# OFFICE OF INSPECTOR GENERAL

## Department of Veterans' Affairs



# Audit Plan
# Fiscal Year 2012 - 2013

June 28, 2012

Colonel Mike Prendergast
Executive Director
Florida Department of Veterans' Affairs
11351 Ulmerton Road, #311-K
Largo, FL 33778-1630

Dear Colonel Prendergast:

SUBJECT: Audit Plan for Fiscal Year 2012 - 2013

The Audit Plan is provided to enact the most effective coverage from the Office of Inspector General (OIG) to the needs of the Department. Input from Senior Managers along with the specific risk assessment generated by the OIG identified the areas within the Department needing review.

The activities outlined in this Plan address the major concerns of the Department and indicate the areas that need review to minimize exposures and threats. We ask for your approval of the Audit Plan and thank you for your continued cooperation.

Sincerely,

Kenneth Oliver

APPROVED: _____
Colonel Mike Prendergast
Executive Director

Cc: Auditor General
Chief Inspector General

# Table of Contents

Section 20.055, Florida Statutes, established the Office of Inspector General within each state agency to provide a central point for coordination of, and responsibility for activities that promote accountability, integrity and efficiency in government.

This Audit Plan is presented to the Director to comply with statutory requirements and to provide Departmental staff and interested parties with information on the Office of Inspector General's progress in accomplishing its mission as defined by Florida law.

# INTRODUCTION

The internal audit function in the Office of the Inspector General (OIG) assists the Department by providing independent and objective analysis in order to improve operations. Internal auditing helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Engagements are performed in accordance with Government Auditing Standards published by the United States Government Accountability Office, commonly referred to as the "Yellow Book"; Information Systems Auditing Standards published by the Information Systems Audit and Control Association (ISACA); Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General (AIG), commonly referred to as the "Green Book". These engagements result in written reports and recommendations, including responses by management. The reports are distributed internally to the Executive Director, Chief of Staff, affected program managers, the Chief Inspector General and to the Office of the Auditor General.

The work of the audit section is the focus of the Annual and Long Term Work Plan. The audit section also performs audit follow-up and tracking, annual work plan development, and development and publication of the annual report.

# AVAILABLE RESOURCES

For planning purposes it was assumed that an Inspector General, Audit Director and one Internal Auditor position would be in the Office of Inspector General, that all of the positions would be filled and each individual would be dedicated full time to audits.

|  | Inspector General | Audit Director | Internal Auditor | Total |
|---|---|---|---|---|
| Total Available (52 wks x 40 hrs) | 2,080 | 2,080 | 2,080 | 6,240 |
| Annual Leave | 176 | 176 | 176 | 528 |
| Sick Leave | 104 | 104 | 104 | 312 |
| Training | 40 | 40 | 40 | 120 |
| Holidays | 80 | 80 | 80 | 240 |
| Available Hours | 1,680 | 1,680 | 1,680 | 5,040 |

# AUDIT PLAN DEVELOPMENT

The purpose of the audit planning process is to identify projects and manage the Internal Audit Section's anticipated workload. This plan has several purposes and intended benefits including:

- Assisting the Department in meeting its mission by planning activities through a risk-based process to provide the most effective coverage of the programs, processes, systems and contracts;
- Informing managers, outside agencies and entities of the OIG mission, activities and planned audit coverage; and
- Familiarizing agency staff with the function and services provided by the Internal Audit Section.

Audits to be performed are selected based upon an assessment of risk and knowledge of the current events affecting the Department's operations. Risk assessment is a process used to evaluate potential audits based upon specific risk factors related to the Department's operations, internal controls, and estimated liability to the Department. The risk factors are annually reviewed and refined as needed.

