

INSPECTOR GENERAL INSTITUTE

TRAINING AND CERTIFICATION FOR INSPECTION
AND OVERSIGHT PROFESSIONALS

Use of Specialists & Follow-Up Inspections

Presented by



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INSPECTOR GENERAL INSTITUTE

TRAINING AND CERTIFICATION FOR INSPECTION
AND OVERSIGHT PROFESSIONALS

Use of Specialists



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Learning Objectives

- Identify the three factors in assessing whether to use consultants/outside specialists
- List the types of matters that the inspector may consider use of a consultant/outside specialist
- List three sourcing options when considering the use of consultants/outside specialists



Outline

- Standards – Green Book
- Responsibilities
- Effect on Inspection Report
- Examples
- Benefits & Challenges





IMPORTANT TO REMEMBER

NO TWO INSPECTORS GENERAL FUNCTIONS ARE EXACTLY THE SAME

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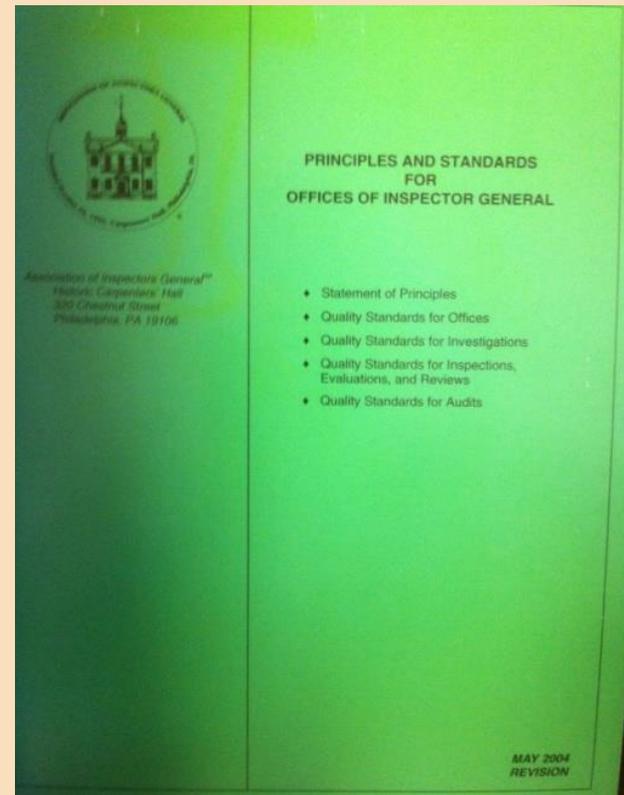
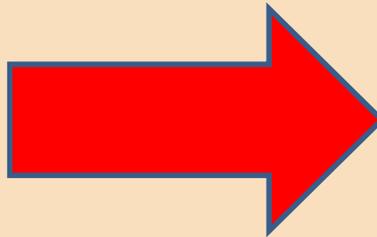
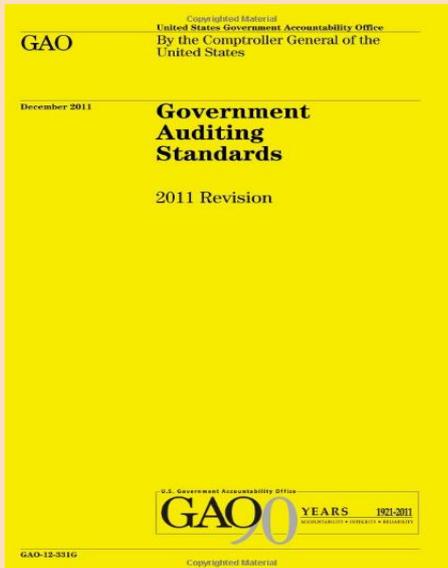
MANY FLAVORS OF INSPECTORS GENERAL FUNCTIONS



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Professional Standards



Principles and Standards for Offices of Inspector General – Staff Qualifications

- **General Standard** – OIG staff should collectively possess the variety of knowledge, skills, and experience needed to accomplish the OIG mission.
- **Basic Qualifications** – It is the Inspector General’s responsibility to decide which skills can be obtained through **support service contractors or outside consultants.**



Three Factors in Assessing whether to use Consultants/Outside Specialists

- Ability, professional qualifications, and expertise to perform the work.
- Ability to report the work impartially.
- Independence.



