
 <p>Corrections and Community Supervision</p> <p>DIRECTIVE</p>	<p>TITLE</p> <p>Internal Audit Unit</p>		<p>NO. 6923</p>
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<p>SUPERSEDES</p> <p>DIR # 6923 Dtd. 08/23/19</p>	<p>DISTRIBUTION</p> <p>A</p>	<p>PAGES</p> <p>PAGE 1 OF 8</p>	<p>DATE LAST REVISED</p>
<p>REFERENCES (Include but are not limited to)</p> <p>NYS Government Accountability, Audit and Internal Control Act; NYS DOB Manual Item B-350; The Institute of Internal Auditors' International Professional Practices Framework; ACA Expected Practices 2-CO-1B-07, 4-APPFS-3D-08, 4-APPFS-3D-09, 4-APPFS-3D-26; Directives #2011, #6920, #6927</p>	<p>APPROVING AUTHORITY</p> 		

- I. PURPOSE:** This directive sets forth the purpose, authority, and responsibilities of the Department of Corrections and Community Supervision (DOCCS) Internal Audit Unit (IAU). This function is established pursuant to the New York State Governmental Accountability, Audit and Internal Control Act, and the New York State Division of the Budget, Budget Policy and Reporting Manual Item B-350, "Governmental Internal Control and Internal Audit Requirements."

The purpose of IAU is to provide independent, objective assurance and consulting services designed to add value and improve DOCCS operations. It will help DOCCS accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- II. AUTHORITY:** The Director of Internal Audit will report functionally to the Commissioner and administratively (i.e., day-to-day operations), to the Executive Deputy Commissioner. To establish, maintain, and assure that IAU has sufficient authority to fulfill its duties, the Commissioner will:

- Approve IAU's charter, which is encompassed by this directive.
- Approve the risk-based Internal Audit Plan.
- Approve IAU's Budget and Resource Plan.
- Receive communications from the Director of Internal Audit on IAU's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director of Internal Audit.
- Make appropriate inquiries of management and the Director of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Director of Internal Audit will have unrestricted access to, and will communicate and interact directly with, the Commissioner, including in private meetings without management present.

The Commissioner authorizes IAU to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.

- Obtain assistance from the necessary DOCCS personnel, as well as other specialized services from within or outside DOCCS, in order to complete the engagement.

III. INDEPENDENCE AND OBJECTIVITY: The Director of Internal Audit will ensure that IAU 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 Director of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operation 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 judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for DOCCS or its affiliates.
- Initiating or approving transactions external to IAU.
- Directing the activities of any DOCCS employee not employed by IAU, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Director of Internal Audit has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independents or objectivity.

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 judgements.

The Director of Internal Audit will confirm to the Commissioner, at least annually, the organizational independence of IAU.

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

IV. DEFINITION AND MISSION

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.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

- V. SCOPE OF INTERNAL AUDIT ACTIVITIES:** The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purposes of providing independent assessments to the Commissioner and the Chairperson of the Parole Board, the Executive Deputy Commissioner, and senior management on the adequacy and effectiveness of governance, risk management, and control processes for DOCCS internal audit assessments, including evaluating whether:
- A. Risks relating to the achievement of the DOCCS strategic objectives are appropriately identified and managed.
 - B. The actions of the DOCCS Commissioner, Deputy Commissioners, Assistant Commissioners, Counsel to the Parole Board, directors, employees, and contractors are in compliance with DOCCS policies & procedures, as well as applicable laws, regulations, and governance standards.
 - C. The results of operations or programs are consistent with established goals and objectives.
 - D. Operations or programs are being carried out effectively and efficiently.
 - E. Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact DOCCS.
 - F. Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
 - G. Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director of Internal Audit also coordinates activities, wherever possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. IAU may perform advisory and related client service activities (examples include: counsel, advice, facilitation, and training), the nature and scope of which will be agreed upon with the client, provided IAU does not assume management responsibility.

