



# Operating Procedure

<b>Effective Date</b>	January 1, 2019	<b>Number</b>	030.2
<b>Amended</b>		<b>Operating Level</b>	Department
<b>Supersedes</b>	Operating Procedure 030.2 (12/1/15)		
<b>Authority</b>	COV §53.1-10; §53.1-25		
<b>Subject</b>	<b>INTERNAL AUDIT</b>		
<b>ACA/PREA Standards</b>	None		
<b>Office of Primary Responsibility</b>	Internal Audit Unit Director		
<b>Incarcerated Offender Access</b>	<b>Public Access</b>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<b>Attachments</b>	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

## I. PURPOSE

This operating procedure establishes the duties and responsibilities of the Department of Corrections Internal Audit Unit

## II. COMPLIANCE

This operating procedure applies to all units operated by the Department of Corrections (DOC). Practices and procedures must comply with applicable State and Federal laws and regulations, ACA standards, PREA standards, and DOC directives and operating procedures.

## III. DEFINITIONS

**Fraud, Waste and Abuse Hotline** - An avenue to report significant instances of fraud, waste, or abuse anonymously; the Hotline is administered by the Office of the State Inspector General. The major objective of the Hotline is to identify situations where fraud, waste, or abuse may have occurred in state agencies and institutions so that it can be eliminated.

**Independence** - The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner

**Internal Audit** - An independent, objective assurance and consulting activity designed to add value and improve an organization's operations; it helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (as defined by the *International Professional Practices Framework* promulgated by the Institute of Internal Auditors).

**Organizational Unit** - A DOC operating unit, such as a correctional facility, regional office, probation and parole office, Virginia Correctional Enterprises (VCE), Academy for Staff Development, Corrections Construction Unit, Agribusiness Unit, or other separate operational unit

**Organizational Unit Head** - The person occupying the highest position in a DOC organizational unit

## IV. PROCEDURE

### A. Internal Audit Charter

1. Mission - The mission of the Internal Audit Unit is to provide independent, risk-based and objective assurance as well as consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. Scope of Work - The scope of work of the Internal Audit Unit is to determine whether the organization's network of risk management, control, and governance processes, as defined and represented by management, is adequate and functioning in a manner to ensure:
  - a. Risks are appropriately identified and managed.
  - b. Interaction with the various governance groups occurs as needed.

- c. Significant financial, managerial, and operating information is accurate, reliable and timely.
  - d. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
  - e. Resources are acquired economically, used efficiently, and adequately protected.
  - f. Programs, plans, and objectives are achieved.
  - g. Quality and continuous improvement are fostered in the organization's control process.
  - h. Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
3. Accountability - The Internal Audit Director, in the discharge of their duties, shall be accountable to management and the Secretary of Public Safety as follows:
- a. Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes and provide information concerning such issues through resolution.
  - b. Periodically provide information on the status and results of the annual audit plan and the sufficiency of unit resources.
  - c. Coordinate with other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).
4. Independence and Objectivity
- a. Internal Audit activities of the Department of Corrections are the responsibility of the Internal Audit Director who reports to the Director.
  - b. The Internal Audit Unit is free from interference in determining the scope of internal auditing, performing work, and communicating results.
  - c. Internal Auditors must have an impartial, unbiased attitude, and avoid any conflict of interest.
5. Responsibilities
- a. Internal Audit performs a DOC risk assessment of operational areas and prioritizes the areas for control evaluation.
  - b. The risk assessment considers a number of factors, including the DOC strategic plan, DOC goals, management input, planned system changes, Hotline investigations, special projects, and previous audit results. Other external contributors include political, technological and economic conditions.
  - c. As a result of the risk assessment an annual audit plan is developed to identify the specific areas and operational (business) processes for evaluation.
  - d. The Internal Audit Unit has the responsibility to:
    - i. Develop a flexible annual audit plan using a risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Director for review and approval as well as providing periodic updates
    - ii. Implement the annual audit plan, as approved, considering any special tasks or projects requested by management and the Secretary of Public Safety
    - iii. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certification to meet the requirements of this Charter
    - iv. Issue periodic reports to the Director and the Secretary of Public Safety (as needed) summarizing results of audit activities
    - v. Keep the Director informed of emerging trends and successful practices in internal auditing
    - vi. Assist in the investigation of significant suspected fraudulent activities within the organization
    - vii. Consider the scope of work of the external auditors and regulators, as appropriate for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost
6. Authority

