



# Virginia Department of Corrections

## Authority, Inspection, and Auditing

### Operating Procedure 030.2

#### *Internal Audit*

#### **Authority:**

Directive 030, *Audits and Investigations*

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#### **Supersedes:**

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**Access:** ☐ Restricted ☒ Public ☐ Inmate

#### **ACA/PREA Standards:**

None

**Content Owner:** Kyle Wakefield  
Deputy Internal Audit Director

*Signature Copy on File*

12/2/24

Signature

Date

**Reviewer:** Kathy Brown  
Internal Audit Director

*Signature Copy on File*

12/2/24

Signature

Date

**Signatory:** Chadwick Dotson  
Director

*Signature Copy on File*

12/2/24

Signature

Date

## REVIEW

The Content Owner will review this operating procedure annually and re-write it no later than three years after the effective date.

## COMPLIANCE

This operating procedure applies to all units operated by the Virginia Department of Corrections (DOC). Practices and procedures must comply with applicable State and Federal laws and regulations, American Correctional Association (ACA) standards, Prison Rape Elimination Act (PREA) standards, and DOC directives and operating procedures.

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## DEFINITIONS

**Advisory Services** - Services through which internal auditors provide advice to an organization's stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. "Advisory services" are also known as "consulting services" (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Assurance** - Statement(s) intended to increase the level of stakeholders' confidence about an organization's governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Assurance Services** - Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational/performance, and technology enhancements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Chief Audit Executive** - The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with *Global Internal Audit Standards* (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Fraud** - Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Fraud, Waste and Abuse Hotline** - The Hotline is administered by the Office of the State Inspector General. The Hotline's major objectives include providing a confidential method for state employees and citizens to report suspected occurrences of fraud, waste and abuse in state agencies and institutions; investigating such occurrences to determine their validity; and, if valid, making appropriate recommendations to eliminate these occurrences.

**Independence** - The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Internal Audit Charter** - A formal document that includes the internal audit function's mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Internal Auditing** - An independent, objective assurance and advisory service 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 governance, risk management, and control processes (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Objectivity** - An unbiased mental attitude that allows internal auditors to make professional judgements, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise (as defined by the *Global Internal Audit Standards* promulgated by the Institute of Internal Auditors).

**Organizational Unit** - A DOC unit, such as a correctional facility, Regional Office, Probation and Parole Office, Virginia Correctional Enterprises, Academy for Staff Development, Infrastructure and Environmental Management Unit, Agribusiness Unit, and individual Headquarters units, e.g., Human Resources, Offender Management, Internal Audit.

**Organizational Unit Head** - The person occupying the highest position in a DOC organizational unit, such as a correctional facility, Regional Office, Probation and Parole Office, Virginia Correctional Enterprises, Academy for Staff Development, Infrastructure and Environmental Management Unit, Agribusiness Unit, and individual Headquarters units, e.g., Human Resources, Offender Management, Internal Audit.

## PURPOSE

This operating procedure establishes the duties and responsibilities of the Department of Corrections (DOC) Internal Audit Unit.