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

VI. RESPONSIBILITY: The Director of Internal Audit has the responsibility to:

- A. Submit, at least annually, a risk-based Internal Audit Plan for review and approval to the Commissioner and the Executive Deputy Commissioner.
- B. Communicate the impact of resource limitations on the Internal Audit Plan to the Commissioner and the Executive Deputy Commissioner.
- C. Review and adjust the Internal Audit Plan, as necessary, in response to changes in DOCCS business, risks, operations, programs, systems, and controls.
- D. Communicate any significant interim changes to the Commissioner and the Executive Deputy Commissioner.

- E. 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 applicable conclusions and recommendations to appropriate parties.
- F. Follow up on engagement findings and recommendations, and periodically provide a report to the Commissioner, the Executive Deputy Commissioner, and, as appropriate, the Chairperson of the Parole Board that addresses the program area's response to the audit's recommendations.
- G. Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- H. Ensure that IAU collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- I. Ensure trends and emerging issues that could impact DOCCS are considered and communicated to the Commissioner, the Executive Deputy Commissioner, and the Chairperson of the Parole Board as appropriate.
- J. Ensure emerging trends and successful practices in internal auditing are considered.
- K. Establish and ensure adherence to policies and procedures designed to guide IAU.
- L. Ensure adherence to relevant DOCCS policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to the Commissioner and the Executive Deputy Commissioner.
- M. Ensure IAU conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*, with the following qualifications:
 - 1. If IAU is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Director of the IAU will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
 - 2. If the *Standards* are used in conjunction with the requirements issued by the New York State Division of the Budget, Office of the State Comptroller, or the U.S. General Accountability Office (GAO), the Director of IAU will ensure that IAU conforms with the *Standards*, even if IAU also conforms with the more restrictive requirements of these other authoritative bodies.

VII. POLICY: Audits are to be conducted in conformance with the Institute of Internal Auditors' *Standards*. Examples of the type of work performed by IAU include, but are not limited to:

- A. Operational Audit: An operational audit examines an operating process to determine if resources are being used in the most efficient and effective ways to meet the unit's mission and objectives. Internal control reviews are typically a major portion of an operational audit.
- B. Compliance Audit: A compliance audit evaluates the Department's adherence to laws, regulations, and internal and external policies governing the activity being reviewed.
- C. Information System Audit: An information system audit reviews the internal control environment, the use of automated information, and the transaction processing system.

- D. Fiscal Audit: A fiscal audit reviews the recording and reporting of financial transactions to provide assurance that the financial information has been recorded accurately, and to determine whether the transactions reflect actual events and were allowable. Fiscal audits within the Department and of outside contract entities may be performed.
- E. Limited Scope Reviews: Limited scope reviews differ from internal audits in that the scope is much more limited. If any material weaknesses are discovered, a review may be expanded into a full internal audit.
- F. Consulting: In addition to completing audits, IAU can provide analysis or appraisals of business practices including an assessment of risk. Requests for such analysis should be submitted by the Deputy Commissioner, Superintendent, Regional Director, Division Head, or Bureau Chief to the Director of Internal Audit.

VIII. UNIT OPERATING PROCEDURES

A. Standards & Training

1. International Professional Practices Framework (IPPF): IAU will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing. The Director of Internal Audit will report periodically to the Commissioner and the Executive Deputy Commissioner regarding IAU's conformance with the Code of Ethics and the *Standards*.
2. Staff are encouraged to establish membership and active participation in professional organizations, including the Institute of Internal Auditors, the Statewide Internal Audit Director's groups, and the New York State Internal Control Association.
3. Continuing Professional Education (CPE): Internal Audit staff should strive to continually advance their skills and knowledge by attending training, including training that awards CPE's related to the field of internal auditing. Staff who are certified should strive to meet CPE training requirements in order to remain in good standing. It is the responsibility of each individual to track compliance with professional CPE requirements. For those required to obtain CPEs, the Director of Internal Audit should monitor staff's compliance with those requirements.
4. Audit Work Papers: IAU will maintain work paper documentation for each audit, follow-up audit, and vulnerability assessment in accordance with the *Standards*. Audit work papers are records, as defined in Directive #2011, "Disposition of Departmental Records."