- a. Internal Audit staff is authorized to:
    - i. Have unrestricted access to any of the Department's records, properties, and personnel relevant to the performance of an audit or an investigation.
    - ii. Have full and free access to the Secretary of Public Safety
    - iii. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives
    - iv. Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization
  - b. Documents and information given to Internal Auditors during a periodic review will be handled in the same prudent manner, as by those employees normally accountable for them.
  - c. Internal Audit will make special efforts to accommodate the Department's daily operations in scheduling and conducting reviews.
  - d. The Internal Audit Unit is not authorized to:
    - i. Perform any operational duties for the organization or its affiliates
    - ii. Initiate or approve accounting transactions external to the Internal Audit Unit
    - iii. Direct the activities of any organization employee not employed by the Internal Audit Unit, except to the extent such employees have been appropriately assigned to the auditing teams or to otherwise assist the internal auditors.
7. Standards of Audit Practice - The Internal Audit Unit will comply with the *International Professional Practices Framework (IPPF)* of The Institute of Internal Auditors, including the *Standards for the Professional Practice of Internal Auditing* and the *Code of Ethics of the Institute of Internal Auditors*.
- B. Responsibilities - The following responsibilities apply to all internal audit functions:
1. Internal Audit shall assist management by independently reviewing and evaluating DOC operations to determine:
    - a. Assets are being properly safeguarded
    - b. Objectives and goals of the DOC and any specific unit are being attained
    - c. Compliance with state and federal laws, policies, rules and regulations
    - d. Resources are being used in an economical and efficient manner
    - e. Reliability and integrity of financial and operational information
  2. The Internal Audit Director will provide daily management to unit staff, develop internal operating procedures for the unit, develop an annual schedule of regular audits, make staff assignments to specific audits, and submit reports as required.
  3. Internal Auditors will maintain an objective viewpoint, maintain confidentiality of information received, and determine proper audit procedures to be used.
  4. DOC employees will provide requested information and documents, assist in the detection of errors and irregularities, report actual or suspected violations to the Internal Audit Unit, and assist the auditors as requested.
- C. Types of Audits - The Internal Audit Unit conducts the following types of audits:
1. Financial audits are reviews of the accounting and reporting of financial transactions, including commitments, authorizations, receipts, and disbursement of funds. The purpose is to verify that there are sufficient controls over financial management and use of resources.
  2. Compliance audits assess the degree of a unit's adherence to laws, regulations, policies, and procedures. These assessments could include a review of compliance with Federal, State, or DOC requirements.
  3. Operational audits examine the use of unit resources to evaluate whether those resources are being

used in the most efficient and effective ways to fulfill the unit's mission and objectives. An operational audit could include elements of a compliance audit, a financial audit, and an information technology audit.

4. Special projects are those assignments conducted to meet a specific purpose or identified need; see the *Special Projects* section of this operating procedure.
5. Information Technology (IT) audits assess the controls related to information systems and the use of those systems.
  - a. IT audits typically evaluate system input, output, processing controls, backup and recovery plans, and system security.
  - b. IT auditing can focus on existing systems as well as systems in the development stage, called system development life cycle (SDLC) audits.
  - c. IT Security audits, are required by Virginia Information Technology Agency (VITA) Information Technology Audit Security Standard SEC502.
6. The State Fraud, Waste and Abuse Hotline audits and investigations are referred to DOC from the Office of State Inspector General; see the *Hotline* section of this operating procedure.

#### D. Audit Plan

1. The Internal Audit Director shall be responsible for the development of the annual audit plan based upon a risk assessment. Input from senior management and organizational units should be considered in this process.
2. The audit plan along with resource requirements will be submitted to the Director for review and approval. Resource limitations should also be included as a part of the audit plan.
3. The audit plan will be reviewed periodically and adjusted to accommodate audit requests, resource constraints, and other special projects as assigned.