**Risk Assessment**

The assigned points are calculated utilizing seven specific areas of evaluation that are individually weighted to the significance to the organization. The seven categories are defined as follows:

(1) MANAGEMENT –Information received during management reviews or from management.
(2) INTERNAL CONTROL – The existence of adequate internal controls indicate few visible weaknesses.
(3) VISIBILITY – Lowest adverse reaction to any deficiencies from employee, government, or public exposure.
(4) PRIOR AUDITS – Recent previous reviews of a comprehensive nature that did not result in a major audit finding.
(5) MAJOR CHANGES – Minimum changes of any significance in service, personnel, systems, or financial results that could compromise operations.
(6) COMPLEXITY OF OPERATIONS – Minor complexity of operations, generally involving routine, well documented, and easily understood procedures.
(7) FINANCIAL IMPACT – Minor quantities of cash or a measure of difficulty of assets being converted to cash.

The assigned weight of each category as outlined on the matrix determines the highest risk factor for each entity. This factor establishes the entities with the highest priority for inclusion on the long-term audit plan.

# FLORIDA DEPARTMENT OF VETERANS' AFFAIRS
## Audit Risk Assessment and Long Range Work Plan
## Fiscal Year 2012-2013

| AUDIT ENTITY | Mgmt. 15% Weight | Internal Control 15% Weight | Visibility 10% Weight | Prior Audits 10% Weight | Major Changes 10% Weight | Operational Complexity 15% Weight | Financial Impact 25% Weight | Calculated Risk Factor | Audit Workplan FY 12-13 Annual | Audit Workplan FY 13-14 Annual | Audit Workplan FY 14-15 Annual | Audit Workplan FY 15-16 Annual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Agency Wide/Admin** | | | | | | | | | | | | |
| Agency Expenses | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2.25 | | X | | |
| Background Screening | 2 | 2 | 2 | 3 | 2 | 1 | 2 | 1.95 | | | | X |
| Contracts | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2.25 | | X | | |
| Ethics | 2 | 2 | 2 | 3 | 2 | 1 | 2 | 1.95 | | | | X |
| Property Management | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 2.25 | | X | | |
| Fleet Maintenance | 2 | 2 | 1 | 3 | 2 | 1 | 1 | 1.60 | | | | X |
| Information Technology | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 2.50 | X | | | |
| Performance Measurements | 2 | 2 | 2 | 3 | 2 | 1 | 2 | 1.95 | | | | X |
| Personnel | 3 | 3 | 2 | 3 | 3 | 2 | 2 | 2.50 | X | | | |
| Public Records | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2.00 | | | X | |
| ARRA | 2 | 1 | 1 | 2 | 2 | 1 | 1 | 1.35 | | | | X |
| Purchasing | 2 | 2 | 2 | 2 | 3 | 3 | 2 | 2.25 | | X | | |
| Purchasing Card | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2.00 | | | X | |
| Staff Development and Training | 2 | 3 | 3 | 3 | 3 | 2 | 2 | 2.45 | X | | | |
| Time and Attendance | 2 | 3 | 3 | 3 | 3 | 2 | 3 | 2.70 | X | | | |
| Travel | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2.00 | | | X | |
| **Veterans Homes Program** | | | | | | | | | | | | |
| Billing | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 2.15 | | | X | |
| Donation Trust Fund | 2 | 3 | 3 | 2 | 2 | 2 | 3 | 2.50 | X | | | |
| Healthcare Staffing | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2.00 | | | X | |
| HIPAA Compliance | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2.00 | | | X | |
| Pharmacy | 2 | 2 | 2 | 2 | 3 | 3 | 2 | 2.25 | | X | | |
| Resident Trust Fund | 2 | 1 | 3 | 1 | 2 | 2 | 2 | 1.85 | | | | X |
| Residents Personal Property | 2 | 2 | 3 | 2 | 2 | 1 | 2 | 1.95 | | | | X |
| Supply Management | 2 | 3 | 2 | 3 | 3 | 2 | 2 | 2.35 | X | | | |
| UltraCare | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 2.15 | | X | | |
| **Benefits & Assistance** | | | | | | | | | | | | |
| Field Services | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1.75 | | | | X |
| State Approving Agency | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 2.15 | | | X | |
| Veterans' Claims | 2 | 2 | 2 | 2 | 2 | 3 | 2 | 2.15 | | | X | |
| **Florida Veterans Foundation** | | | | | | | | | | | | |
| Florida Veterans Foundation | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2.00 | | | X | |

