



**Florida Fish and Wildlife
Conservation Commission**

Office of Inspector General

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Memo

Date: June 26, 2009
To: Kenneth D. Haddad, Executive Director
From: James T. Knight III, Inspector General
Subject: Audit Plan and Risk Assessment

A handwritten signature in blue ink, appearing to be "JK", located to the right of the memo header.

I am pleased to present the Audit Plan for Fiscal Year 2009/10. This year the audit staff will concentrate their efforts on financial/fraud data analysis relating to procurement activities and contract management. The plan could be subject to change depending upon the amount and type of funding FWC receives from the *American Recovery and Reinvestment Act of 2009*, although the general focus of the audit staff's work will probably remain the same. We will follow-up on previous audit issues as necessary, and continue to provide consulting services upon request.

With your approval below, the audit staff will begin implementation of the Audit Plan for the new fiscal year. Thank you for your continued support.

APPROVED: _____

A handwritten signature in blue ink, reading "Kenneth D. Haddad", written over a horizontal line.

Kenneth D. Haddad

Enclosure (5 pages)

cc: David W. Martin, Auditor General
Melinda Miguel, Chief Inspector General

INTERNAL AUDIT PLAN FOR FISCAL YEAR 2010

AUDIT PLAN DEVELOPMENT AND ASSESSMENT OF RISK

Audit planning is used to identify and select program areas for audit, and to plan for managing anticipated workload. This FY 2010 audit plan was prepared pursuant to Section 20.055(5)(h), Florida Statutes, and in accordance with FWC Policy (IMPP 1.8), and the *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors.

The main purpose and benefit of conducting this review is to provide the most effective audit coverage of the Commission's programs given the resources allocated. We accomplish this through a risk-based process and in regular consultations with commission management. The audit plan includes proposed engagements and the estimated timeframe needed to accomplish them. However, final audit assignments will be based on availability, expertise, experience, objectivity and training. The execution of our audit work plan requires a certain degree of flexibility to accommodate special requests and assistance with investigations. We will continue to use our best judgment in prioritizing audit activities while being responsive to the needs of the Executive Director.

The number of audit projects selected is limited by the estimated work hours available for two full-time auditors. The hours are based on a 2,080 hour work year, as follows:

<i>IA-OIG Annual Staff Hours</i>	
<i>Gross Hours in Work Year (2,080 X 2)</i>	<u>4,160</u>
<i>Less: Annual Leave/Holidays</i>	600
<i>Less: Professional Development & Training</i>	360
<i>Less: Administrative Time</i>	<u>200</u>
<i>TOTAL Hours Available for New and Ongoing Projects:</i>	<u>3,000</u>

Given the results of our risk assessment (see Attachment Pages 1-3 for greater detail) and the estimated total IA-OIG work hours available in the year, the following planned projects are submitted for approval:

AUDIT PLAN FOR FY 2010 (7/1/09 – 6/30/10)

<i>Project/Program</i>	<i>Service Type</i>	<i>Est. Hours</i>
<u>New or Follow-Up:</u>		
Purchasing Card Usage	Assist FDLE	800
Expenditure Contract Reviews (TBD)	Assurance	700
IT Resource Reviews	IT Audit	400
FY 2009 AG Operational Audit	Follow-Up	400
Special Projects	Consulting	300
<u>Recurring/Annual:</u>		
Fl. Single Audit	Consulting	200
Perform. Measures	Assurance	200
Total Estimated Hours:		3,000

Although not specifically listed on the audit schedule, we also plan to perform several surveys (preliminary audit work). The purpose of a survey is to gather general working information on important aspects of an activity or program, and to determine the nature, need and extent of any subsequent audit effort. The results of the surveys will be provided to the appropriate program or activity managers, and will also be utilized in future risk assessment calculations.

LONG TERM AUDIT PLAN

Our long term plan for internal engagements over the next three years will continue to focus on financial internal controls, and contract management. We foresee an increasing emphasis being placed on the acquisition, use and protection of information technology resources. Actual engagements will be predicated on annual risk assessments.

LONG TERM AUDIT PLAN FOR FY 2011 THROUGH 2013

<i>Project/Program</i>	<i>Service Type</i>	<i>Percentage</i>
<u>New or Follow-Up:</u>		
Expenditure & Revenue Controls	Assurance	20%
Previous FY Internal & External Audit	Follow-Up	20%
IT Resource Reviews	IT Audit	20%
Contract Management	Assurance	15%
Special Projects	Consulting	15%
<u>Recurring/Annual:</u>		
Fl. Single Audit	Consulting	5%
Perform. Measures	Assurance	5%
Allocated Percentage Total:		100%

FLORIDA FISH AND WILDLIFE CONSERVATION COMMISSION
OFFICE OF INSPECTOR GENERAL

FY 2010 AUDIT RISK ASSESSMENT

The objective of the risk model is to optimize the assignment of audit resources through a comprehensive understanding of the Florida Fish and Wildlife Conservation Commission (FWC) audit universe and the risks associated with each universe item.