Using Specialists

In planning to use the work of specialists, inspectors should document the nature and scope of work to be performed by the specialist, including:

- the objectives and scope of the specialist's work,
- the intended use of the specialist's work to support the inspection objectives,
- the specialists' procedures and findings so they can be evaluated and related to other planned inspection procedures, and
- the assumptions and methods used by the specialist.



Responsibilities of the Inspector when using an External Specialist

The external specialist should report his/her findings to the inspector.

The inspector **should** assess the external specialist's professional qualifications.





**INTERNAL AUDIT DIVISION
CLERK OF THE CIRCUIT COURT**

**AUDIT OF
UHC HEALTH CLAIMS
HUMAN RESOURCES DEPARTMENT**

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

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Chief Deputy Director
Internal Audit Division

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MAY 18, 2009
REPORT NO. 2009-11

*Regulated by the state of Florida

DILLABOUGH & ASSOCIATES, INC.

March 30, 2009

Mr. Robert Melton, Chief Deputy Director
Pinellas County Government
Internal Audit Division
400 Cleveland Street, 4th Floor
Clearwater, FL 33755-4041

Dear Mr. Melton:

We are pleased to submit our final report with regard to the audit of United HealthCare's performance under the **United HealthCare's 2007/2008** administrative service agreement.

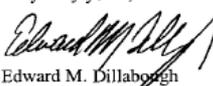
Our findings are based upon a review of records, policies and procedures, benefit plans and other information generally provided by United HealthCare with regard to payments made on behalf of Pinellas County Government for the periods from April 01, 2007 through September 30, 2008.

In accordance with the audit, we have examined such records and documents independently and our conclusions are based upon the facts and business practices noted. We believe the findings and conclusions to be accurate based upon the information we were presented.

Attached is a summary of the audit finding including the overpaid amounts, disagreed finding and recommendations for the Summary Plan Description.

This document is proprietary to **Dillabough & Associates** and should be used by Pinellas County Government for the purposes for which it was intended as outlined in the engagement.

Very truly yours,


Edward M. Dillabough
President

/attachment



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Regarding Independence

- If the outside service provider/expert is a member of the organization being inspected, you should ascertain that work performed does not impair their independence.
- When experts act or appear to act as members of senior management, management, or as employees of the organization, then their independence is impaired.



Effect of the Specialist's Work on the Inspector's Report

- Generally, the inspector should not refer to work or findings of a specialist in the inspection report.
- Details of the work of the external specialist (findings and recommendations) must be included in inspection workpapers.



Examples of Types of Matters That The Inspector May Consider Use of a Specialist

Valuation of:

- Special-purpose of inventories
- High technology materials and equipments
- Pharmaceutical products
- Complex financial instruments
- Real estate
- Works of art
- Environmental Contingencies



Examples of Types of Matters That The Inspector May Consider Use of a Specialist

- Determination of physical characteristics relating to quantity on hand or condition (for example, quantity or condition of minerals, mineral reserves).
- Determination of accounts derived by using specialized techniques or methods (for example, actuarial determinations for employee benefits obligations and disclosures, and determinations for insurance loss reserves).



Benefits

- Extends the abilities of inspection staff
- Specialized knowledge
- Technical skills
- Staff flexibility
- Best practices



Challenges

- Cost
- Business knowledge
- Organization knowledge
- Time to manage
- Staff development and retention
- Management and control



Sourcing Options

- **In Sourcing** - Other employees in the organization included on team (from inside OIG, inside organization, in OIG community).
- **Co-sourcing** – Inspection staff take active part in all facets and keep control of engagement.
- **Consultants** – Work independently to produce deliverables.



Procurement Needs

- Identify need early
- RFP
- Assess sourcing options
- Method of compensation
- Milestones
- Deliverables
- Invoicing





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Follow-Up Inspections



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Learning Objectives

- Describe the purpose of inspection follow-up
- Distinguish the different responsibilities of management and the inspector regarding inspection follow-up
- List three methods of inspection follow-ups



Principles and Standards for Offices of Inspector General – Follow-Up

- **Standard** – Appropriate follow-up should be performed to ensure that any recommendations are adequately considered and properly addressed. 
- **Guidelines** – Ultimate inspection, evaluation, or review success depends on whether necessary corrective actions are taken. Therefore, each OIG should take steps as necessary to determine whether appropriate officials take timely, complete, and reasonable actions to correct problems identified in reports.