Physical records are to be kept in a locked file in IAU's work area or Department authorized archive area. Electronic records are to be kept in the unit's designated electronic work area, with access limited to IAU employees, and those otherwise authorized by the Department or the Director of Internal Audit.

Work papers will be maintained and may not be destroyed or otherwise disposed of unless such disposition is authorized by either the Division of the Budget or the State Archives and Records Administration (SARA). Consistent with the Internal Controls Section of the NYS retention schedule, work papers are to be retained for a minimum of one year following the release of an audit report, but not disposed of before external assessment requirements have been met.

Approval from the Commissioner and/or the Department's Office of Counsel must be obtained prior to releasing reports and work papers to external parties, as appropriate.

NOTE: "NYS retention schedule" refers to those items listed in the Internal Controls Section of the SARA *General Retention and Disposition Schedule for the New York State Government Records, Effective September 2016*. External assessment requirements are based upon guidance issued by the Institute of Internal Auditors (IIA). The IIA requires work papers to be retained until an external Quality Assessment Review (QAR) is performed. Because QARs are required every five years, typically, work papers and reports should be retained for six years; one year after the issuance of the most recent QAR report.

5. Audit and Review Reports: Consistent with the Internal Controls Section of the NYS retention schedule, audit and review reports are to be retained for a minimum of three years after completion of the next audit report for the concerned program area, but not disposed of before external assessment requirements have been met.
6. Quality Assurance and Improvement Program: IAU will maintain a quality assurance and improvement program that covers all aspects of IAU. The program will include an evaluation of IAU's conformance with the *Standards* and an evaluation of whether internal auditors apply all the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of IAU and identify opportunities for improvement.

The Director of the IAU will communicate to the Commissioner and the Executive Deputy Commissioner the state of IAU's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments, which are to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside DOCCS.

- B. Assignments: Annual Audit Plan: An Audit Plan will be developed annually, on a fiscal year basis, by the Internal Audit staff with Executive management approval. The Audit Plan, which outlines audits and reviews to be undertaken during the year, must be risk-based, reviewed by Executive management, and updated quarterly.

The audit selection process will include Internal Audit's independent assessment of risk; input from the Commissioner, Executive Deputy Commissioner, and senior management; and available audit, internal control, and enterprise risk management resources.

C. Internal Audit Procedures

1. Notification of Audit: The Deputy Commissioner, Superintendent, Regional Director, Division Head, or Bureau Chief of the area(s) to be audited or reviewed will be notified in writing before any site work is initiated.
2. Opening Conference: A mandatory Opening Conference (unless waived by the Director of Internal Audit) will be conducted between members of IAU and the supervisors of the function(s) or area(s) to be audited or reviewed. At the Opening Conference, IAU will discuss the scope of the audit or review and respond to any questions or concerns.

3. **Site Work:** Some audits or reviews include field work, which requires the internal auditors to visit bureaus, offices, or facilities throughout the State. The Superintendent, Regional Director, Division Head, or Bureau Chief of the area(s) audited will be notified at least two weeks in advance of site work. IAU staff will coordinate with supervisors to schedule their work in a manner that is least disruptive to office operations. IAU staff will provide written notification of the site work, including instructions on how the site should prepare. Supervisors should fully brief staff regarding the audit, before IAU arrives, to alleviate any staff concerns.
4. **Exit Conference:** A mandatory Exit Conference (unless waived by the Director of Internal Audit) will be conducted between members of IAU and the Superintendent, Regional Director, Division Head, or Bureau Chief of the function(s) or area(s) that were audited or reviewed. At the Exit Conference, IAU will discuss findings and respond to any questions or concerns.
5. **Draft Audit Report:** A Draft Audit Report, or relevant portion thereof, will be forwarded to the supervisors involved in the audit for their review and comment. The Superintendent, Regional Director, Division Head, or Bureau Chief with jurisdiction over the audited area(s) is required to respond to the audit findings and recommendations, in writing, within 30 days of the issuance of the Draft Audit Report. Whenever possible, IAU will incorporate the written response(s) as an attachment to the Final Audit Report.
6. **Final Audit Report:** A Final Audit Report will be issued to the Commissioner and Executive Deputy Commissioner. Copies will be provided to the Superintendent, Regional Director, Division Head, or Bureau Chief involved in the audit, as well as the Deputy Commissioner with functional oversight. **Audit Reports will not mention staff by name.**
7. **Audit Follow-Up:** As required by the Institute of Internal Auditors' IPPF, IAU will establish and maintain a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

