



Glenn Sutphin
Executive Director

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DEPARTMENT OF VETERANS' AFFAIRS
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21 August 2017

Glenn Sutphin, Executive Director
Florida Department of Veterans Affairs
400 S. Monroe St., Suite 2105
Tallahassee, FL 32399

Subject: Annual Audit Plan for Fiscal Year 2017 – 2018

Dear Lieutenant Colonel Sutphin:

The attached Annual Audit Plan for Fiscal Year 2017-18, is provided to ensure the most effective coverage from the Office of Inspector General (OIG) to the needs of the Florida Department of Veterans' Affairs (FDVA). Input from Senior Managers, along with the specific risk assessment generated by the OIG, identified the areas within FDVA to conduct the coming year's reviews. The activities outlined in the Audit Plan address the major concerns of FDVA, and identify the areas to review in order to maximize efficiency and compliance, while minimizing exposure and threats. We ask for your approval of the Audit Plan and upon your approval please return this signed cover letter to me. Thank you for your continued support and cooperation with the FDVA OIG.

Sincerely,

Lisa B. Burley, MPA, CPM, FCCM, CIGA
Audit Director

Approved:

Glenn Sutphin, Lieutenant Colonel, US Army, Retired
Executive Director

cc: David Marzullo, FDVA Inspector General
Al Carter, FDVA Deputy Executive Director
FL Auditor General
FL Chief Inspector General

OFFICE OF INSPECTOR GENERAL

Department of Veterans' Affairs



Audit Plan

Fiscal Year 2017 - 2018

Introduction

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

Audit engagements are conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Red Book); Information Systems Auditing Standards published by Information Systems Audit and Control Association (ISACA); and Principles and Standards for Offices of Inspector General published by Association of Inspectors General. These engagements result in written reports and recommendations, including responses by management. The reports are distributed to the Executive Director, Deputy Executive Director, affected program managers, Chief Inspector General and Office of the Auditor General.

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

For Fiscal Year 2018, the Office of Inspector General will manage the FDVA Veterans Preference Coordinator position. The Veteran Preference Coordinator is responsible for receiving complaints, and conducting investigations pertaining to the administration of Veteran's Preference in the area of Human Resources as described in Florida Administrative Code, Chapter 55A-7.

Available Resources

For planning purpose, it is assumed that an Inspector General, an Audit Director, an Internal Auditor, an Investigator and a Veterans Preference Coordinator would be in the Office of Inspector General, and that all of the positions would be filled and each individual dedicated full time to audits except the Inspector General, the Investigator and the Veterans Preference Coordinator.

| | Inspector General | Investigator | Audit Director | Internal Auditor | Veterans Preference | Total |
|-----------------------------------|--------------------------|---------------------|-----------------------|-------------------------|----------------------------|--------------|
| Total Hours (52 weeks X 40 hours) | 2,080 | 2,080 | 2,080 | 2,080 | 2,080 | 8,320 |
| Annual Leave | (176) | (176) | (176) | (176) | (176) | (704) |
| Sick Leave | (104) | (104) | (104) | (104) | (104) | (416) |
| Training | (40) | (40) | (40) | (40) | (40) | (160) |
| Holidays | (80) | (80) | (80) | (80) | (80) | (320) |
| | 1,680 | 1,680 | 1,680 | 1,680 | 1,680 | 6,720 |
| Hours on Other Duties | (840) | (1,680) | (250) | 0 | (1,680) | (2,770) |
| Available Audit Hours | 840 | 0 | 1,430 | 1,680 | 0 | 3,950 |

| | Inspector General | Investigator | Audit Director | Internal Auditor | Veterans Preference |
|-------------------------------------|--------------------------|---------------------|-----------------------|-------------------------|----------------------------|
| Percentage of Hours on Other Duties | 50% | 100% | 15% | 0% | 100% |
| Percentage of Hours on Audit | 50% | 0% | 85% | 100% | 0% |
| Total | 100% | 100% | 100% | 100% | 100% |

Audit Plan Development

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

- Assisting FDVA 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 the agency staff with functions and services provided by the Internal Audit Section.

Audit selection is based on 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 reviewed annually 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 Discretion - Information received during management reviews or from management.
- (2) Quality of Internal Controls – 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 Audits – Recent previous reviews of a comprehensive nature that may or may not have resulted 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) Frequency and Complexity of Operations – Generally involving routine, well documented, and easily understood procedures.
- (7) Financial Impact – Potential economic consequences related to cash, assets, and resources.
- (8) Business and Operations Implications - Functions and processes are performed efficiently and effectively and achieves established objectives.

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.

