Michigan

Office of the Auditor General

REPORT SUMMARY

Performance Audit

Office of Internal Audit

Family Independence Agency

Report Number:
43-121-01

Released:
January 2003

The Office of Internal Audit (OIA) is an internal audit agency within the Family Independence Agency (FIA). OIA's charter policy states that it was established to examine and evaluate FIA's activities and internal controls as a service to FIA's management. In part, it is an internal control that functions by independently measuring and evaluating the effectiveness of FIA's control systems. OIA also provides liaison activities for external audits.

Audit Objectives:

1. To assess OIA's compliance with *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

2. To assess OIA's effectiveness and efficiency in performing audits and reviews and evaluate FIA's internal control over selected operations.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Audit Conclusions:

1. We concluded that OIA did not comply with auditing standards.

2. We concluded that OIA was neither effective nor efficient in performing audits and reviews and that FIA's internal control over selected operations was sometimes not effective.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Noteworthy Accomplishments:

OIA management has been involved with many FIA initiatives early on to help ensure that internal control is in place. Also, discussions with FIA management disclosed that OIA has been responsive to management requests for audits and has become a respected source of information and assistance. In addition, in response to a customer survey, OIA has made major improvements in the timely issuance of its audit reports. Further, OIA has developed a user-friendly Web site to disseminate information and provide online access to OIA audit reports.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Material Conditions:

OIA should enhance its audit planning process to help ensure that internal audit resources are used effectively and efficiently. Also, FIA should reassess OIA's role in helping to ensure that FIA achieves its mission (Finding 1). OIA often failed to comply with established internal

control and auditing standards in its preparation and review of working papers (Finding 2). OIA did not maintain a quality assurance process (Finding 3). FIA should develop an effective process to help ensure that OIA follows up audit findings and that FIA management initiates effective corrective action (Finding 4). OIA did not comply with Section 18.1486 (5) of the *Michigan Compiled Laws* (Finding 5).

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Other Conditions:

OIA should document that professional staff comply with applicable auditing standards concerning conflict of interest disclosure (Finding 6). OIA's internal control did not ensure that OIA staff met OIA's minimum continuing professional education requirements (Finding 7).

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

Agency Response:

FIA's response indicated that it agreed with 4 recommendations, partially agreed with 2 recommendations, and disagreed with 2 recommendations.

~ ~ ~ ~ ~ ~ ~ ~ ~ ~

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: www.state.mi.us/audgen/

Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

James S. Neubecker, C.P.A., C.I.A., D.P.A.
Executive Deputy Auditor General

Scott M. Strong, C.P.A., C.I.A.
Director of Audit Operations