

Florida Department
of Financial Services



Alex Sink
Chief Financial Officer



Office of Inspector General

Robert E. Clift
Inspector General

Annual & Long Term Audit Work Plan Fiscal Years

2010/2011
&
2011/2012

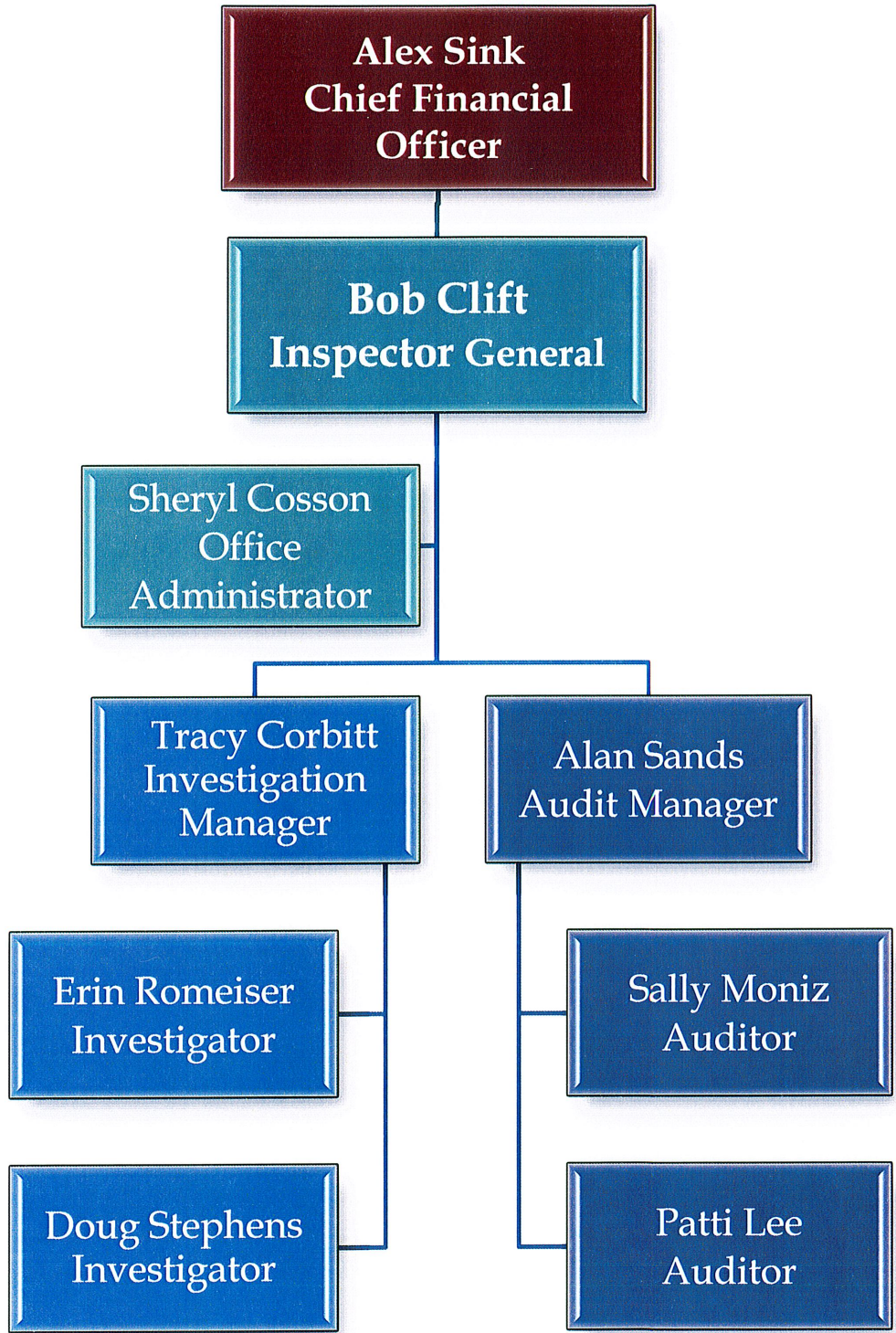
*"Our Mission is to promote integrity,
accountability and process improvement
in the Department of Financial Services."*

TABLE OF CONTENTS

ORGANIZATION CHART	3
MISSION STATEMENT AND VISION	4
DUTIES AND RESPONSIBILITIES	4
Organization	4
Audit Section	4
Engagement Types.....	5
THE WORK PLAN	5
Purpose and Scope	5
Requirement	6
Description.....	6
Methodology	7
EXHIBITS	
Exhibit A – Risk Assessment Data.....	9
Exhibit B – Annual Work Plan	10
Exhibit C – Long Term Work Plan.....	12

OIG ORGANIZATION

The Inspector General is appointed by and reports to the Chief Financial Officer. Within the Office of Inspector General (OIG), there are two sections: Audit and Investigation.