- **Inspection recommendations do not produce the desired outcomes unless they are implemented.**

Status



OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS				
		Implemented	Acceptable Alternative	Partially Implemented	Not Implemented	No Longer Applicable
1	<i>The Capital Improvement Program Budget Process Needs Improvement.</i>					
	A. Management <u>develop</u> realistic budgets for projects included in the CIP. The budget developed should be based on an estimate supported by calculations and supporting documentation retained. The budget should reflect the anticipated expenditures and resources for the given time frame.			✓		
	B. For each subsequent year of a project's implementation, the project status <u>be</u> evaluated and required updates <u>be</u> reflected in the CIP budget and resource section. Changes should be reflected in the CIP Summary of Changes.	✓				
	C. Internal controls and procedures <u>be</u> put into place to prevent the issues noted.			✓		
	D. Management <u>conduct</u> a due diligence review of the budgets for current Penny for Pinellas capital projects.	✓				
2	<i>Risks Associated With Deferring Projects Are Not Adequately Disclosed To The Board Of County Commissioners.</i>					
	Management <u>review</u> the budgeting procedures and internal controls for capital projects funded by the Penny for Pinellas. The budgeting process should include, but not be limited to: <ul style="list-style-type: none"> • Required documentation for the initial project budget. • A required reconciliation of significant changes 			✓		



Responsibilities

Inspection follow-up is an integral part of good management, and is a shared responsibility of management officials and inspectors.

While inspection follow-up is a shared responsibility, the responsibility for taking corrective action rests with management.



Sound Internal Control Requirements

- Provide for appointment of a top level follow-up official.
- Require prompt resolution and corrective actions on recommendations.
- Specify criteria for proper resolution and corrective action on inspection recommendations.
- Maintain accurate records of the status of inspection reports or recommendations through the entire process of resolution and corrective action.



Management Responsibilities - Inspection Follow-up

- Provide for appointment of a top level inspection follow-up official.
- Provide timely responses to inspection reports.
- Provide for periodic analysis of recommendations.
- Assure inclusion in performance plans.
- Provide for an evaluation of follow-up actions.
- Maintain accurate records of the status of inspection reports or recommendations through the entire process of resolution and corrective action.



Inspector Responsibilities – Inspection Follow-up

Design a program to test actions taken by responsible officials in response to the inspection's identified deficiencies and recommendations; i.e. ensure reported deficiencies are corrected.

Select a sample from the resolved/closed recommendations for testing.



Inspector Responsibilities – Inspection Follow-up

During follow-up, the inspector must determine whether the agency action on the findings, recommendations, and potential monetary benefits meets one of the following conditions:

- Determine whether management has taken corrective actions recommended in previous inspections and/or audits.
- Action taken corrects the identified deficiencies.
- Produces improvements and achieves agreed-to monetary benefits.
- Demonstrates that the findings and recommendations were either invalid or no longer warrant management action.



Inspector General Officials Responsibilities

- Perform independent inspections, audits, and investigations
- Oversee the work of contract inspection under their purview
- Review responses to inspection reports and report significant disagreements to follow-up officials



Consideration of Risks and Follow-Up

Inspector should assess risk and significance within the context of the inspector objectives by gaining an understanding of...the results of previous inspection that directly relate to the current objectives.

Inspectors should evaluate whether the inspected entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the inspection objectives.



Follow-up Methodology

Follow-up on past findings and recommendations in three ways:

- (1) through work on new inspections;
- (2) as a separate, specific follow-up inspection; and
- (3) by performing a follow-up inspection.



Follow-up Methodology

- Include follow-up as part of all ongoing inspections. During an ongoing inspection we review actions taken with regard to past recommendations to ensure that repeat deficiencies do not occur.



Follow-up Methodology

- Conduct periodic inspections of agency recommendations. The overall objective of the inspection is to determine whether agencies have implemented agreed-to recommendations that were intended to correct reported deficiencies. In select cases, we will also determine whether actions taken have appropriately corrected reported deficiencies.



Follow-up Methodology

- Maintain a tracking and follow up system to enable us to ensure that management implements our recommendations. This includes sending out letters to agencies concerning the status of recommendations.



Follow-up Methodology

- Conduct follow-up inspections of agency's operations or a particular program that is of high risk or has had repeated reported deficiencies to evaluate the progress management has made in correcting reported deficiencies.



Follow-up Methodology

- A OIG Recommendation Status Report may include that details the status of the recommendations made to the agency. The report may classify the type of recommendation (Compliance, Internal Control, Program Results, or Economy and Efficiency) and indicates the status and the dates that management identified as to when the recommendation will be implemented.



Questions/ Comments