## PROCEDURE

### I. Internal Audit Overview

- A. The Virginia Department of Corrections *Internal Audit Charter* is maintained within the Internal Audit Unit and relevant requirements are summarized within this section of the operating procedure.
- B. Mission - The mission of the Internal Audit Unit is to provide independent, risk-based, and objective assurance as well as advisory (consulting) services designed to add value and improve the organization's operations. The unit helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
- C. Standards of Audit Practice - The Internal Audit Unit will comply with the mandatory elements of the *International Professional Practices Framework (IPPF)* of The Institute of Internal Auditors which are the *Global Internal Audit Standards* and *Topical Requirements* (collectively referred to as the *Standards*).
- D. Scope of Work - The scope of work of the Internal Audit Unit is to determine whether the organization's network of governance, risk management, and control processes, as defined and represented by management, is adequate and functioning in a manner to ensure that:
  - 1. Risks are appropriately identified and managed.
  - 2. Interaction with the various governance groups occurs as needed.
  - 3. Significant financial, managerial, and operating information is accurate, reliable, timely, and available.
  - 4. Employees' actions comply with policies, standards, procedures, and applicable laws and regulations.
  - 5. Resources are acquired economically, used efficiently, and adequately protected.
  - 6. Programs, plans, and objectives are achieved.
  - 7. Quality and continuous improvement are fostered in the organization's control process.
  - 8. Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
- E. Accountability - The Internal Audit Director serves as the Chief Audit Executive. In the discharge of their duties, they will be accountable to management and the Secretary of Public Safety and Homeland Security as follows:
  - 1. Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes and provide information concerning such issues through resolution.
  - 2. Periodically provide information on the status and results of the annual audit plan and the sufficiency of unit resources.
  - 3. Coordinate with other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).
  - 4. Communicate any such conclusion that management has accepted a level of risk that may be unacceptable to the organization.
- F. Oversight by the Office of the State Inspector General (OSIG) - Per OSIG Directive 001, *Oversight of State & Specific Non-State Agencies' Internal Audit Programs*, the OSIG has oversight of internal audit programs at executive branch agencies, which includes the DOC. In order for the OSIG to accomplish



appropriate oversight and assess that professional standards are being met; the Internal Audit function is required to provide the following documentation to the OSIG on an ongoing basis:

1. The *Internal Audit Charter* and any related modifications.
2. Completed external quality assessment reviews.
3. Annual audit plan by September 30<sup>th</sup> of each year and any subsequent modifications; and related risk assessment used to develop the plan.
4. Final reports on planned audits, special projects, and investigations; certain exclusions apply.
5. Status of corrective actions taken.

#### G. Independence and Objectivity

1. Internal Audit activities of the DOC are the responsibility of the Internal Audit Director who reports to the Director.
2. The Internal Audit Unit is free from interference in determining the scope of internal auditing, performing work, and communicating results.
3. Internal Auditors must have an impartial, unbiased attitude, and avoid any conflict of interest.

#### H. General Responsibilities

1. Internal Audit performs a DOC risk assessment of operational areas (the identified audit universe) and prioritizes the areas for control evaluation.
2. The risk assessment considers several factors, including the DOC strategic plan, DOC mission and goals, emerging risks and initiatives, management input, planned system changes, Hotline investigations, special projects, and previous audit results. Other external contributors include legislative impacts, and technological and economic conditions.
3. As a result of the risk assessment, an annual audit plan is developed to identify the specific areas and operational (business) processes for evaluation. In addition, a three-year IT Security Audit plan is developed in accordance with Virginia Information Technology Agency (VITA) Information Technology Security Audit Standard SEC502.
4. The Internal Audit Unit has the responsibility to:
  - a. Develop a flexible annual audit plan using a risk-based methodology, including any risks or control concerns identified during the annual audit process. Submit that plan, as well as any subsequent plan updates, to the Director for review and approval.
  - b. Implement the annual audit plan, as approved, considering any special tasks or projects requested by management and the Secretary of Public Safety and Homeland Security.
  - c. Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certification to meet the requirements of the *Standards*.
  - d. Issue periodic reports to the Director and the Secretary of Public Safety and Homeland Security, as needed, summarizing results of audit activities.
  - e. Keep the Director informed of emerging trends and successful practices in internal auditing.
  - f. Assist in the investigation of significant suspected fraudulent activities within the organization, as requested.
  - g. Consider the scope of work of the external auditors and regulators, as appropriate for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

#### I. Quality Assurance and Improvement Program

1. The Internal Audit Director must maintain a Quality Assurance and Improvement Program (QAIP) that covers all substantial aspects of the internal audit activity, and which is designed to enable an evaluation of their conformance with the *Standards*.

