



ADMINISTRATIVE POLICIES
AND PROCEDURES
State of Tennessee
Department of Correction

Index #: 111.01

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Effective Date: May 1, 2012

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Approved by: Derrick D. Schofield

Subject: INTERNAL AUDITS

- I. AUTHORITY: TCA 4-6-116, TCA 4-3-603, TCA 4-3-606, TCA 8-19-501, and TCA 9-3-212.
- II. PURPOSE: To set forth the responsibilities of Internal Audit.
- III. APPLICATION: To all employees and operational units within the Tennessee Department of Correction (TDOC).
- IV. DEFINITIONS:
 - A. Administrator: The Warden, Superintendent, or District Director of the audited site.
 - B. Audit Finding: A significant deficiency requiring corrective action.
 - C. Fiscal Audit: An examination and verification of the accounts and financial matters of a department, division, or unit, utilizing work programs prepared by Internal Audit.
 - D. Follow up Audit: A reexamination audit conducted at the direction of the Commissioner, Chief of Staff, or a Deputy Commissioner and under the supervision of the Director of Compliance.
 - E. Internal Audit: A section within the Office of Investigation and Compliance responsible for financial audits and fiscal reviews of internal control functions within all Department of Correction operational units.
 - G. Program Audit: An in-depth study and appraisal of a program to determine its significance, performance, and worth.
 - H. Plan of Corrective Action: Plans submitted by the department, division, or unit administrator(s) detailing how each deficiency found during the audit will be corrected.
 - I. Semi-annual review: A review of the plans of corrective action submitted to correct audit deficiencies. This review is conducted at the direction of the Director of Compliance and under the supervision of the Auditor IV.
- V. POLICY: Internal Audit is responsible for financial audits and fiscal reviews of internal control functions, and performance of management and program audits as assigned by the Commissioner, Chief of Staff, or a Deputy Commissioner. Internal Audit provides protection against significant deficiencies in control functions utilized by operational units within the Department, as well as fraud, waste, and abuse, through the audit process.

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VI. PROCEDURES:

- A. An audit cycle will include annual audits of TDOC Institutions, the Tennessee Correction Academy, District offices, and/or any operational unit within the Department. Audits of other sites or functions (i.e., Central Office, centralized functions, and/or special reviews) will be performed at the direction of the Commissioner, Chief of Staff, or Deputy Commissioners.
- B. In addition to departmental or other state agency policy, the Internal Audit staff shall utilize standards recommended by the American Institute of Certified Public Accountants, the Institute of Internal Auditors, and the National Council on Governmental Accounting referenced in the Audit Manual of the Division of State Audit, Comptroller of the Treasury, State of Tennessee.
- C. Scheduling Audits:
1. The Director of Compliance and the Auditor IV shall develop a departmental audit schedule and forward the scheduled audit dates to all departmental sites no later than June 15th of each year.
 2. Following the release of the audit schedule, the audit dates shall not be changed unless approved by the Director of Compliance.
 3. The duration of the audit will depend upon the size and complexity of the location to be audited.
- D. When any operational unit within the Department is selected for an audit, the following procedures will be followed:
1. A preliminary meeting will occur within Internal Audit to identify the mission and direction of the audit. A lead auditor shall be designated, work programs identified, and timetables established.
 2. The location to be audited will be notified of the pending audit by the Compliance Section.
 3. An entrance interview with the Fiscal Director will be conducted by the lead auditor prior to the initiation of fieldwork at the selected site.
 4. The fieldwork shall include completion of work papers, review of work papers, and identification of deficiencies.
 5. An exit interview with the appropriate site administrators will be conducted by the lead auditor at the conclusion of the audit.
- E. Upon return to central office, the auditor(s), lead auditor, and the Auditor IV shall evaluate each deficiency for significance and magnitude. All deficiencies determined to be significant by the Auditor IV will be designated a finding. Minor deficiencies, or deficiencies corrected during the audit, will be referred to but not listed as findings.

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- F. Internal Audit will issue a written report within 30 working days, summarizing the audit results and identifying each finding. The report will be forwarded to the administrator of the audited site for a response with a copy to the appropriate Correctional Administrator, if applicable. The administrator shall submit a response to the Director of Compliance within 20 working days with a plan of corrective action for each deficiency that resulted in a finding, or provide an explanation of disagreement. The administrator shall forward a copy to the appropriate Correctional Administrator, if applicable.
 - G. Within 30 working days of receipt of the management response, the Director of Compliance will include the administrator's response (with any additional summary comments) in the final audit report submitted to the Commissioner, Chief of Staff, Deputy Commissioners, Assistant Commissioners, and Correctional Administrators. Copies of the final report shall also be forwarded to the Division of State Audit, Comptroller of the Treasury. Shortages of state monies or unauthorized removal of state property will be reported to the Comptroller in this report.
 - H. Any reexamination or special audits shall be conducted at the direction of the Commissioner, Chief of Staff, or Deputy Commissioners and under the supervision of the Director of Compliance.
 - I. A quarterly summary of findings not concurred with by management will be forwarded to the Chief of Staff, Deputy Commissioners, Assistant Commissioners, and the Correctional Administrators by the Director of Compliance.
 - J. The Director of Compliance and the Auditor IV will ensure that appropriate communication is maintained with the Division of State Audit, Comptroller of the Treasury, and keep the Commissioner, Chief of Staff, and Deputy Commissioners fully advised.
- VII. ACA STANDARDS: 4-4036, 4-4043, 2-CO-1B-01, 2-CO-1B-05, 2-CO-1B-07, and 2-CO-1B-13
- VIII. EXPIRATION DATE: May 1, 2015.