measuring performance | Nature of objectives generally: <ul style="list-style-type: none"> • Determines conditions based on and established criteria, such as, policies, procedures, statutes, regulatory requirements, best practices, etc. • Measures actual conditions against established criteria. • Identifies the cause and effect of differences between established criteria and actual conditions. |
| Procedures | Nature of procedures usually entail: <ul style="list-style-type: none"> • Inquiring • Inspecting • Evaluating • Studying • Analyzing | Nature of procedures may include those of a review plus the following: <ul style="list-style-type: none"> • Examining • Verifying • Substantiating • Assessing • Corroborating • Confirming • Validating • Authenticating • Vouching |

Review Engagements Classification

Conclusion for Classifying Project as Review:

Inspector General _____ Date _____