#### E. Requesting an Audit

1. Audit requests may be made to the Internal Audit Director by an Organizational Unit Head or higher management level. Such requests may be made either telephonically, electronically, or in writing.
2. The Internal Audit Director in conjunction with the Director shall determine if resources are available and when the audit can be started. The requester will be notified of the decision.

#### F. Reporting Suspected Violations

1. Any employee of the DOC becoming aware of any criminal activity, waste, fraud, mismanagement, improper financial practices, and any other questionable illegal activity shall report same to the Internal Audit Director.
2. Every effort shall be made to ensure that such reports remain confidential as to their source, and the Internal Audit Director shall determine appropriate actions to be taken. Management should not attempt to identify the source of information. Any retaliation is subject to disciplinary action.
3. Employees may use the State Fraud, Waste and Abuse Hotline or follow the established chain of command in reporting suspected violations in lieu of reporting directly to the Internal Audit Director.
4. Willful failure to report known questionable illegal activities shall be deemed cause for disciplinary action.
5. Allegations that suggest a reasonable possibility that fraudulent transactions have occurred will be reported to the Auditor of Public Accounts (APA), the Office of State Inspector General, and the Superintendent of the State Police in accordance with COV §30-138.

G. Audit Assistance - The Organizational Unit Head or higher management level, as appropriate, will be responsible for audit assistance. This includes timely access to all information relevant to an audit and assistance including, but not limited to:

1. Preserving records and documentation, restricting access to checkbooks or funds, and restricting individual access in cases of alleged violation of financial practices
2. Providing suitable work area for the auditors
3. Providing records and documentation requested by the internal auditors
4. Providing knowledgeable individuals to answer questions and render assistance to the auditors

#### H. Audits

1. The scope of internal auditing work encompasses a systematic, disciplined approach to evaluating and improving the adequacy and effectiveness of risk management, control, and governance processes and the quality of performance in carrying out assigned responsibilities.
2. The purpose of evaluating the adequacy of the organization's existing risk management, control, and governance process is to provide:
  - a. Reasonable assurance that controls are in place to mitigate risks within the business unit under review
  - b. Reasonable assurance that these processes are functioning as intended and will enable the organization's objectives and goals to be met
  - c. Recommendations for improving the organization's operations in terms of both efficient and effective performance
3. Senior management might also provide general direction as to the scope of work and the activities to be audited.

#### I. Special Projects

1. Special projects are assignments conducted to meet a specific purpose or identified need and must be approved by the Internal Audit Director. Special projects may be conducted in conjunction with, or as part of, an investigation.
2. Special projects require auditors/investigators to identify subjects and witnesses, conduct interviews, collect and process evidence, and submit reports to management.
3. Employees are expected to:
  - a. Fully cooperate during the course of special project assignments
  - b. Respond with truthful and complete answers to all proper questions of official interest
  - c. Provide auditors/investigators with any and all information or evidence that may pertain to the specific matter under review
  - d. Protect confidential and sensitive information and not disclose facts that might compromise the collection of evidence while the investigation is on-going
4. Investigators may utilize the [Internal Audit Unit Notice of Investigation](#) 030\_F23 for employee interviews.
  - a. The *Notice of Investigation* advises employees of the requirement to answer questions relating to the performance of official duties and may be used in disciplinary proceedings.
  - b. The *Notice of Investigation* also advises eligible Corrections Officers of their rights under COV §9.1-508 et seq., *Correctional Officer Procedural Guarantee Act*. (See Operating Procedure 145.4, *Employee Grievances*.)
  - c. Failure to answer questions truthfully and fully will be considered a violation of Operating Procedure 135.1, *Employee Standards of Conduct*, and may be subject to disciplinary action.

#### J. State Fraud, Waste and Abuse Hotline (Hotline) Investigations

1. State Fraud, Waste and Abuse Hotline investigations are referred to the DOC Internal Audit Unit by the Office of the State Inspector General, who manages the program. Hotline investigations are guided by the *State Fraud, Waste and Abuse Hotline Policies and Procedures Manual*, published by

the Office of the State Inspector General. Hotline complaints may be investigated by DOC management, the Special Investigations Unit, or the Internal Audit Unit, depending on the nature of the allegation.