**POINT SYSTEM *** 1 POINT=LOWEST RISK   2 POINTS=MEDIUM RISK   3 POINTS=HIGHEST RISK**

# Planned Projects

| Risk Factor | Planned Projects | Hours |
|---|---|---|
| Note 1 | Enterprise Audits | 1000 |
| 2.5 | Personnel Management | 800 |
| 2.5 | V-Bolts – Business Process Application Controls | 1000 |
| 2.5 | Donation Trust Fund | 800 |
| 2.7 | Time and Attendance System | 400 |
| 2.35 | Supply Management (Optional) | 0 |
| 2.45 | Staff Development and Training (Optional) | 0 |

| Ongoing Projects | Hours |
|---|---|
| Management Reviews (160 Hours Per Home) | 640 |
| Annual Employee Survey | 200 |

| Other Activities | Hours |
|---|---|
| Inspector General Annual Report | 120 |
| Inspector General Audit Plan | 80 |
| Total Hours | 5040 |

Note 1: Enterprise topics for fiscal year 2012-13 based on a risk assessment by the Chief Inspector General.

## Enterprise Projects

**a. Assessment of Medical Care Organizations' Anti-Fraud Processes - Multi-agency Team[1]**

As Medical Care Organizations (MCO's) assume greater roles in healthcare delivery, they are becoming more significant to the State. Each MCO is required to develop and present anti-fraud plans to the State. We propose to evaluate anti-fraud plans already submitted to assess whether the plans are viable and comport with known fraud risks. The product of the evaluation, while not yet fully defined, is envisioned to be a guide for creation of anti-fraud plans and the identification of best practices.

**b. Background Screenings - Enterprise Project[2]**

At varying levels, every state agency performs background screenings for employees, contractors and/or providers. We propose to review the current processes used by each state agency in performing this enterprise-wide task to identify opportunities for efficiencies, cost savings and best practices.

**c. Computer Security Incident Response Teams - Enterprise Project[2]**

Rule 71A-1.014, Florida Administrative Code, provides that each agency shall establish a Computer Security Incident Response Team (CSIRT) to respond to suspected computer security incidents by identifying and controlling the incidents, notifying designated CSIRT responders, and reporting findings to agency management. We propose to evaluate whether agencies have properly established CSIRTs and whether the Teams possess the required technical and procedural skills and resources to appropriately handle computer security incidents. Also, we propose to determine if the Teams have established roles, responsibilities, and communication procedures to respond to computer security incidents which may occur.

**d. Cyber Security - Enterprise Project[2]**

This project would inventory state government web applications and assess those applications for specific cyber security vulnerabilities. The product of this assessment, while not yet fully defined, is envisioned to be guidance for state agencies in establishing best practices for cyber security.

**e. Disaster Recovery and Business Continuity Plans at Shared Resource Centers - Multi-agency Team[1]**

A review would be performed to determine the adequacy of the Shared Resource Centers' (Northwood, Southwood and Northwest Regional) Disaster Recovery and Business Continuity Plans.

**f. Service Level Agreements with Shared Resource Centers - Multi-agency Team[1]**

A review will be performed of the current Service Level Agreements with the Shared Resource Centers (Northwood, Southwood and Northwest Regional) to determine if the agreements adequately address the services to be performed by the Centers and the responsibilities of each party. The review will include an assessment of data maintenance and security.

