



DEPARTMENT OF CORRECTIONS
Internal Audit



Title:	Audit Committee Charter	DOC Policy: 70.3.2
Supersedes:	N/A	
Applicability:	All functional units	
Directives Cross-Reference:	DAS Policy Internal Auditing – 10.80.10	

I. PURPOSE

To assist the Director in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit process, and the Department of Corrections (DOC) and Oregon Corrections Enterprises (OCE) process for monitoring compliance with laws and regulations and the code of conduct.

The Audit Committee (committee) will maintain free and open communication among the Secretary of State Audits Division, Internal Audit, and DOC Director.

II. POLICY

A. Membership

The committee will consist of five members of DOC and one member of OCE. The Director of DOC will appoint committee members. The committee member composition will be the Administrator/Manager from Business and Finance, Administrator/Manager from ISSD, Administrator/Superintendent from Institutions, Administrator/Manager from Programs, Administrator/Manager from Inspections and an Administrator/Manager from Oregon Corrections Enterprises. The Director shall appoint a person to act as Chair of the committee. At least one member will be designated as the financial expert.

B. Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person, via teleconference or videoconference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. The committee will 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.

C. Responsibilities

The committee will carry out the following responsibilities:

1. Financial Statements

- a. Review significant accounting and reporting issues, including: complex or unusual transactions; highly judgmental areas; recent professional and regulatory pronouncements; and understand their impact on the financial statements.
- b. Discuss with the Secretary of State Audits Division, the results of their annual financial audit of the preceding year. Review any management letters or other correspondence containing recommendations for improving accounting procedures and internal controls, including computerized information system controls and security. Discuss any difficulties encountered.
- c. Review with DOC management, OCE management, Internal Audit, and Secretary of State Audits Division, all significant issues concerning litigation, contingencies, claims, or assessments and all material accounting issues that require disclosure in the financial statements and are required to be communicated to the committee under generally accepted auditing standards.
- d. Review the biennial financial statements and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.

2. Internal Controls

- a. Consider the effectiveness of DOC's and OCE's internal control system including information technology security and control.
- b. Understand the scope of Internal Audit and Audits Division's review of the adequacy of DOC's and OCE's internal controls over financial reporting. Obtain reports on significant findings and recommendations, together with management's responses, and the extent to which major recommendations made by Internal Audit and Audits Division have been implemented.

3. Internal Audit

- a. Review with management and the Internal Audit Administrator the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- b. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
- c. On a regular basis, meet separately with the Internal Audit Administrator to discuss any matters that the audit committee or internal audit believes should be discussed privately.

4. External Audit

- a. Review Audits Division's proposed audit scope and approach, including coordination of audit effort with internal audit.

- b. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and DOC, including non-audit services, and discussing the relationships with the auditors.
 - c. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
5. Compliance
- a. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
 - b. Review the findings of any examinations by regulatory agencies, and any auditor observations.
 - c. Review the process for communicating the code of conduct to DOC and OCE personnel, and for monitoring compliance therewith.
 - d. Obtain regular updates from management regarding compliance matters.
6. Reporting Responsibilities
- a. Regularly report to the Executive Management Team (EMT) about committee activities, issues, and related recommendations.
 - b. Provide an open avenue of communication between Internal Audit, Audits Division, and the EMT.
 - c. Review any other reports DOC and OCE issues that relate to committee responsibilities.
7. Other Responsibilities
- a. Perform other activities related to this charter as requested by the EMT.
 - b. Institute and oversee special investigations as needed.
 - c. Review and assess the adequacy of the committee charter annually, requesting EMT approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
 - d. Confirm annually that all responsibilities outlined in this charter have been carried out.

- e. Evaluate the committee's and individual members' performance on a regular basis.

III. IMPLEMENTATION

This policy will be adopted immediately without further modification.