The FWC FY 2010 audit plan will use an audit risk model to quantify the risk rating of each audit unit. Audits will be scheduled by priority, as determined by the risk model.

The risk model is based on six factors or elements of risk (with appropriate weightings determined by the Director of Auditing and the Inspector General.

1. Prior audit findings
2. Perceived sensitivity
3. The control environment
4. Confidence in operating management
5. Changes in people or systems, and
6. Complexity (risk of fraud).

Each item in the audit universe will be rated on these 6 factors using a numeric rating of 1 to 3. The ratings are 1 = "probably not a problem," 2 = "possibly a problem" and 3 = "probably a problem." The results of these rating judgments are totaled and multiplied by the assigned weighting factor.

The resulting ratings can range between a low of 9 and a high of 27. Once the ratings are complete, they are sorted into 4 strata by risk rating. The top 10 percent stratum represents high risk. The next 30 percent stratum represents sensitive risk. The next stratum, representing 40 percent of the audit universe, is considered moderate risk. The audit units in the lowest 20 percent are considered low risk. The framework for the annual audit plan is then built from samples from these 4 strata using the following approximate coverage targets. Audit entities considered high risk would normally be audited 100 percent. The sensitive risk strata will be audited approximately 50 percent. A 25 percent sample will be audited from the moderate risk group, and the low risk group will be audited by selecting a 10 percent sample. The lower risk groups are sampled to see if the rating process is working and confirm that the levels of risk are appropriately stacked. Given the small size of the FWC Audit Section, the target samples may have to be adjusted to a considerably lower level.

Defining the audit universe is the first prerequisite to risk ranking. The Inspector General and the Director of Auditing will determine the audit universe to which this risk assessment will be applied. Their determination of the audit universe will be based on their knowledge of the commission's strategic plan and operations, a review of organization charts and function and responsibility statements of all agency divisions and offices, and discussions with responsible management personnel. While the risk model still requires judgments, the individual ratings are documented and subject to critical review and challenge.

Guidelines for the risk ranking criteria are as follows:

Prior Audit Findings - Findings in previous audits are one indication of the internal control discipline within an organization. Problems are often characterized by significant control deficiencies, large adjustments, a greater than normal number of findings, and repetitive findings not fixed. Conversely, the lack of findings or timely correction of previous findings indicates control discipline.

Sensitivity - This represents an assessment of the inherent risk associated with the unit being rated. It is an assessment of what potentially could go wrong and what the related reaction would be. It could be risk connected with loss or impairment of assets, risk connected with undetected error, risk connected with liability not recognized or not accurately quantified, or risk of adverse publicity, legal liability, etc. The rating of sensitivity also should consider relative size of the universe item, potential exposure and probability.

Control Environment - The control environment represents the collective policies, procedures, routines, physical safeguards and employees in place. Essential to a favorable control environment is tone at the top, adherence to documented policies and procedures, reliable systems, prompt detection and correction of errors, adequate staffing and controlled turnover of personnel. Conversely, lack of supervision, high error rates, lack of documentation, unmanageable backlogs of work, high turnover, and non-routine transactions are symptoms of a poor control environment.

Comfort with Operating Management - This criterion reflects the confidence that audit management places in management directly responsible for the audit unit and management's commitment to internal control. Comfort is characterized by factors such as past audit interaction, experience of management in the work environment, and knowledge about the quality and level of staffing.

Changes in People/Systems - Such changes often can impact internal controls. Change usually occurs to effect improvement in the long term, but often has short-term offsets that require increased audit coverage. Changes include reorganizations, budget cycle swings, rapid growth, new responsibilities, new systems, new regulations or laws, and personnel turnover. Audit units not subject to change require less audit coverage.

Complexity - This risk factor reflects the potential for errors or misappropriation to go undetected because of a complicated environment. The rating for complexity will depend on many factors. Extent of automation, complex calculations, interrelated and interdependent activities, number of products or services, the time spans of estimates, dependency on third parties, customer demands, processing times, applicable laws and regulations and many other factors, some not recognized, affect judgments about the complexity of a particular audit.