[1] Multi-Agency Team projects will not involve all agencies but will address issues common to the participating agencies.
[2] Enterprise projects will generally be completed by all agencies

## Personnel Management

The results of an employee survey completed on November 18, 2011, indicated that employees strongly disagreed with the statement "Pay raises depend on how well employees perform their jobs" and "Promotions in my work unit are based on merit." The same concerns were also raised during a recent management review. This audit will focus on policies and procedures related to employee compensation. The audit will also follow-up on findings from the previous Personnel Management audit completed in June 2010.

## V-Bolts – Business Process Application Controls

The Veterans' Benefits On-line Tracking System (**V-BOLTS**) is FDVA's centralized Veterans' benefits tracking database. **V-BOLTS** significantly enhances FDVA's capabilities for documenting performance-based budgeting goals and objectives for the Benefits and Assistance Division. Without this capability, the effectiveness of FDVA's efforts and resource allocations could not be accurately measured and reported to Executive and Legislative decision makers. This audit will assess whether the V-Bolts general and application controls provide reasonable assurance about the completeness, accuracy, validity and confidentiality of transactions and data during application processing.

## Donation Trust Fund

The State Veterans' Home may receive and accept gifts, grants, and endowments in the name of the home. All such gifts, grants, and endowments are to be used for the benefit of the home and its residents. The administrator, together with the Director determines how these gifts, grants, and endowments could best benefit the home and its residents unless the benefactor requests or instructs that the gift, grant, or endowment be used for a specific purpose. The purpose of this audit is to determine whether the FDVA State Veterans' Nursing Homes are properly accepting, recording, reporting and disbursing donations and gifts.

## Time and Attendance

All designated FDVA Homes Program employees use a time clock to record their actual hours of work. FDVA is currently planning on implementing a new professional grade, web hosted time clock system for FDVA Home's Program staff based at seven (7) FDVA Veterans' Homes located throughout the State of Florida. This audit will be conducted after the new system is implemented to ensure that appropriate controls are in place. The audit will also follow-up to findings previously reported in Report IA-1001, IA-1101, IA-1104, IA-1107 and IA-1111. **The planned start date for this audit is three months after acceptance of the new time clock system.**

## Supply Management

FDVA maintains an inventory of medical supplies at each nursing home and uses the V-TRACS system to manage the inventory. This system is used to issue medical supplies from the Central Storeroom, dispense items to residents and record the chargeable items to resident accounts in UltraCare. The total value of inventory for the six nursing homes in January 2012 was approximately $1.7 million. This will be a follow-up audit to Report IA-1203.

## Staff Development and Training

FDVA develops staff development and training programs to maintain, retrain, and retain a quality, professional work force. FDVA also ensures employees are provided with training necessary for effective and successful job performance. The purpose of this audit is to determine if FDVA is in compliance with laws, rules and regulations related to training. The audit will also follow-up on audit IA-1109 "Ethics".

# Ongoing Projects

## Management Reviews

Each quarter the Office of Inspector General will conduct a management review at one of the FDVA locations. The review will focus on selected questions from the Employee Survey. The review will also identify employee concerns, issues or recommendations related to the work environment.

## Employee Survey

Approximately October of each year, the Office of Inspector General conducts an employee survey to measure employees' perceptions of whether, and to what extent, conditions that characterize successful organizations are present in FDVA. The survey will determine progress since the last survey and identify additional areas for improvement.

# Other Activities

## Inspector General Annual Report

No later than September 30, prepare an annual report summarizing the activities of the office during the immediately preceding state fiscal year. The final report is furnished to the agency head. A copy of the report is submitted to the Auditor General and Chief Inspector General.

## Inspector General Audit Plan

No later than June 30, develop a long-term and annual audit plan based on the findings of periodic risk assessments. The plan will include the individual audits to be conducted and related resources to be devoted to the respective audits. The plan shall be submitted to the agency head for approval. A copy of the approved plan shall be submitted to the Auditor General and Chief Inspector General.

11351 Ulmerton Road, Suite 311-K
Largo, FL  33778

Office – (727) 518-3202
Fax – (727) 518-3407

www.FloridaVets.org