



# Florida Inspectors General

Melinda M. Miguel  
Chief Inspector General

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## Working Papers

*Sponsored by:*

*The Chief Inspector General and the Florida Chapter of  
the Association of Inspectors General*

*Enhancing Public Trust in Government*



## Discussion Topics

- *What are Working Papers?*
- *Audit Standards*
- *Evidence*
- *Qualities of Good Working Papers*
- *Essential Elements*
- *Quality*



## ***What are Working Papers?***

*Working Papers Document the Engagement Process*

- Planning*
- Assessment of Risk*
- Internal Control Evaluation*
- Procedures Performed, Information Obtained and Conclusions*
- Review and Supervision*



## ***What are Working Papers?***

### *Working Papers are Evidence*

#### **Webster's Dictionary-**

Something that tends to prove; ground for belief.

#### **Black's Law Dictionary-**

Testimony, writings, or material objects offered in proof of an alleged fact or proposition.



## ***What are Working Papers?***

- Narratives*
- Flowcharts*
- Testimony - Interviews*
- Internal Control Documentation*
- Analytical Procedures*



## ***What are Working Papers?***

### *Working Paper Functions*

- Provide support for the audit report
- Aid planning, performance, and review of the audit
- Document whether audit objectives were achieved
- Facilitate third party reviews



## ***What are Working Papers?***

### *Working Paper Functions*

- Demonstrate compliance with audit standards*
- Document work performed*
- Aid professional development of staff*
- Provide support for fraud cases and lawsuits*



## ***What are Working Papers?***

*Because Working Papers are Evidence of*

- Statements Taken*
- Work Performed*
- Observations*

Working Papers are often the subject of Public Information Requests





## ***Standards***

- Institute of Internal Auditors' Standards*
- AICPA Standards*
- Government Auditing Standards*
- Association of Inspectors General*
- Information Systems Audit and Control Association Standards*



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# Institute of Internal Auditors' Standards

- The IIA Standard 2310 –Identifying Information:
  - Internal auditors must identify  
**sufficient reliable, relevant, and useful**  
information to achieve the engagement's objectives.



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# Institute of Internal Auditors' Standards

- The IIA Standard 2330 - Documenting Information:
  - Internal auditors must **document** relevant information to support the conclusions and engagement results.



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## AICPA Standards

### –Third Standard of Field Work:

- The auditor must obtain **sufficient appropriate** audit evidence by performing audit procedures to afford a reasonable basis for an opinion ...

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## GAO Standards

### 6.79 Field Work Standard for Performance Audits:

- Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, ...to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed, the audit evidence obtained and its source and the conclusions reached...



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## ***Association of Inspectors General Standards***

–Fourth Qualitative Standard for OIG inspections, evaluations, and reviews:

- **Sufficient, competent, and relevant** evidence is to be obtained to afford a **reasonable basis** for inspection, evaluation, and review findings and conclusions.



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# Information Systems Audit and Control Association Standards

- Standard 060.020 of the Standards for Information Systems Auditing states:
  - During the course of the audit, the information systems auditor is to obtain **sufficient, reliable, relevant and useful** evidence to achieve the audit objectives effectively. The audit findings and conclusions are to be **supported by appropriate analysis and interpretation of this evidence.**



## Summary of Standards

- The Different Standards are Very Consistent
- Common Criteria for Evidence:
  - Sufficient
  - Competent (or Reliable)
  - Relevant





# Sufficient Evidence

Sufficient evidence is factual, adequate and convincing so that a prudent, informed person (*a reviewer*) would **reach the same conclusions** as the auditor.

In assessing sufficiency of evidence, auditors should determine if **enough evidence** has been obtained to **persuade** a knowledgeable person that the findings are **reliable**.



# Competent Evidence

The **competency** of evidence cannot usually be evaluated from the evidence itself - the source of the evidence and conditions under which it was developed must be considered.

Auditors may test the competency and reliability of evidence by obtaining other supporting evidence, using statistical testing, or obtaining corroborating evidence.



## Competent Evidence

- Evidence obtained from a credible **third party** is more competent than evidence provided by the auditee
- Evidence developed under an **effective system of internal controls** is more competent than that obtained where such controls are weak or nonexistent
- Evidence obtained through the auditors' **direct** physical examination, observation, computation and inspection is more competent than evidence obtained indirectly



## Competent Evidence

Original documents provide more reliable evidence than copies.

Testimonial evidence obtained under conditions where persons may speak freely is more reliable than evidence obtained under circumstances where the persons may be intimidated.

Testimonial evidence obtained from an individual who is not biased or has complete knowledge about the area is more competent than testimonial evidence obtained from an individual who is biased or has only partial knowledge about the area.



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# Weaknesses of Testimonial Evidence

**Miscommunication** - What you heard may not have been what they meant to say.

**Misleading** - The person providing information may intentionally omit information, lie, or provide biased information for the purpose of leading you to a faulty conclusion.

**Mistaken** - The person providing information may honestly believe they know what they're talking about, when, in fact, they have no valid basis for their beliefs.



# Qualities of Good Working Papers

## Complete

Working papers must be able to “**STAND ALONE.**” This means that all questions must be answered and a logical, well-documented conclusion must be reached.



# Qualities of Good Working Papers

## Purpose

All working papers should have a purpose which relates to the audit objectives.

## Organization

Working papers should present information in a logical and orderly manner.



## Essential Elements Working Papers

- Purpose
- Source
- Scope and Methodology
- Conclusions / Results
- Prepared by / Approved by





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# Essential Elements Interviews

- Purpose
- Date and Location
- In Attendance
- Discussion
- Conclusions / Action Items
- Prepared by / Approved by

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## Essential Elements Findings

- Condition
- Criteria
- Cause
- Effect
- Recommendation
- Cost Impact
- Prepared by / Approved by



## Proper Citations

- Florida Statutes
- Florida Administrative Code
- Procedures

Always verify!!!



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## Florida Statutes

- **Always spell out the initial reference**  
Subsequent references (F.S.)
- **Cite Chapter**  
Initial – Chapter 20, Florida Statutes (F.S.)  
Subsequent – Chapter 20, F.S.
- **Cite Section**  
Initial – Section 20.055, Florida Statutes (F.S.)  
Subsequent – Section 20.055, F.S.
- **Cite Subsection**  
Initial – Subsection 20.055(1)(a), Florida Statutes (F.S.)  
Subsequent – Subsection 20.055(1)(a), F.S.

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## Florida Administrative Code

- **Always spell out the initial reference**  
Subsequent references (F.A.C.)
- **Cite Rule Chapter**  
Initial – Rule Chapter 14–1, Rules of Procedure, Florida Administrative Code (F.A.C.)  
Subsequent – Rule Chapter, Rules of Procedure, F.A.C.
- **Cite Rule**  
Initial – Rule 14–1.003, General Description of the Agency, Florida Administrative Code (F.A.C.)  
Subsequent – Rule 14–1.003, General Description of the Agency, F.A.C.



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## Procedures

### Procedure No. 3-06-001, Disciplinary Process

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## Quality

Our most important product is information - **complete, accurate, and unbiased.**

Our credibility is essential. To maintain credibility, we must ensure that information conveyed to management is **supported by a solid foundation of working paper evidence.**

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## **Conclusion**

**Our Work Must Comply With Professional Standards**

**We Cannot Make Any Statement in an Audit Report that We (Our Working Papers) Cannot Support and Defend**





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## Questions?

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