Audit Risk Assessment

FDVA Annual Audit Plan FY 2017 - 2018
Risk Assessment

| | Management Discretion 10% Weight | Quality of Internal Controls 15% Weight | Regulatory and Legal Impact 10% Weight | Prior Audits 10% Weight | Major Changes 10% Weight | Operational Frequency and Complexity | Financial Impact 20% Weight | Business and Operational Implications 10% Weight | Calculated Risk Factor |
|-----------------------------------|-------------------------------------|--|---|----------------------------|-----------------------------|--------------------------------------|--------------------------------|---|------------------------|
| Medicaid - Therapeutic & Bed Hold | 2 | 3 | 3 | 2 | 1 | 1 | 3 | 2 | 2.20 |
| Internal QAR - Assessment IG | 2 | 3 | 2 | 2 | 1 | 2 | 2 | 2 | 2.05 |
| Capital Improvement | 3 | 2 | 2 | 2 | 1 | 2 | 2 | 2 | 2.00 |
| Travel 2017-071 | 2 | 2 | 3 | 2 | 3 | 2 | 1 | 2 | 2.00 |
| Donation Trust Fund | 2 | 3 | 3 | 1 | 1 | 2 | 1 | 2 | 1.85 |
| IT General Controls HW | 2 | 3 | 2 | 2 | 2 | 1 | 1 | 2 | 1.80 |
| CM Designation | 2 | 2 | 3 | 2 | 1 | 1 | 2 | 1 | 1.75 |

Point system: 1 = Low Risk 2 = Medium Risk 3 = High Risk

Planned Projects

| Risk Factor | Planned Projects | Hours |
|------------------|-----------------------------------|-------|
| 2.20 | Medicaid - Therapeutic & Bed Hold | 550 |
| 2.05 | Internal QAR - Assessment IG | 410 |
| 2.00 | Capital Improvement | 720 |
| 2.00 | Travel 2017-071 | 450 |
| 1.85 | Donation Trust Fund | 400 |
| 1.80 | IT General Controls HW | 420 |
| 1.75 | CM Designation | 400 |
| | | 3,350 |
| | | |
| Ongoing Project | | Hours |
| | Annual Employee Survey | 200 |
| | Follow Up Audits | 200 |
| | | 400 |
| | | |
| Other Activities | | Hours |
| | Inspector General Annual Report | 100 |
| | Inspector General Audit Plan | 100 |
| | | 200 |
| | Total Hours | 3,950 |

Medicaid Billing - Bed Hold Charges

In accordance with Medicaid billing procedures, FDVA bills Medicaid their portion of the bed hold charge and accordingly the resident is billed their liability for the first 8 days as well. In accordance with FDVA billing procedures, after 8 days the resident is required to pay a standard bed hold rate according to their room type assignment. The audit will test compliance with Institution Care Program Medicaid for bed holds and Therapeutic leave days.

Capital Improvement Program

FDVA is committed to making capital improvements to the Veterans Nursing Homes yearly. The audit will ensure that capital improvements activities such as budgeting, bidding, contract compliance and maintenance tracking are being conducted in such a manner as to maximize the use of funding received by FDVA for capital improvements.

Travel 2017-071

FDVA employees engage in a significant amount of travel throughout Florida, and occasionally outside of Florida. In FY-2018 (July 11, 2017), Florida Law Chapter 2017-071 imposed new travel restrictions for State of Florida employees. The audit will ensure FDVA follows the most recent state travel procedures and policies and are in compliance with the recent changes.

Donation Trust Fund

The State Veterans' Homes and Domiciliary may receive and accept gifts, grants, and endowments in the name of the Homes and Domiciliary. The Administrator and the Director determine how the donation could best benefit the Homes, Domiciliary, and its residents unless the benefactor requests or instructs usage for a specific purpose. The audit will continue to evaluate overall internal controls on the processes for accepting, distributing, and accounting of the donation.

Information Technology General Controls, Hardware

The Florida Department of Veterans' Affairs (FDVA) has an Agency wide network to facilitate its operations. The network uses various features including virtual protocol networks for offsite work, servers for the storage and backup of Agency data, various hardware including printers and mobile devices, and various system configurations to provide security and integrity of data. The objective of the audit would be to evaluate if controls are in place to monitor, record, safeguard, and maintain authorized hardware devices that are connected to the Agency network.

Contract Management Designation and Compliance

FDVA and Florida law mandate requirements in F.S. 287 for Category II procurement. The audit will evaluate the effectiveness of contract activities including contract management designation, monitoring, reporting, certification of services rendered approval.

Internal Audit Self-Assessment Audit Quality Assurance

The Office of Inspector General will conduct a Self-Assessment Audit Quality Assurance of the Internal Audit department. The objective of the self-assessment is to determine whether the internal audit function is conforms to the current International Internal Auditing (IIA) standards published by Institute of Internal Auditors.

Ongoing Projects

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

The OIG develops a long-term and annual audit plan based on the findings of periodic risk assessments. The plan will include the individual audit to be conducted and related resources to be devoted to the respective audits. The plan is submitted to the agency head for approval. A copy of the approved plan is submitted to the Auditor General and Chief Inspector General.



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