



**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

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**OFFICE OF INTERNAL AUDIT & INSPECTOR GENERAL  
CHARTER**

**A. PURPOSE OF INTERNAL AUDITING**

The purpose of the Office of Internal Audit & Inspector General's (OIA&IG) internal audit function is to strengthen the State Board of Administration's (SBA) ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the SBA's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

**B. MANDATE, MISSION, AND VISION**

The mandate and mission of the OIA&IG is to enhance and protect organizational value by providing stakeholders with risk-based, independent, objective, and reliable assurance, advice, and insight designed to add value and improve the SBA's operations.

The vision of OIA&IG is to be recognized by SBA leadership as a valuable business advisor by providing information, analyses, and advice to assist management in fulfilling its responsibilities for ensuring operations are managed ethically, effectively, and efficiently.

### C. OBJECTIVES AND SCOPE OF INTERNAL AUDIT SERVICES

Assurance Objectives. The objectives of assurance services are to provide independent assurance to the Audit Committee and management that the SBA's assets are safeguarded, processes are operating efficiently, and compliance is maintained with prescribed laws and SBA policies. Assurance objectives include independent assessment of the organization's governance, risk management, and control processes. Examples of assurance services include:

- Compliance Audits
- Financial Audits
- Operational/Performance Audits
- Information Technology Audits
- Information Security Audits
- Flash Audits
- Follow-up Audits

Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed. Assurance services are also referred to as "audits".

Advisory Objectives. The objectives of advisory services are to provide assessments and advice for improving the organization's governance, risk management, and control processes without the OIA&IG assuming management responsibility. The nature and scope of advisory services are subject to agreement with relevant management. Advisory services may be provided on the front-end of projects so that risks may be identified and managed, and internal controls may be designed adequately. Advisory services may also be provided to assist management with process improvement initiatives. Examples of advisory services include:

- Advising on the design and implementation of new policies, processes, systems, and products
- Cost/Benefit Analysis
- Data Analytics
- Facilitating Control Self-Assessment
- Process Flowcharting
- Process Gap Analysis
- Process improvement initiatives
- Research of Best/Leading Practices and Surveys

"Advisory services" are also known as "consulting services."

Scope. The scope of internal audit work provided or overseen by the OIA&IG covers all SBA activities, assets, and personnel and is to determine whether the SBA's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Business units are operating within the highest fiduciary standards and are directed toward the requirements defined in the laws, regulations, rules, and the policies and procedures of the SBA.
- Business units and processes are generally consistent with current prevailing industry best practices, using relevant leading public and private examples as benchmarks.
- Risks relating to the achievement of the SBA's strategic objectives are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- The SBA and its staff are operating in compliance with applicable laws, rules, regulations, standards, approved SBA policies and procedures, and relevant codes of ethics.
- Resources are acquired economically, used efficiently, and adequately protected.

- Quality and continuous improvement are encouraged in the SBA control process.
- Contractors, including third-party administrators, are meeting the objectives and terms of the contracts.
- Responsibilities and activities are coordinated with external auditors engaged by the SBA Audit Committee for audit and/or attest services.
- Significant legislative or regulatory issues impacting the SBA are recognized and addressed appropriately.

Opportunities for improving the SBA's service, management of risks, internal controls, and governance may be identified during audits. Significant information will be communicated to the Audit Committee and to the appropriate levels of management.

#### **D. INDEPENDENCE AND OBJECTIVITY**

Organizational Placement. To provide for the independence of the OIA&IG, its personnel report to the Chief Audit Executive & Inspector General (CAE&IG), who in turn reports functionally to the Audit Committee and administratively to the Executive Director (ED). The functional reporting is demonstrated by the Audit Committee's annual review and approval of:

- OIA&IG Charter,
- risk-based annual audit plan,
- budget (subject to final approval of the Board),
- staffing, and
- organizational structure.

The CAE&IG shall freely discuss audit policies, findings and recommendations, audit follow-up, guidance issues, and other matters as necessary.

Professional Standards of Independence and Objectivity. The CAE&IG will confirm to the Audit Committee, at least annually, the organizational independence of OIA&IG. The standards of independence used as benchmarks are mentioned in the Professional Standards section of this document.

The CAE&IG will ensure that the OIA&IG remains free from all conditions that threaten their ability to carry out responsibilities in an unbiased manner. OIA&IG staff will maintain an unbiased attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment of audit matters to others, either in fact or appearance.

Potential Impairment of Independence or Objectivity. The CAE&IG shall discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the Audit Committee as soon as practicable.

