DEPARTMENT OF CORRECTIONS

Policy Number:	**104.250**
Title:	**Internal Audit**
Effective Date:	**8/18/20**

PURPOSE: To provide an independent and objective assurance of the adequacy and effectiveness of the department governance, risk management, policies and procedures, and internal processes, as well as the quality of performance in carrying out assigned responsibilities to achieve the department's stated goals and objectives.

APPLICABILITY: Department-wide

DEFINITIONS:

Internal audit charter – document that: establishes the internal audit function in the DOC, including the internal auditor's functional reporting relationship with the internal audit committee; authorizes access to records, personnel, and physical properties relevant to the performance of audit engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the internal audit committee. The charter is maintained on the Compliance and Risk Management iShare site under Enterprise Risk Management Documents.

Internal audit committee – a committee consisting of at least five members, with up to three additional managers who may serve a two-year term on a rotating basis. The five members of the committee include the deputy commissioner of organizational services, the chief financial officer (CFO), the chief information officer (CIO)/designee, the compliance and risk manager, and the legal services director/designee. The CFO serves as the chair of the committee. One or more members must possess a financial background and have a minimum of two years' work experience with the DOC.

Internal audit committee charter – a document that states the purpose, authority, and responsibilities of the committee, including oversight responsibilities for the system of internal controls, the internal audit process, and DOC's process for monitoring compliance with laws and regulations and the code of conduct. The charter is maintained on the Compliance and Risk Management iShare site under Enterprise Risk Management Documents.

Internal auditing – an independent, objective, assurance and consulting activity designed to add value and improve DOC operations. It helps the DOC accomplish its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of risk management.

PROCEDURES:

A. An internal audit looks to determine the effectiveness and efficiency of DOC functions and compliance with laws, regulations, department policies, or other regulatory procedures.
   1. Internal audit staff must have the full cooperation and assistance of all DOC employees. This includes unrestricted access to:
      a) All financial and administrative department records and documents (physical and electronic),
      b) Physical properties, and
      c) Personnel relevant to the performance of an internal audit or investigation.

2. Documents and information collected, created, stored, maintained, disseminated, and accessed by internal auditors are subject to the Minnesota Government Data Practices Act.

B. The internal audit staff do not have direct responsibility or authority for any of the activities or operations that are audited/investigated. The internal audit staff do not develop or install procedures, prepare records, or engage in activities that are reviewed by internal auditors. However, the internal auditor may request the assistance of staff where the internal audit activities are being conducted and performed.

C. Employees must report suspected instances of fraud, corruption, criminal activity, conflicts of interest, or breaches of internal controls among DOC or its affiliates by submitting a confidential incident report per Policy 300.300, "Incident Reports." Staff must submit reports requiring internal audit review to the compliance and risk manager for action.

D. All facility wardens, program activity managers, or other DOC employees must submit requests for internal audits in writing to the internal audit committee. The committee must review the request to determine if an audit is necessary.

E. The internal audit committee must use an appropriate risk-based methodology to determine the audits for the upcoming year.

F. The internal audit plan may be postponed to complete an unscheduled audit or investigation deemed essential by the committee.

G. Minutes of the internal audit committee meetings must be prepared and distributed to members of the committee, and retained by the internal auditor.

H. Staff must conduct internal audits as determined by the internal audit committee in accordance with state statutes, DOC policies, and the most recent version of the International Standards for the Professional Practice of Internal Auditing. Staff must perform internal audits of federally-funded programs or grants in accordance with Government Auditing Standards.

I. Upon the completion of the internal audit, the internal audit staff must schedule and hold an exit conference to discuss the audit findings and recommendations. The staff must document the results of the exit conference using the Exit Conference Form and show whether the auditee agreed with the findings and any significant discussion about the findings and recommendations.

J. A written narrative response to the audit must be sent to the auditor within 21 days of the date on the audit report or date of the exit conference, whichever is later, unless there is an extension granted due to extenuating circumstances. Internal audit staff confirm the date at the exit conference. Any extension must be approved by the compliance and risk manager at least one day prior to the due date. The written narrative response must be included in the final audit report that is distributed to the internal audit committee as well as to other necessary parties.

K. The Corrective Action Plans (CAP) must be completed per Policy 104.251, "Enterprise Risk Management," with a copy sent to the internal auditor. Follow-up audits may be conducted when necessary. The CAP must be returned to the auditor with the narrative response. The CAP is not included in the final audit report. The CAP form is available on the Compliance and Risk Management iShare site under Enterprise Risk Management Documents.

L. Completed audits, including the audit report, all work papers, response to the audit, and the CAP must be retained by the internal auditor.

M. Final audits and reports, including the narrative response, are posted on the Compliance and Risk Management iShare site under Internal Audit Reports.

N. Final audit reports, including the narrative and CAP, must be submitted to Minnesota Management and Budget (MMB) within five working days of the date on the narrative response.

O. In May and October of each year, internal audit staff must submit to MMB an updated report recording all open CAPs.

INTERNAL CONTROLS:

A. Meeting minutes of the internal audit committee are retained by the internal auditor.

B. Completed internal audits are retained by the internal auditor.

ACA STANDARDS: 2-CO-1A-22, 2-CO-1B-07, 4-4036, 4-JCF-6B-08, and 4-APPFS-3D-26

REFERENCES: Minn. Stat. § 241.01, subd. 3
Policy 104.251, "Enterprise Risk Management"
Generally Accepted Government Accounting Standards (GAGAS)
International Standards for the Professional Practice of Internal Auditing

REPLACES: Policy 104.250, "Internal Audit," 3/17/20.
All facility policies, memos, or other communications whether verbal, written, or transmitted by electronic means regarding this topic.

ATTACHMENTS: None

APPROVED BY:
Deputy Commissioner, Community Services
Deputy Commissioner, Facility Services
Assistant Commissioner, Operations Support
Assistant Commissioner, Criminal Justice Policy, Research, and Performance