MISSION STATEMENT AND VISION

OIG MISSION STATEMENT & VISION

The mission of the OIG is to promote integrity, accountability and process improvement in the Department.

Our vision is to provide objective, fact-based perspectives to the DFS team. We strive to be:

- Championed by our customers;
- Benchmarked by our counterparts; and
- Dedicated to quality in our products and services.

DUTIES & RESPONSIBILITIES

ORGANIZATION

The Inspector General's duties and responsibilities are specified in Section 20.055, Florida Statutes. These duties and responsibilities are carried out within the Audit or Investigation Sections. The work of the Audit Section is the focus of the Annual and Long Term Work Plan.

AUDIT SECTION

The Audit Section functions as an independent and objective assurance and consulting activity with the purpose of providing information on the adequacy and effectiveness of the Agency's system of internal controls to provide greater assurances the Department's goals and objectives are achieved. This Section performs Compliance, Performance and Comprehensive engagements, along with Consulting services.

Audit Engagements are performed in accordance with the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors (IIA) and result in written reports of findings and recommendations, including responses by management. These reports are distributed internally to the Chief Financial Officer and affected program managers, and to the Office of the Auditor General.

Consulting Services are provided as requested by management. Consulting services are intended to provide value added services to management such as counsel, advice, facilitation, inspection, reviews, and training.

ENGAGEMENT TYPES

Compliance: Compliance engagements determine if a program or process is complying with applicable laws, rules and regulations. Generally, compliance audits are the least complex type of audit engagement and require less time to perform than performance or comprehensive audit engagements.

Performance: Performance engagements analyze the efficiency and economy of programs or processes that are performed by the program area. Performance engagements also include the objectives of a compliance engagement.

Comprehensive: Comprehensive evaluations assess the effectiveness of the program or process in achieving the Department's goals and objectives. Comprehensive audits also include the objectives of a performance engagement. Consequently, comprehensive audits generally require the most time to perform.

THE WORK PLAN

PURPOSE & SCOPE

The OIG audit work plan serves to identify and plan for anticipated workload by staff in the Audit Section. The purpose of the work plan is to maximize available resources so projects will provide the greatest benefit to the Department. Exhibit B identifies audits and consulting engagements to be completed during FY 2010/2011 (annual) and Exhibit C identifies engagements planned for FY 2011/2012 (long term). These exhibits also include the projected staff time for each engagement. The illustration below shows the calculation for estimating the available hours for OIG staff, consisting of two internal auditors and one audit director.

Available Audit Hours			
Total Available Hours (52 wks x 40 hrs)			2,080
Less:			
Annual Leave	176		
Sick Leave	96		
Training	40		
Holidays	80		
Administration	<u>208</u>	<u>-600</u>	
Available Audit Hours/per FTE		1,480	
Audit Staff (2)@100%		x 2	2,960
Audit Director (1)@ 50%		x ½	<u>740</u>
Subtotal			<u>3,700</u>
Less:			
Work Plan			-100
Assisting Investigation Section & Special Projects			<u>-100</u>
Total Audit Hours Available			<u>3,500</u>

REQUIREMENT

Section 20.055(5)(h), Florida Statutes, requires the Inspector General to develop long-term and annual audit work plans based on findings of periodic risk assessments of Department activities, processes and programs. The plans show the engagements to be conducted during each year and related resources to be devoted to the respective audits. In addition, this statute requires that the work plan be submitted to the Chief Financial Officer for approval, and a copy of the approved work plan shall be submitted to the Office of the Auditor General.

DESCRIPTION

The work plan has benefits that include:

- Assisting the Department in meeting its mission by evaluating internal controls in each audit engagement;
- Informing Department managers, outside agencies and other entities of our planned audit coverage; and,
- Familiarizing Department staff with the services we provide.

METHODOLOGY

The audits on the work plan were identified based on an assessment of the risk associated with specific characteristics of each Division's operating environment.

