

OFFICE OF INSPECTOR GENERAL

Department of Veterans' Affairs



FLORIDA DEPARTMENT OF VETERANS' AFFAIRS

Honoring those who served U.S.

Audit Plan
Fiscal Year 2013 - 2014



Mike Prendergast
Executive Director

State of Florida
DEPARTMENT OF VETERANS' AFFAIRS
Office of the Executive Director

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22 June 2013

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

Dear Colonel Prendergast:

Subject: Audit Plan for Fiscal Year 2013 – 2014

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 the 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,

Nancy Hoang, CPA, CFE
Audit Director

Approved: _____

Colonel Mike Prendergast
Executive Director

cc: Auditor General
Chief Inspector General

Table of Contents

INTRODUCTION 4

AVAILABLE RESOURCES 4

AUDIT PLAN DEVELOPMENT 5

AUDIT RISK ASSESSMENT AND LONG RANGE WORK PLAN 6

PLANNED PROJECTS 7

Billing 7

Procure to Pay (P2P) 7

Accounts Payables 7

Donation Trust Fund 7

Resident Trust Fund 7

Review Agency's Representation criteria for Comprehensive Annual Financial Report (CAFR) 7

ONGOING PROJECTS 8

Management Reviews 8

Employee Survey 8

OTHER ACTIVITIES 9

Inspector General Annual Report 9

Inspector General Audit Plan 9

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 Florida Department of Veterans' Affairs (Department or FDVA) 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, Investigator Specialist, 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 dedicate time to audits.

	Inspector General	Investigator Specialist	Audit director	Internal Auditor	Total
Total Hours (52 wks x 40 hrs)	2,080	2,080	2,080	2,080	8,320
Annual Leave	(176)	(176)	(176)	(176)	(704)
Sick Leave	(104)	(104)	(104)	(104)	(416)
Training	(40)	(40)	(40)	(40)	(160)
Holidays	(80)	(80)	(80)	(80)	(320)
	<u>1,680</u>	<u>1,680</u>	<u>1,680</u>	<u>1,680</u>	<u>6,720</u>
Hours on other duties	(840)	(1,260)	0	0	(2,100)
Available Audit Hours	<u>840</u>	<u>420</u>	<u>1,680</u>	<u>1,680</u>	<u>4,620</u>

	Inspector General	Investigator Specialist	Audit director	Internal Auditor
Percentage of Hours on Other Duties	50%	75%	0%	0%
Percentage of Hours on Audit	50%	25%	100%	100%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

AUDIT PLAN DEVELOPMENT

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

- Assisting 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 Office of Inspector General mission, activities and planned audit coverage; and
- Familiarizing agency staffs with functions 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 of the organization. The seven categories are defined as follows:

- (1) Management Discretion – Information received during management reviews or from management.
- (2) Quality of Internal Control – The existence of adequate internal controls indicate few visible weaknesses.
- (3) Regulatory and Legal Impact – Lowest adverse reaction to any deficiencies from employee, government, or public exposure.
- (4) Prior Audit – 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) Operational Frequency and Complexity – 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 in 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.

Audit Risk Assessment and Long Range Work Plan

Risk Factor*	Planned Projects	Hours
2.43	Billing	620
2.00	Procure to Pay	560
2.00	Donation Trust Fund	640
2.00	Resident Trust Fund	240
1.86	Accounts Payable	560
1.71	Review Agency's Representations criteria for CAFR	100
		2,720
Ongoing Projects		Hours
	Management Reviews (4 Homes @ 200 Hours Per Home)	800
	Annual Employee Survey	280
	Follow Up Audits	460
		1,540
Other Activities		Hours
	Inspector General Annual Report	200
	Inspector General Audit Plan	160
		360
	Total Hours	4,620

Planned Projects

Billing

Billing is an area of complexity that requires understanding of the unique regulatory requirements it demands as well as an understanding of how it affects the normal operation. We propose to evaluate overall internal controls on billing processes, managing receivables, payments received, delinquent accounts and collections that are properly recorded in accounting records.

Procure to Pay (P2P)

Procure to Pay processes integrate the Purchasing Department with the Accounts Payable Department. The steps start with supply management, requisition, purchase order, receiving, invoice reconciliation and accounts payable. We propose to evaluate overall internal controls on processes of ordering, receiving goods and accounting.

Accounts Payable

Payables represent a complete presentation of authorized current obligations that arose from the purchase of goods or services. We propose to evaluate policies and procedures over payment processes and to determine if the internal controls over disbursements are adequate and effective.

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 and the Director determine how these gifts, grants, and endowments could best benefit the home and its residents unless the benefactor requests or instructs that the gifts, grants, or endowments be used for a specific purpose. We propose to evaluate if FDVA State Veterans' Nursing Homes are properly accepting, recording, reporting and disbursing donations and gifts.

Resident Trust Fund

Given the vulnerability of the residents in FDVA homes, it is important that FDVA have adequate assurance of proper accountability of the fees collected and management of their funds. We propose to evaluate overall internal controls on the processes for accepting, distributing, and accounting for residents' funds. In addition, we propose to validate that the Resident Trust Fund operates in compliance with applicable state and federal laws, regulations and current FDVA policies and procedures.

Review Agency's Representations Criteria for Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) is comprised of financial reports on the State of Florida, municipalities or other governmental entities. The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is audited by a licensed certified public accountant firm. The FDVA provides the Chief Financial Officer in-depth information about its financial position, results of operations and all financial disclosures. We propose to collaborate with Fiscal and Legal to evaluate and to provide reasonable assurance that the agency's representations criteria are fairly presented.

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 home operations and administration.

Employee Survey

In the second quarter of each fiscal 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.



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