2. Hotline investigations require investigators to identify subjects and witnesses, conduct interviews, collect and process evidence, and submit reports to management.
3. Employees are expected to:
  - a. Fully cooperate during the course of Hotline investigations
  - b. Respond with truthful and complete answers to all proper questions of official interest
  - c. Provide investigators with any and all information or evidence that may pertain to the specific matter under investigation
  - d. Protect confidential and sensitive information and not disclose facts that might compromise the collection of evidence while the investigation is on-going
4. Investigators may utilize the [Internal Audit Unit Notice of Investigation](#) 030\_F23 for employee interviews.
  - a. The *Notice of Investigation* advises employees of the requirement to answer questions relating to the performance of official duties and may be used in disciplinary proceedings.
  - b. The *Notice of Investigation* also advises eligible Corrections Officers of their rights under Code of Virginia §9.1-508 et seq., Correctional Officer Procedural Guarantee Act.
  - c. Failure to answer questions truthfully and fully will be considered a violation of Operating Procedure 135.1, *Employee Standards of Conduct*, and may be subject to disciplinary action.

#### K. Audit Reports

1. When an audit involving the following activities is initiated, it shall be reported by the Internal Audit Director to the Director (follow-ups will be provided as necessary or when requested).
  - a. Major security problems
  - b. Audits of alleged fraud or significant management problems
  - c. Investigations of administrative staff at any management level within the DOC
  - d. Offenders involved in potentially significant security breaches or substantial criminal activity
  - e. Any other activity, which in the opinion of the Internal Audit Director, is of sufficient magnitude to warrant referral
2. A detailed written report shall be made of each audit and special project conducted, to include conditions (with criteria and recommendations) and observations.
3. Final audit reports are the property of the DOC, subject to Freedom of Information Act, and will be distributed as deemed appropriate by the Director.
4. Draft reports are the property of the Internal Audit Unit and are considered “work in progress.”
5. As necessary, the Internal Audit Unit shall recommend changes in policy, procedure, or practice based on the results of internal audits.

#### L. Action Plans

1. The Organizational Unit Head is responsible for the submission of an action plan for each recommendation in the audit report using the [Internal Audit Unit Conditions and Actions](#) 030\_F25.
2. Action plans shall be submitted to the Chief of Corrections Operations, Deputy Director for Administration, or Deputy Director for Programs, Education, and Reentry for approval.
3. The completed, approved action plan(s) should be submitted to the Internal Audit Unit within 30 days.
4. The Organizational Unit Head is responsible for ensuring that action plans are submitted in a timely

manner to the Internal Audit Unit. The Chief of Corrections Operations, Deputy Director for Administration, or Deputy Director for Programs, Education, and Reentry may be notified of past due action plans.

M. Specialized Expertise

1. Specialized expertise can be requested by the Internal Audit Director.
2. If, during an internal audit, the need for specialized assistance is approved, arrangements for such assistance shall be made by the Internal Audit Director, with concurrence of the Director.

N. External Liaison

1. The Internal Audit Director is designated as the primary liaison for the DOC with external auditors. This includes the [Auditor of Public Accounts](#), auditors of federal programs; other state agencies, and Certified Public Accountants retained by the DOC.
2. Audits shall be coordinated to prevent duplication of efforts while rendering assistance where needed or requested.
3. The Internal Audit Director shall be informed immediately of all external audit activities within the DOC and any liaison assistance required.

V. REFERENCES

*International Professional Practices Framework*, current edition  
Operating Procedure 135.1, *Employee Standards of Conduct*  
Operating Procedure 145.4, *Employee Grievances*

VI. FORM CITATIONS

[Internal Audit Unit Notice of Investigation](#) 030\_F23  
[Internal Audit Unit Conditions and Actions](#) 030\_F25

VII. REVIEW DATE

The office of primary responsibility shall review this operating procedure annually and re-write it no later than three years after the effective date.

*Signature Copy on File*

Harold W. Clarke, Director

*11/2/18*

Date