Quantitative Analysis

The risk assessment used to produce this work plan was based on a quantitative analysis of Division-level operations data. The quantitative analysis utilized information from a variety of Department databases to assess the risks inherent to the activities performed by each Division. These databases included those associated with contracting, revenue collections, and legislative appropriations. As shown below, selected data elements, such as the number of contracts and incoming receipts, were assigned to risk factors and then allocated to each Division. These risk factors were identified based on characteristics of activities that serve to increase risks of not fully achieving intended objectives. For example, incoming receipts were selected as a risk factor because of the extent of the adverse impact if these transactions were not adequately safeguarded or accurately recorded.

Scoring

For each determined risk factor, a maximum point value was assigned. The table below reflects the maximum point value a Division could earn within each risk factor.

Each risk factor score for a Division was derived by taking their number or value over the highest number or value within each risk factor and then multiplying this percentage times the maximum point value assigned. Each risk factor score for a Division was then accumulated and totaled to derive their total weighted score. Scoring results are reflected in Exhibit A.

Data Elements/Risk Factors	Points
Incoming Receipts	
<i>Number of Over the Counter (OTC) and Electronic receipts</i>	15
<i>Value of OTC and Electronic receipts</i>	10
<i>Number of wire transfers</i>	15
<i>Value of wire transfers</i>	10
Reliance on Information Technology	
<i>Number of applications used</i>	10
<i>Number of applications with confidential information</i>	10
Assets under Management	
<i>FTE count</i>	15
Operational/Geographical Dispersion	
<i>Number of active contracts</i>	5
<i>Value of active contracts</i>	5
<i>Number of operating locations</i>	5
Prior Audit Coverage	
<i>Internal Audits (none identified)</i>	15
<i>External Audits (none identified)</i>	10

Risk Assessment Data Exhibit A

	Total Weighted Score	Operational/Geographic Dispersion						Incoming Receipts								Reliance on Information Technology				Assets under Management		Prior Audits			
		Contract Value	Contract Value Score	Contract Count	Contract Count Score	Operating Locations	Operating Locations Score	FY 09-10 Receipt Value	Receipt Value Score	Receipt Count	Receipt Count Score	FY 09-10 Wire Receipts	Wire Value Score	FY 09-10 Wire Receipts Count	Wire Count Score	FY 09-10 Application Count	Application Count Score	Applications with Confidential Data	Applications with Confidential Data Score	4/30/10 FTE Count	FTE Count Score	Internal Audits	External Audits		
Operating Division	74																								
Workers Compensation		\$2,942,147	2	140	5	19	5	\$138,370,763	6	97,778	8	\$1,688,987	0	38	3	63	10	33	10	301	15	0	10	0	
Agent & Agency Services	50	\$977,902	1	23	1	10	3	\$56,904,589	2	177,568	15	\$1,728	0	3	0	15	2	11	3	160	8	15	0	0	
Accounting & Auditing	49	\$1,179	0	6	0	5	1	\$223,086,296	10	11,639	1	\$136,649,541	7	181	15	11	2	6	2	221	11	0	0	0	
Information Systems	41	\$10,137,118	5	120	4	1	0	\$912	0	15	0	\$0	0	0	0	21	3	7	2	237	12	15	0	0	
Rehabilitation & Liquidation	39	\$78,700	0	4	0	2	1	\$12,488,538	1	2,779	0	\$122,793,358	5	103	9	26	4	12	4	7	0	15	0	0	
Insurance Fraud	37	\$231,488	0	59	2	11	3	\$386,156	0	1,332	0	\$259,451	0	23	2	17	2	9	3	198	10	15	0	0	
Legal Services	37	\$409,465	0	19	1	1	0	\$1,430,192	0	52,813	5	\$23,026	0	1	0	6	1	2	1	85.5	4	15	10	0	
Treasury	36	\$4,740,641	2	20	1	2	1	\$34,835,486	2	107	0	\$212,230,427	10	107	9	27	4	13	4	67.5	3	0	0	0	
Consumer Services	32	\$315,622	0	12	0	7	2	\$182,740	0	3,441	0	\$0	0	0	0	20	3	15	5	126.5	7	15	0	0	
State Fire Marshal	31	\$10,233,124	5	148	5	15	4	\$3,323,912	0	17,431	2	\$2,675	0	2	0	9	1	5	2	249.5	12	0	0	0	
Funeral, Cemetery & Consumer Services	16	\$37,064	0	8	0	6	2	\$2,796,491	0	7,445	1	\$0	0	0	0	6	1	4	1	24	1	0	10	0	
Administration	16	\$1,584,789	1	43	2	1	0	\$99,227	0	421	0	\$37,454	0	1	0	31	5	8	2	116.5	6	0	0	0	
Risk Management	13	\$6,946,014	3	18	1	1	0	\$32,259,671	2	798	0	\$0	0	0	0	7	1	4	1	101	5	0	0	0	
Department Total		\$38,635,253		620		81		\$506,164,973		373,567		\$473,686,648		459		259		129		1894.5					

