



## Illinois Department of Corrections

### Administrative Directive

Number: <b>01.11.102</b>	Title: <b>Internal Audit</b>	Effective: <b>5/1/2021</b>
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<b>Authorized by:</b>	<i>[Original Authorized Copy on File]</i> <b>Rob Jeffreys</b> Acting Director
<b>Supersedes:</b>	01.11.102 effective 1/1/2014

<b>Authority:</b> 30 ILCS 10/1001 et.seq. <i>International Standards for the Professional Practice of Internal Auditing (Standards)</i> – published by the Institute of Internal Auditors (IIA)	<b>Related ACA Standards:</b> 5-ACI-1A-17, 5-ACI-1B-07, 5-ACI-1B-12, 5-ACI-6D-03, 5-ACI-6D-09
<b>Referenced Policies:</b>	<b>Referenced Forms:</b>

#### I. **POLICY**

The Department shall maintain a full-time comprehensive and independent internal auditing program for examining and evaluating its activities to assist management in maintaining an effective system of internal control.

#### II. **PROCEDURE**

##### A. **Purpose**

The purpose of this directive is to establish a written procedure governing the Department's Office of Internal Audit auditing program in accordance with the Fiscal Control and Internal Auditing Act.

##### B. **Applicability**

This directive is applicable to all correctional facilities, offices, programs and parole services within the Department.

##### C. **Facility Reviews**

A facility review of this directive shall be conducted at least annually.

##### D. **Designees**

No designees are permitted.

##### E. **Definitions**

Administrative controls - the broad controls on all activities that officials use to accomplish their objectives economically, efficiently and effectively.

Chief Administrator - for the purposes of this directive, the Chief Administrative Officer of a correctional facility or program site or the appropriate manager of a unit.

Fiscal controls - the controls on authorizing, processing, recording and reporting transactions. Fiscal controls are part of the administrative control's environment.

Internal auditing - an independent, objective assurance and consulting activity designed to add value and improve an organization's operations by using a systematic, disciplined approach to evaluate and improve the risk management, control and governance processes.

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Internal control - the overall plan of organization and the methods and procedures an agency uses to ensure: the reliability and integrity of information; compliance with policies, plans, procedures, laws and regulations; the safeguarding of assets; the economical and efficient use of resources; and the accomplishment of established objectives and goals.

**F. General Provisions**

1. The Chief Internal Auditor shall report directly to and have direct communication with the Director of the Department.
2. The Office of Internal Audit shall have full, unrestricted access to all Department activities, records, property and personnel.

**G. Responsibilities**

1. The Chief Internal Auditor shall:
  - a. Coordinate the Department's internal auditing program. The program shall include:
    - (1) Audits of major systems of internal accounting and administrative control to determine whether the Department's risk management, control and governance processes are adequate and functioning as to ensure: risks are appropriately identified and managed; interaction with the governance groups occurs as needed; significant financial, managerial and operating information is accurate, reliable and timely; employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations; resources are acquired economically, used efficiently and adequately protected; programs, plans and objectives are achieved; quality and continuous improvement are fostered in the control processes; and significant legislative or regulatory changes impacting the Department are addressed appropriately.
      - (a) Audits shall be conducted on a periodic basis so that all major systems are reviewed at least once every two years.
      - (b) The audits must include testing of:
        - i. The obligation, expenditure, receipt and use of public funds of the State and of funds held in trust, to determine whether those activities are in accordance with applicable laws and regulations; and
        - ii. Grants received or made by the Department to determine that the grants are monitored, administered and accounted for and in accordance with applicable laws and regulations.
    - (2) Reviews of the design of major new electronic data processing systems and major modifications of those systems before installation, to ensure the systems provide for adequate audit trails and accountability.
    - (3) Special audits of operations, procedures, programs, electronic data processing systems and activities as directed by the Director.
    - (4) Advisory or consultation services, including, but not limited to, special projects, reviews or investigations; research of best practices; training on audit related topics; and adequacy of draft policy and process design as approved by the Director.

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- b. Coordinate the external financial and compliance audit process with the Office of the Auditor General (OAG) and any special assistants hired by the OAG to perform audits of the Department.
  - c. Assist the Director in the annual evaluation and certification to the Auditor General regarding the adequacy and effectiveness of the Department's systems of internal control.
2. The Chief Administrator shall:
- a. Devise, install and supervise systems of internal control adequate to safeguard the assets of his or her unit, ensure the accuracy and reliability of financial information, promote operational efficiency and effectiveness, ensure adherence to the prescribed managerial policies and procedures, and ensure compliance with all applicable Federal and State laws and regulations.
  - b. Provide full cooperation with the Office of Internal Audit, including answering questions relevant to his or her unit or area and making available all personnel, records and required information requested.

**H. Requirements**

The Chief Internal Auditor shall:

- 1. Establish an Internal Audit Charter that identifies and defines the purpose, authority and responsibility of the Office of Internal Audit. The Charter shall be reviewed at least annually and, if changes are made, be re-submitted to the Director for his or her approval.
  - 2. Establish and maintain an audit manual containing the approved Charter and auditing procedures to ensure audits are performed in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics published by The Institute of Internal Auditing and adopted by the State Internal Audit Advisory Board (SIAAB).
  - 3. Prior to July 1<sup>st</sup> of each year, submit for the Director's approval, a two-year plan that identifies the audits scheduled for the pending fiscal year.
  - 4. By September 30<sup>th</sup> of each year, submit to the Director a written report detailing how the audit plan for the previous fiscal year was carried out; an assessment of the adequacy and effectiveness of the Department's processes for controlling activities and managing risks; any significant findings, including those specifically related to processes for controlling the Department's activities; and recommendations for improvement and the extent to which the recommended changes were implemented.
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