The refinement of the risk-rating model will remain an ongoing priority of OIG's internal audit function. Our objective will be to assign audit resources in the optimum manner to audits with the greatest risk and/or potential for savings or recoveries.

FWC Risk Assessment FY 2010

Risk	Topic	Probable Audit Type	Division /Office /Institute	Complexity (1.75)	Management (1.5)	Internal Control and Compliance(2)	Staff/System Change (1)	Perceived Sensitivity (1.25)	Prior Audit or Investigation Issues (1.5)	COORDINATION and COMMENTS
27	Purchasing/Procurement/P Card	Fraud/Compliance	FWRI	3	3	3	3	3	3	Very high risk
27	Contract Management/FWRI	Fraud/Compliance	FWRI	3	3	3	3	3	3	Very high risk
27	Property (including disposal)	Fraud/Compliance	FWRI	3	3	3	3	3	3	Very high risk
22.25	Purchasing/Procurement/P Card	Fraud/Compliance	All except FWRI	3	3	3	1	2	2	Very high risk
20.75	Fuel Card Use	Operational	OED/F&B	3	3	3	1	2	1	High Risk
20.5	IT Resource Reviews	IT Compliance	all FWC	2	3	3	1	2	2	High Risk
20.25	Contract Management/Non-FWRI	Fraud/Compliance	All except FWRI	3	3	2	1	2	2	High Risk
19.5	Reginal Service Centers	Financial Mangement	OED/F & B	2	3	2	2	2	2	
19	Lake Restoration	Financial Mangement	Freshwater Fisheries	2	2	3	1	2	2	
18.5	FWC Grants Programs	Compliance/Operations	all FWC	2	3	2	1	2	2	
18.25	Travel Reimbursement	Financial Mangement	OED/F & B	2	3	2	1	3	1	
18.25	Licensing & Permitting/Traps & Tags	Operations/Compliance/Revenue	OED/L & P	2	3	2	1	3	1	
17.5	Fine Revenue	Financial Management	Law Enforcement	3	2	2	1	1	2	
17.25	Communications and Cell phones	Operations/Compliance	all FWC	1	3	3	1	2	1	
17.25	Florida Single Audit Act (FSAA)	Compliance	all FWC	2	3	2	1	1	2	Annual
16.75	Lands Management	Trust Fund Management	HSC	1	3	2	1	2	2	
16.75	Performance Measures & Standards	Statutory Review of reliability	OED/S & P	1	3	2	1	2	2	Annual
16.5	Dual Employment Practices	Compliance	Law Enforcement	1	2	2	1	3	2	
15.5	Contract Revenue Collection	Revenue	all FWC	1	3	2	1	1	2	
15.5	Financial Accounting & Reporting	Financial Mangement	OED/F & B	2	2	2	1	2	1	
15.5	Data Base Management	IT System Mgmt	OED/OIT	2	2	2	1	2	1	
15.5	Network Security	Information Technology	OED/OIT	2	2	2	1	2	1	
15.25	Land Acquisition	Financial Mangement	HSC	1	3	2	1	2	1	
15.25	Summons Tracking System	IT System Mgmt	Law Enforcement	1	2	2	1	2	2	
15.25	Public Information & Media Relations	Operations	OED/CR	1	3	2	1	2	1	
15	Revenue/Accounts Recievable	Financial Mangement	OED/F & B	1	3	2	2	1	1	
15	IT PURCHASING	Financial Mangement	OED/OIT	1	2	2	1	3	1	
15	FWC Websites	IT System Mgmt	OED/OIT	1	2	2	1	3	1	
14.5	Disaster Relief Programs	Grant Management	Marine Fisheries	1	1	2	2	3	1	
14	Commercial License Audits/Trip Tickets	Compliance	Marine Fisheries	1	3	2	1	1	1	
14	Hunter Education	Financial Mangement	HGM	1	3	2	1	1	1	
13.75	Commission Managed Impoundments	Revenue	Law Enforcement	1	2	2	1	2	1	
13.75	Evidence handling	Compliance	Law Enforcement	1	2	2	1	2	1	
13.75	Boat Ramp Construction Grants	Financial Mangement	Law Enforcement	1	2	2	1	2	1	
13.5	Trust Fund Management	Financial Mangement	OED/F & B	2	2	1	1	2	1	
13.25	Vehicle Use	Financial Mangement	Law Enforcement	1	2	1	1	2	2	
13.25	Payroll Issues	Financial Mangement	OED/HR	2	1	1	1	3	1	
13	Artificial Reef Management	Grant Management	Marine Fisheries	1	1	1	1	3	2	