ANNUAL WORK PLAN

JULY 1, 2010 – JUNE 30, 2011

EXHIBIT B

Program Area	Engagement Objectives	Estimated Audit Hours
Division of Agent & Agency Services	Audit effectiveness of the Division of Agent and Agency Services in accomplishing its objectives	1,500
Division of Workers' Compensation	Audit Workers' Compensation Administrative Trust Fund internal controls over receiving payments	500
Division of Accounting & Auditing	Audit of Unclaimed Property internal controls related to receipt transactions	500
Department Contract Review	Evaluate contract execution and management	500

Exhibit B, Continued Annual Work Plan Topics

Workers' Compensation:

This business unit was selected for audit coverage because it was assessed at being high in the following areas of risk:

- Number of contracts maintained is high;
- Highest in the number of operating locations within the Department;
- Second highest in total receipt value processed within the Department (most of the funds received were associated with workers' compensation insurers and self-insurers assessment receipts);
- Second highest in the number of receipts processed (the Division's Bureau of Compliance accounted for most of the revenue volume);
- Maintained the highest number of IT applications, as well as the largest number of applications containing confidential data;
- Maintains the highest authorized FTE count; and
- No external audit coverage was identified.

Agent & Agency Services:

This business unit was selected for audit coverage because it was assessed at being high in the following areas of risk:

- The number of receipts processed was the highest among all Divisions (most of the volume was associated with Bureau of Licensing processes);
- Total incoming value of receipts processed by the business unit ranked third highest among all Divisions;
- Numerous operating locations maintained by the business unit;
- Majority of IT applications contained confidential data;
- Maintains a high authorized FTE count; and
- No internal audit coverage was identified.

Accounting & Auditing:

This business unit was selected for audit coverage because it was assessed at being high in the following areas of risk:

- Highest in receipt value processed among all Divisions;
- The number of receipts processed is high;
- Highest in the number of wire transfers received in the Department;
- Total dollars received and processed from wire transfers is third highest;
- Maintains a high authorized FTE count; and
- Majority of IT applications contained confidential data.

LONG TERM WORK PLAN

JULY 1, 2011 – JUNE 30, 2012

EXHIBIT C

Program Area	Engagement Objectives	Estimated Audit Hours
Division of Insurance Fraud	Assess effectiveness of internal controls to secure confidential information in data keeping systems	750
Division of Legal Services	Assess internal controls over Service of Process receipts	750
Public Assistance Fraud*	Audit of Public Assistance Fraud to gain a familiarity with their processes, risks, internal controls and remaining residual risks	1,000
Department Contract Review	Evaluate contract execution and management	500

*Note: Public Assistance Fraud will be acquired by the Department on January 1, 2011, and risks have not been fully assessed. By special request from the Deputy CFO, an audit of the area is projected in the 2011/2012 Fiscal Year.

Exhibit C, Continued

Long Term Work Plan Topics

Insurance Fraud:

This business unit was selected for audit coverage because it was assessed at being high in the following areas of risk:

- Majority of IT applications contain confidential data;
- Maintains a high authorized FTE count;
- Numerous operating locations maintained by the business unit; and
- No internal audit coverage was identified.

Legal Services:

This business unit was selected for audit coverage because it was assessed at being high in the following areas of risk:

- High volume of receipts initially received and processed in the business unit (Service of Process); and
- No internal audit coverage was identified.

Public Assistance Fraud:

This business unit was selected for audit coverage because it was assessed at being high in the following areas of risk:

- This is a new business unit for the Department with no prior audit coverage by DFS. Public Assistance Fraud will be transferred from Florida Department of Law Enforcement to Department of Financial Services effective January 1, 2011.