#### **E. PROFICIENCY**

The Audit Committee recognizes that professional competence requires that the auditors have knowledge of operations and appropriate expertise in the subject matter being audited. Therefore, the CAE&IG will report, at least annually, on internal audit personnel, including their qualifications, certifications, training, and development.

## F. AUTHORITY

To accomplish its mission, the CAE&IG and designated OIA&IG staff shall have the following authority:

- Have full, free, and unrestricted access to all SBA's personnel, functions, records, files, information systems, physical properties, and any other item relevant to the performance of an assurance or advisory service. OIA&IG staff shall handle documents and information received during an engagement in the same prudent and confidential manner as those employees normally accountable for them.
- Have free and unrestricted access to the Chair of the Audit Committee, the Audit Committee, and the Board of Trustees, subject to applicable state and federal laws. The CAE&IG shall also have free and unrestricted access to the ED and all SBA management and personnel.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish assurance and advisory objectives.
- Obtain the necessary assistance of personnel in units of the SBA where they perform assurance or advisory services, as well as other specialized services from within or outside the SBA.
- Obtain timely written responses from management on newly issued comments and obtain timely updates on the progress of implementing prior recommendations/action plans upon OIA&IG request or by the target completion date of an action plan.

The CAE&IG and staff of the OIA&IG are not authorized to:

- Perform operational duties for the SBA or its affiliates such as developing or installing systems or procedures, preparing records, or engaging in any other activities that would normally be audited.
- Relieve other persons at the SBA of responsibilities assigned to them.
- Initiate or approve accounting transactions external to the OIA&IG.
- Direct the activities of any SBA employee not employed by the OIA&IG, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- Assess specific operations for which they had responsibility within the previous year.

The following essential conditions from SBA senior management are necessary for the OIA&IG to effectively carry out its objectives, scope, and authority:

- Communicate with the Audit Committee and CAE&IG about management's expectations that should be considered for inclusion in the OIA&IG Charter.
- Support recognition of the OIA&IG throughout the organization.
- Enable OIA&IG's unrestricted access to data, records, information, personnel, and physical properties necessary to fulfill the OIA&IG's mandate.
- Position the OIA&IG at a level in the SBA that enables it to perform services and responsibilities without interference.
- Recognize the CAE&IG's direct reporting relationship with the Audit Committee.
- Understand and support safeguards to manage potential impairments to OIA&IG's independence.
- Provide input to the Audit Committee on the appointment, removal, qualifications, experience, and competencies of the CAE&IG.
- Provide input in the OIA&IG's performance objectives and whether objectives are being met.
- Solicit input from the Audit Committee on the performance evaluation and remuneration of the CAE&IG and enable the appointment, development, and remuneration of the CAE&IG through the HR process.
- Communicate senior management's perspective on SBA strategies, objectives, and risks to assist with determining OIA&IG priorities.

- Work with Audit Committee and CAE&IG on the process for escalating matters of importance to the Audit Committee and assist the Audit Committee understand the SBA's governance, risk, and control environment.
- Engage with the Audit Committee to provide sufficient resources to OIA&IG and to remedy situations of insufficient resources.

## G. PROFESSIONAL STANDARDS

The Audit Committee has approved The Institute of Internal Auditors' (The IIA's) *International Professional Practices Framework (IPPF)*, as the guidance to be used by the OIA&IG in performing its responsibilities. IPPF includes mandatory elements consisting of the Global Internal Audit Standards (Standards) and Topical Requirements. The OIA&IG will meet these mandatory elements of the IPPF.

The OIA&IG will also use certain guidance as provided by the *Principles and Standards for Offices of Inspector General (OIG Standards)* issued by the Association of Inspectors General in the performance of investigative duties. Such standards, as follows, have the same or similar elements as provided in the IIA Standards:

<b><i>IIA Standards</i></b>	<b><i>Corresponding OIG Standards</i></b>
Principle 1 Demonstrate Integrity Principle 2 Maintain Objectivity Principle 5 Maintain Confidentiality Principle 6 Authorized by the Board Principle 7 Positioned Independently	Independence, Confidentiality
Principle 3 Demonstrate Competency Principle 4 Exercise Due Professional Care	Staff Qualifications, Due Professional Care
Principle 8 Overseen by the Board Principle 12 Enhance Quality	Quality Assurance, Quality Control
Principle 9 Plan Strategically Principle 10 Manage Resources Principle 11 Communicate Effectively	Organizing, Direction and Control
Principle 13 Plan Engagements Effectively	Planning
Principle 14 Conduct Engagement Work	Data Collection & Analysis, Evidence, Timeliness
Principle 15 Communicate Engagement Results and Monitor Action Plans	Reporting and Follow-up

Deviation due to the SBA's status and purpose will be outlined in the OIA&IG Investigations Manual.

