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Internal Audit Process	ACA Standards: 4-4036, 4-ACRS-7D-24		
Robert Patton, Director Oklahoma Department of Corrections	Signature on File		

Financial Internal Audit Unit

I. Purpose

The primary function of the Financial Internal Audit Unit is to monitor compliance with fiscal management policies at all Oklahoma Department of Corrections (DOC) facilities and as applicable, contract facilities, and report any instances of noncompliance. The responsibilities of the Financial Internal Audit Unit are extended to a review of the internal control structure and recommendations to improve that structure.

The financial internal audit is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations.

Wherever applicable, recommendations are made to assist business managers, wardens and district supervisors to strengthen internal controls to achieve compliance with financial accounting standards, government accounting standards and fiscal management policies.

II. Authority

The Financial Internal Audit Unit was established in accordance with the provisions of 57 O.S. 510 A.14, 74 O.S. 228 and 229 and [OP-120101](#) entitled "Fiscal Management Responsibilities."

III. Standards

Financial internal audits are conducted in accordance with the standards for the professional practice of internal auditing developed by the Institute of Internal Auditors, government auditing standards developed by Government Accountability Office of the Comptroller General of the United States (GAO-12-

331G), generally accepted auditing standards, standards as developed and practiced by other recognized professional auditing and accounting bodies, Code of Ethics as developed by the American Institute of Certified Public Accountants (AICPA), and the Institute of Internal Auditors (IIA).

IV. Scope

- A. The Financial Internal Audit Unit provides management and the Board of Corrections (BOC) with independent, objective, assurance of compliance to fiscal management policies, assessment of the internal controls over those policies and the associated risk over those controls.

The scope of internal audit activity includes examining and evaluating the policies, procedures and systems which are in place to ensure:

1. Reliability, accuracy and integrity of information;
 2. Compliance with policies, plans, procedures, laws, contracts and regulations;
 3. Safeguarding assets;
 4. Economical and efficient use of resources; and
 5. Accomplishment of established objectives and goals for operations or programs.
- B. The financial internal audits may provide consulting services within the agency concerning issues related to internal controls, special investigations, performance audits, agreed upon procedures and other areas of interest and concern.
- C. The Financial Internal Audit Unit may report to the BOC and take directives from the BOC in auditing and providing assurance to any area of the agency's operations, as determined by the BOC.

V. Responsibility

The responsibility of the Financial Internal Audit Unit is to serve DOC and the BOC in a manner that is consistent with established auditing and professional standards of conduct. The Financial Internal Audit Unit's role is to monitor and report any weaknesses within that framework and make recommendations to mitigate any losses.

- A. The Financial Internal Audit Unit will conduct an annual (fiscal year) audit of all agency funds (revenue and operating) including Oklahoma Correctional Industries (OCI) and Agri-Services, as applicable, in the following financial categories:

1. Accounts Payables.
2. Accounts Receivables.
3. Purchase Cards.
4. Express Checks.
5. Trust Funds.
6. Canteen.
7. Probation, Parole and Restitution Payments.
8. Fixed Assets Inventory Management System.
9. Warehouse Inventory.
10. Prisoners Public Works Projects.
11. OCI Agri-Services – Livestock and Feedstock.
12. OCI Factories – Raw Materials, Work in Process and Finished Goods.
13. Private Prisons - Commissary and Trust Funds.

Audit planning, risk assessments, fraud consideration, work papers, audit procedures, tests and sampling techniques are developed by the Audit Manager based on auditing standards to test specific conditions of compliance with fiscal management policy and risk tolerance. These worksheets are reviewed annually and updated as deemed necessary. In addition, these worksheets are confidential and will not be shared with auditees or external parties except for peer review by the State Auditor and Inspector office.

B. The Audit Manager is responsible for the following:

1. Developing an annual financial internal audit schedule. This schedule will be submitted to the director and, through the chain of command, to the BOC;
2. Assigning audit team members to each financial internal audit, which is consistent with the financial categories audited;
3. Ensure the audit team members monitor and report any weaknesses within that framework and make recommendations to mitigate any losses; and

4. Providing notification to the facility/auditee within two weeks of the financial internal audit.

VI. Independence and Objectivity

A. The Financial Internal Audit Unit is authorized:

1. To review all records held in any format (paper or electronic) of the agency; and
2. Full and complete access to all activities, records, property and personnel reasonably necessary to perform the responsibilities of the audit function.

B. Confidentiality

1. Information obtained during the course of audit activities will be held with appropriate confidentiality.
2. All records, worksheets, audit programs and evidence of testing will be held in confidence and be stored in an appropriate mechanism or filing system.
3. Access will be restricted to persons as determined by the director and or the BOC.
4. The Financial Internal Audit Unit maintains audit files for up to five years per Sarbanes-Oxley Act 2002 Section 802, the agency's document retention per [OP-120103](#) entitled "Acquisitions and Dispositions," [OP-020202](#) entitled "Management of Office Records" and the State of Oklahoma Archives and Records Commission.

C. Management Responsibility

1. The Financial Internal Audit Unit will have no direct responsibility or authority for any of the activities or operations under their review. The Financial Internal Audit Unit will not:
 - a. Develop and implement operating procedures including internal controls;
 - b. Prepare records; or
 - c. Engage in activities that would normally be reviewed by internal auditors.

An internal audit does not in any way relieve other persons in the agency of the responsibilities assigned to them.

D. Training

The Financial Internal Audit Unit staff will have a minimum of 40 hours Continuing Professional Educations (CPE) with mandatory Yellow Book (GAO) and Ethics training to be in compliance with government auditing standards, IIA and AICPA.

VII. Reporting

A. Internal Reporting

Results of financial internal audits are communicated in an audit report submitted to the appropriate management or operating personnel as determined by the BOC in the form of written reports, consultation, advice, or through other appropriate means. Written reports will include:

1. Reportable noncompliance findings;
2. Management responses to specific actions taken or planned to mitigate identified risks and to ensure that operational objectives are achieved; and
3. Measures taken to strengthen internal controls.

B. External Reporting

Copies of the financial internal audit reports are filed with the Oklahoma State Auditor and Inspector's Office in accordance with 74 O.S. 212A and 229.

VIII. References

Policy Statement No. P-120100 entitled "Management of State Funds and Assets"

OP-020202 entitled "Management of Office Records"

OP-120101 entitled "Fiscal Management Responsibilities"

OP-120103 entitled "Acquisitions and Dispositions"

57 O.S. 510 A.14

74 O.S. 212A

74 O.S. 228 and 229

IX. Action

The audit manager is responsible for compliance with this procedure.

The Office of Inspector General is responsible for the annual review and revisions.

Any exception to this procedure will require prior written approval from the director.

This procedure is effective as indicated.

Replaced: None. This is a new procedure.

Distribution: Policy and Operations Manual
Agency Website