



**DEPARTMENT OF CORRECTIONS
Administration**



Title:	Internal Audit	DOC Policy: 10.2.1
Effective:	4/27/23	Supersedes: 5/1/16
Applicability:	All functional units	
Directives Cross-Reference	OAR 125-700 Internal Auditing (DAS)	
Attachments:	Internal Audit Charter Audit Committee Charter	

I. PURPOSE

The purpose of this policy is to establish requirements for Department of Corrections (DOC) Internal Audit function.

II. POLICY

- A. DOC will maintain an internal audit function for as long as the agency meets the eligibility requirements set in Department of Administrative Services (DAS) rule 125-700 Internal Auditing.
- B. Internal Audit will comply with rules and standards for internal audit functions in state government set by DAS. The Chief Audit Executive shall, with approval from the Audit Committee:
 - 1. Select appropriate professional auditing standards to follow in performing audit work.
 - 2. Develop and periodically update the Internal Audit charter and Audit Committee charter.
 - 3. Annually, produce a risk assessment of the entire agency and develop an annual plan of audit engagements based on the agency risk assessment.
 - 4. Perform at least one audit per year and complete an audit related to governance and risk management at least once every five years.
 - 5. Complete internal and external reviews in accordance with chosen professional auditing standards.
 - 6. File annual reports with the Department of Administrative Services.

- C. The Chief Audit Executive of the Internal Audit function will report administratively to the Director or Deputy Director and report functionally to the Audit Committee.
- D. The DOC Internal Audit Charter attached to this policy is a formal document that defines the purpose, authority, and responsibility of the Internal Audit activity. Final approval of the Internal Audit Charter resides with the DOC Audit Committee. The Internal Audit Charter establishes Internal Audit's role within the department, including:
 - 1. Administrative and functional reporting relationships of the DOC Chief Audit Executive;
 - 2. Authorization of unrestricted access to records, employees, contractors, volunteers, and physical properties relevant to the performance of engagements;
 - 3. Definition of the nature of assurance services provided;
 - 4. Provision for independence and objectivity of the Internal Audit function and for the Internal Audit Quality Assurance and Improvement program; and
 - 5. Recognizing mandatory guidance of professional auditing standards.
- E. The role and function of the DOC Audit Committee shall be stated in a formal, written charter that describes the authority, responsibilities, and structure of the Audit Committee. The charter must be approved and periodically reviewed by the Audit Committee.
 - 1. Committee members are appointed by and responsible to the DOC Director. The committee members will be composed of the DOC Executive Team and qualified external members as defined in the Audit Committee Charter.
 - 2. The committee will meet at least four times a year with authority to convene additional meetings as circumstances require. The committee may invite members of management, auditors, or others to attend meetings and provide pertinent information as necessary. The committee may hold private meetings with auditors and executive sessions. Meeting agendas will be prepared and provided in advance to members along with appropriate briefing materials. Minutes will be prepared.

III. IMPLEMENTATION

Certified: signature on file
Julie Vaughn, Rules Coordinator

Approved: signature on file
Heidi Steward, Acting Director

OREGON DEPARTMENT OF CORRECTIONS INTERNAL AUDIT CHARTER

Purpose and Mission

The purpose of the Oregon Department of Corrections (DOC) Internal Audit unit is to provide independent, objective assurance and consulting services designed to add value and improve department operations, including Oregon Corrections Enterprises operations. The mission of Internal Audit is to enhance and protect organizational value by providing independent, risk-based, and objective assurance, advice, and insight. Internal Audit helps the department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Standards for the Professional Practice of Internal Auditing

The Internal Audit unit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing. The Chief Audit Executive (CAE) will report periodically to senior management and the DOC Audit Committee regarding the Internal Audit unit's conformance to the IIA's Code of Ethics and the *Standards*.

Authority

The CAE will report functionally to the Audit Committee and administratively to the Director and Deputy Director. To assure the Internal Audit unit has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the DOC Internal Audit Charter.
- Approve the risk-based internal audit plan.
- Receive communications from the CAE on the Internal Audit unit's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the CAE to determine whether there is inappropriate scope or resource limitations

The CAE will have unrestricted access to communicate with and interact directly with the Audit Committee.

The CAE and Internal Audit staff are authorized to:

- Have unrestricted access to all department functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding records and information.
- Select subjects, determine scopes of work, allocate resources, and apply techniques required to accomplish audit objectives and issue reports.
- Obtain the necessary assistance of personnel within the department as well as other specialized services from within or outside the department.

Independence and Objectivity

The CAE shall ensure that the Internal Audit unit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude allowing them to perform engagements objectively and value their work product and ensuring no quality compromises are made and they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the department or Oregon Corrections Enterprises.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any DOC employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit unit.

The CAE will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of

governance, risk management, and control processes for the department. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the department's strategic objectives are appropriately identified and managed.
- The actions of DOC's employees and contractors comply with DOC's rules and policies and applicable laws, regulations, and governance standards.
- The outcomes of programs or operations are consistent with established goals and objectives.
- Programs or operations are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the department.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The CAE will report periodically to senior management and the Audit Committee regarding:

- The Internal Audit unit's purpose, authority, and responsibility.
- The Internal Audit unit's plan and performance relative to its plan.
- The Internal Audit unit's conformance with the IIA's *Standards* and Code of Ethics, and actions plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the department.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

In addition to audit engagements, the Internal Audit unit may perform advisory or other consulting services, provided the Internal Audit unit does not assume management responsibility. The nature and scope of these activities will be agreed upon with senior management. These types of services may include, but are not limited to:

- Conducting special projects, reviews, or investigations.
- Performing research, such as researching best practices.
- Providing training on audit related topics, such as internal controls, risk assessment/ or risk management, and ethics.
- Providing counsel or advice, such as assessing the adequacy of draft policies or process design.
- Participating in a non-voting role on department or statewide committees.