In addition to the ethics and professionalism domain in the Standards, the OIA&IG professional staff shall also follow the Code of Ethics of the State of Florida, the SBA, and the relevant professional organizations to which they belong. These may include, but are not limited to, the professional standards of the ISACA, American Institute of Certified Public Accountants, Florida Board of Accountancy, Chartered Financial Analyst Institute, and Association of Certified Fraud Examiners.

## H. INTERNAL AUDIT RESPONSIBILITIES

The CAE&IG is responsible for establishing and maintaining an internal audit function in accordance with the mandatory elements of the IPPF. The CAE&IG is also responsible for the following activities to meet the mission, objectives, and scope of this Charter:

- Select, train, develop, and retain a competent internal audit staff who collectively have the abilities, knowledge, skills, experience, expertise, and professional certifications necessary to accomplish the mission, objectives, and scope of this Charter. Provide opportunity and support for staff obtaining professional training, examinations, and certifications.
- Establish and maintain policies and procedures for conducting OIA&IG activities according to the professional standards described in Section G of this Charter and direction provided by the Audit Committee.
- Ensure adherence to SBA's relevant policies and procedures, and any conflicts with this Charter or the professional standards described in Section G will be resolved or documented and communicated to the Audit Committee and senior management.
- Develop and implement a risk-based flexible annual audit plan using an appropriate risk-based methodology, including any risks or concerns identified by management and the Audit Committee.
- Consider emerging issues and attend SBA Oversight Group meetings to understand any changes in SBA's business, risks, operations, programs, systems, and controls that may lead to an adjustment to the risk-based flexible annual audit plan.
- Prepare a budget that is complementary to the implementation of the audit plan and communicate the impact of any resource limitations on the annual audit plan. Significant revisions will be communicated to the Audit Committee.
- Issue quarterly reports to the Audit Committee and management summarizing the status of the annual audit plan, status of recommendations, significant changes to the annual audit plan, and other matters.
- Maintain a quality assurance and improvement program that evaluates OIA&IG's conformance with the mandatory elements of the IPPF. Results of this program will be communicated annually.
- Support engagement of external audit firms by issuing competitive solicitations approved by the Audit Committee, working with one of the Audit Committee members in evaluating responses and recommending finalists to the full Audit Committee for selection, negotiating contracts, and presenting final engagement letters/contracts to the Audit Committee for approval.
- Provide oversight to all external auditors engaged by the Audit Committee and serve as the liaison between external auditors, SBA Management, and the Audit Committee. Consider relying on the work of external audit providers of assurance and advisory services as applicable.
- Coordinate the meetings of the Audit Committee.
- Maintain all records related to the Audit Committee meetings.
- Manage the day-to-day administrative, personnel, and budgetary affairs of the OIA&IG in accordance with the SBA policies and procedures.

## **I. INVESTIGATIVE OBJECTIVES AND RESPONSIBILITIES**

Investigation Objectives. The objectives of investigations are to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses.

For so long as the Chief Audit Executive and Inspector General roles are combined, the CAE&IG has the responsibility to evaluate and recommend actions regarding security; compliance with rules, laws, and policies; and any other investigations directed by the ED or as independently determined. The responsibilities include the following:

- Investigates allegations of fraud, waste, abuse, malfeasance, and mismanagement as identified.
- Initiates, directs, coordinates, and performs studies, reviews, evaluations, and investigations designed to assess management practices, compliance with laws, regulations and policies, and program effectiveness and efficiency.

- Prepares and presents interim and final reports and oral briefings to the ED and/or management, which communicate results of studies, reviews, and investigations.
- Evaluates management's compliance with recommended solutions.
- Maintains records of investigations and discipline in accordance with established policies.
- Provides the ED independent and objective assessments of programs and activities.
- Receives complaints and coordinates activities received through the anonymous hotline and any other means of reporting complaints.
- Provides a quarterly update on inspector general activities to the Audit Committee.

**J. CHANGES TO THE MANDATE AND CHARTER**

This Charter is reviewed at least annually. Circumstances may justify a follow-up discussion between the CAE&IG, Audit Committee, and senior management on the internal audit mandate or other aspects of this Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the CAE&IG, Audit Committee, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Approved:

August 12, 2024

(Date)

Chief Audit Executive & Inspector General:  
(Kim Stirner)



Executive Director:  
(Chris Spencer)



Audit Committee Chair:  
(Sam McCall)