This process may include a follow-up review, whose scope is limited to evaluating the adequacy of management's response to the original recommendations.

IAU will prepare a report describing the actions taken and provide it to the Commissioner, Executive Deputy Commissioner, and to the Superintendent, Regional Director, Division Head, or Bureau Chief involved in the audit, as well as the Deputy Commissioner with functional oversight.

D. Fiscal Audits of Contract Programs

1. The Department has contracts with outside providers for the provision of various commodities, as well as residential, employment, and other rehabilitative services.
2. These contracts will be audited on a periodic basis, with specific recommendations included in the Annual Audit Plan detailed in Section VIII-B.
3. Contract Fiscal Audits will follow the same process as detailed in Section VIII-C. The Re-Entry Services contract manager for the audited contracts will be the "Supervisor of the Function," for purposes of the Audit Plan.

4. Fiscal Audits will follow the standardized audit program developed by IAU. The program may be modified depending upon findings made during the audit.

E. Limited Scope Reviews

1. The Department's Annual Audit Plan may include limited scope reviews. In addition, reviews may be added during the year based on the needs of the Department.
2. Reviews will follow the same process as detailed in Section VIII-C. The difference between reviews and an audit is essentially that reviews provide limited assurance. They typically do not report on internal controls or compliance with provisions of laws, regulations, contracts, and grant agreements. The auditor obtains a similar level of assurance in a review engagement as in a review of financial statements. Reviews are conducted in a shorter period of time than audits. Follow up will be determined on a case-by-case basis.

- F. Facility Financial/Commissary Audit: In order to comply with ACA recommended practices for correctional facilities, an audit guide is used by correctional facility staff to conduct Facility Three-Year Financial Peer Audits. IAU is responsible for overseeing the process by: managing the content of audit guides, tracking and monitoring their completion, and reviewing them and communicating the results to Superintendents. In addition, any year that the Three-Year Financial Peer Audit is not performed, the Department requires an audit of the Commissary. The Commissary Section of the Facility Three-Year Financial Peer Audit is to be used for purposes of conducting these Commissary audits. Commissary audits are to be sent to Support Operations, who is responsible for ensuring a copy is provided to the IAU.

Similar audit guides may be developed, as deemed necessary, for Community Supervision offices, contract residential treatment programs, and other functional areas in the Department. IAU will use the results of these audits to consider whether follow-up audit actions are required.

G. Interaction with the Bureau of Internal Controls (BIC)

1. IAU is independent from Central Office BIC.
2. BIC will perform all of its responsibilities outlined within Directive #6920, "System of Internal Controls," and Directive #6927, "Functions – Office of Compliance Standards."
3. For the purpose of audits conducted by outside entities, such as the Office of State Comptroller (OSC), BIC will notify IAU that the audit has commenced, include IAU in all Opening and Exit Conferences, provide periodic updates on the status of the audit, and provide IAU with the opportunity to review agency responses to preliminary findings, draft audits, and final audits prior to dissemination to OSC.
4. BIC will notify IAU of all identified internal control weaknesses that they have identified or become aware of. Respectively, IAU will notify BIC of all identified internal control weaknesses that they have identified or become aware of.