The CAE also coordinates activities, where possible, and considers relying on the work of other internal and external assurance and consulting service providers as needed.

Responsibility

The CAE has the responsibility to:

- Submit, at least annually, to senior management and the Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in department programs, operations, systems, risks, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not implemented.
- Ensure the principles of objectivity, competency, confidentiality, and integrity are applied and upheld.
- Ensure the Internal Audit unit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit unit.
- Assist in the investigation of suspected fraudulent activities within the department and notify management and the Audit Committee of the results.

Quality Assurance and Improvement Program

The Internal Audit unit will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit unit. The program will include an evaluation of the unit's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit unit and identify opportunities for improvement.

The CAE will communicate to senior management and the Audit Committee on the Internal Audit unit's quality assurance and improvement program, including results of internal assessments and external assessments.

Audit Committee Charter

Oregon Department of Corrections

2021

PURPOSE

The purpose of the audit committee is to enhance the quality and independence of the internal audit function and assist the Director in fulfilling oversight responsibilities of the Department of Corrections (DOC) and Oregon Corrections Enterprises (OCE), including reporting processes, the system of internal control, internal and external audits, and monitoring compliance with laws, regulations, agency policies, and the code of conduct.

The DOC audit function is made up of Internal Audit staff, the Audit Advisory Committee, and the Audit Governance Committee. Staff and committees will maintain free and open communication with the DOC Chief Audit Executive, DOC Director, and the Secretary of State Audits Division.

AUTHORITY

The mandate for the establishment of the Audit Committee is derived from Oregon Revised Statute 184.360 and Oregon Administrative Rule 125-700-0100 through 125-700-0155 which govern internal audit functions in Oregon state agencies. The DOC Audit Advisory and Governance Committees will meet the requirements set forth in state law and policy, including assisting the Chief Audit Executive in the operation of the internal audit function in compliance with chosen professional auditing standards.

Charter elements related to structure, committee chair, composition, and committee responsibilities will take effect upon the appointment of three external members. Until that time, the current Audit Committee will fulfill all listed responsibilities.

STRUCTURE AND COMPOSITION

The Audit Advisory Committee is comprised of the following members appointed by the DOC Director:

- Members of the DOC Executive Team
- At least 3 external members

Continuance of external Audit Advisory Committee members will be reviewed every two years by the DOC Director. Terms for external members must be staggered to avoid full turnover in one year.

One member will be appointed Audit Advisory Committee Chair by the DOC Director or Deputy Director for a term of two years. The individual responsible for administrative oversight of the Chief Audit Executive is exempt from serving as Audit Committee Chair.

The Audit Governance Committee is comprised of the external members and two internal members of the Audit Committee. Internal members will serve one-year terms and will be appointed by the DOC Director or Deputy Director. The Audit Governance Committee will be chaired by one of the external members as appointed by the DOC Director or Deputy Director.

The audit committees should collectively possess sufficient knowledge of agency operations, internal audit, financial management, and information technology. External members are not staff members of DOC or OCE, and do not carry out other activities on behalf of DOC or OCE. At least one external member will have audit knowledge and experience.

MEETINGS

The audit committees will attempt to meet four times annually with authority to convene additional meetings as circumstances require. The committee may invite others to attend meetings and provide pertinent information, as necessary. The Chief Audit Executive will develop meeting agendas in consultation with the Director, Deputy Director, or Audit Governance Committee chair. Minutes will be recorded by the Chief Audit Executive or Internal Audit staff.

The Audit Governance Committee will convene separately from the Audit Committee. A quorum of four members must be present to approve decisions, including at least two external members. Decisions and recommendations can also be made electronically. If there is a tie vote, the item will be tabled for further discussion.

RESPONSIBILITIES

The Chief Audit Executive will fulfill requirements stated in the DOC Internal Audit Charter and will oversee daily operations of the internal audit function per chosen professional auditing standards. The Chief Audit Executive will also provide or arrange for orientation and training of Audit Committee members on the purpose of the committee, professional auditing standards, and other relevant topics.

The Audit Advisory Committee will carry out the following responsibilities:

- Receive communications from the Chief Audit Executive and DOC Internal Audit staff on results of audit and consulting engagements, risk assessments, internal and external quality assurance reviews, and the results of other activities;
- Provide input to the Chief Audit Executive on the agency-wide risk assessment, audit plan, Internal Audit Charter, Audit Committee Charter, and Internal Audit staffing and resources;
- Assess areas of department risk based on internal and external audit reports and establish plans to eliminate or mitigate risk;
- Annually review the performance of the Chief Audit Executive and the internal audit function;
- Assist the agency in implementing audit recommendations and support the Chief Audit Executive on identified corrective actions; and
- Assist Chief Audit Executive in maintaining conformance with professional auditing standards, independence and objectivity of the audit function, and unrestricted access to agency staff, management, data, and records.

- Review all audit results from external auditors to determine management's response to audit recommendations
- Review and approve the selection of any independent auditors retained by the DOC for the performance of external audits
- Other duties as necessary to fulfill the stated purpose of the committee and conformance with chosen professional auditing standards

The Audit Governance Committee will carry out the following responsibilities

- Review and approve the Internal Audit Charter and Audit Committee Charter at least every 2 years or as needed
- Review and approve the annual Agency-Wide Risk Assessment
- Review and approve the annual Audit Plan and significant changes to the plan

CONFLICTS OF INTEREST

It is the responsibility of an Audit Committee member to disclose a conflict of interest, whether actual or perceived, to the Committee. Performance of an internal audit in the area of responsibility of the Audit Committee member does not inherently constitute a conflict of interest.

Approved by a vote of the Audit Committee on 3/5/2021