



**DEPARTMENT OF CORRECTIONS**  
**Internal Audit**



<b>Title:</b> Internal Audit Charter	<b>DOC Policy:</b> 70.3.1
<b>Effective:</b> 8/18/10	<b>Supercedes:</b> 4/1/04
<b>Applicability:</b> All functional units	
<b>Directives Cross-Reference:</b> DAS Policy Internal Auditing – 10.80.10	
<b>Attachments:</b> None	

**I. PURPOSE**

To define the purpose, authority, and responsibilities of the internal audit activity.

**II. POLICY**

**A. Mission and Scope of Work**

1. The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the Department of Corrections' (DOC) and Oregon Corrections Enterprises' (OCE) operations. It helps the DOC and OCE accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
2. The scope of work of Internal Audit is to determine whether the DOC's and OCE's network of risk management, control, and governance processes, as designed 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 DOC's and OCE's control process.

- h. Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
3. Opportunities for improving management control, use of resources, and the DOC's and OCE's image may be identified during audits. They will be communicated to the appropriate level of management.

## **B. Consulting**

In addition to audit (or assurance) engagements, Internal Audit may provide advisory or other consulting services, as appropriate or at the request of the DOC's Executive Management members, with approval by the Director or Audit Committee. The nature and scope of these activities will be agreed upon with Management. These types of services may include but are not limited to:

1. Conducting special projects, reviews or investigations;
2. Performing research, i.e. of best practices;
3. Providing training on audit related topics such as risk assessment/management, ethics and internal controls;
4. Providing counsel and advice, i.e. on the adequacy of draft policies or process design; and
5. Participating in a non-voting role on DOC and statewide committees.

## **C. Accountability**

The Internal Audit Administrator, in the discharge of his/her duties, shall be accountable to management and the audit committee to:

1. Provide annually an assessment on the adequacy and effectiveness of the DOC's and OCE's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
2. Report significant issues related to the processes for controlling the activities of the DOC and OCE, including potential improvements to those processes, and provide information concerning such issues through resolution.
3. Periodically provide information on the status and results of the annual audit plan and the sufficiency of Internal Audit resources.
4. Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

## **D. Independence**

To provide for the independence of Internal Audit, its personnel report to the Internal Audit Administrator, who reports functionally to the audit committee and

administratively to the Director in a manner outlined in the above section on Accountability. It will include as part of its reports to the audit committee a regular report on Internal Audit personnel.

#### **E. Responsibility**

The Internal Audit Administrator and staff of Internal Audit have the responsibility to:

1. Develop a flexible annual audit plan using an appropriate risk based methodology, including any risks or control concerns identified by management, and submit that plan to the audit committee for review and approval as well as periodic updates.
2. Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the audit committee.
3. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the Charter.
4. Evaluate and assess significant merging/consolidating functions and new or changing services processes, operations, and control processes coincident with their development, implementation, and/or expansion.
5. Issue periodic reports to the audit committee and management summarizing results of audit activities.
6. Keep the audit committee informed of emerging trends and successful practices in internal auditing.
7. Provide a list of significant measurement goals and results to the audit committee.
8. Assist in the investigation of significant suspected fraudulent activities within the DOC and OCE and notify management and the audit committee of the results.
9. Consider the scope of work of the Secretary of State Audits Division and regulators, as appropriate, for the purpose of providing optimal audit coverage to DOC and OCE at a reasonable overall cost.

#### **F. Authority**

1. The Internal Audit Administrator and staff of Internal Audit are authorized to:
  - a. Have unrestricted access to appropriate functions, records, property, and personnel.
  - b. Have full and free access to the audit committee.

- c. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
  - d. Obtain the necessary assistance of personnel in units of the DOC and OCE where they perform audits, as well as other specialized services from within or outside the DOC and OCE.
2. The Internal Audit Administrator and staff to Internal Audit are not authorized to:
- a. Perform any operational duties for DOC or OCE.
  - b. Initiate or approve accounting transactions external to Internal Audit.
  - c. Direct the activities of any DOC or OCE 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.

**G. Standards of Audit Practice**

Internal Audit will govern itself by adherence to The Institute of Internal Auditors' guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*.

**III. IMPLEMENTATION**

This policy will be adopted immediately without further modification.

Certified: Signature on file  
Birdie Worley, Rules Coordinator

Approved: Signature on file  
Mitch Morrow, Deputy Director