2. The QAIP must include both Internal Assessments and External Assessments:
  - a. Internal Assessments must include performance of the following two components:
    - i. Ongoing monitoring through the day-to-day supervision, review and measurement of the internal audit activity, as incorporated into the routine procedures and practices used to manage Internal Audit activity; and
    - ii. Periodic self-assessments conducted and documented to evaluate conformance with the *Standards*. DOC Internal Audit has established a practice of performing a minimum of two self-assessments within each five-year period between External Assessments.
  - b. An External Assessment must be conducted once every five years by a qualified independent assessor from outside of DOC. This can be accomplished through either a full external assessment, or a self-assessment with independent external validation.
  - c. The Internal Audit Director must communicate the results of the QAIP to the Director and senior management. Per the *Standards*, the disclosure should include:
    - i. The scope and frequency of both the internal and external assessments.
    - ii. The qualifications and independence of the assessor (or assessment team), including potential conflicts of interest.
    - iii. Conclusions of assessors (DOC Internal Audit will provide the Director with a written report of results from all Internal and External Assessments performed).
    - iv. Corrective action plans (DOC Internal Audit will include such plans within the written report of results from all Internal and External Assessments performed).

#### J. Authority

1. Internal Audit staff are authorized to:
  - a. Have unrestricted access to any of the Department's records, properties, and personnel relevant to the performance of an audit or an investigation.
  - b. Have full and free access to the Secretary of Public Safety and Homeland Security.
  - 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 organization where they perform audits, as well as other specialized services from within or outside the organization.
2. Documents and information given to Internal Auditors during a periodic review will be handled in the same prudent manner, as by those employees normally accountable for them.
3. Internal Audit will make special efforts to accommodate the Department's daily operations in scheduling and conducting reviews.
4. The Internal Audit Unit is not authorized to:
  - a. Perform any operational duties for the organization or its affiliates.
  - b. Initiate or approve accounting transactions external to the Internal Audit Unit.
  - c. Direct the activities of any organization employee not employed by the Internal Audit Unit, except to the extent such employees have been appropriately assigned to the auditing teams or to otherwise assist the Internal Auditors.

#### II. Responsibilities - The following responsibilities apply to carrying out all internal audit functions:

- A. Internal Audit will assist management by independently reviewing and evaluating DOC operations to determine:
  1. Assets are being properly safeguarded.
  2. The mission, goals, and objectives of the DOC and any specific unit are being attained.
  3. Compliance with policies, procedures, laws, and regulations.



4. Effectiveness and efficiency of operations and programs and related use of resources.
5. Reliability and integrity of financial and operational information.

- B. The Internal Audit Director, with the assistance of unit management, will provide daily administration to Internal Audit Unit staff, develop internal operating procedures for the unit, develop an annual schedule of audits, make staff assignments to specific audits, and submit reports as required.
- C. Internal Auditors will maintain an objective viewpoint, maintain confidentiality of information received, and determine proper audit procedures to be used.
- D. DOC employees will provide requested information and documents, assist in the detection of errors and irregularities, report actual or suspected violations to the Internal Audit Unit, and assist the auditors as requested.

### III. Types of Audits - The Internal Audit Unit conducts the following types of audits:

- A. Financial audits are reviews of the accounting and reporting of financial transactions, including commitments, authorizations, receipts, and disbursement of funds. The purpose is to verify that there are sufficient controls over financial management and use of resources.
- B. Compliance audits assess the degree of a unit's adherence to laws, regulations, policies, and procedures. These assessments could include a review of compliance with Federal, State, or DOC requirements.
- C. Operational audits examine the use of unit resources to evaluate whether those resources are being used in the most efficient and effective ways to fulfill the DOC and unit's mission, goals, and objectives. An operational audit could include elements of a compliance audit, a financial audit, and an information technology audit.
- D. Special projects or consulting engagements are those assignments conducted to meet a specific purpose or identified need; see the *Special Projects and Consulting Engagements* section of this operating procedure.
- E. Information Technology (IT) audits are those assignments that support the internal audit activity in meeting their requirement to assess whether the IT governance of the DOC supports the agency's strategies, goals, and objectives.
  1. IT audits assess the controls related to information systems and use of those systems.
  2. IT auditing can focus on existing systems, as well as systems in the development stage upon request.
  3. The establishment of an IT Security Audit program is required by Virginia Information Technology Agency (VITA) Information Technology Security Audit Standard SEC502.
- F. The State Fraud, Waste and Abuse Hotline audits and investigations are referred to the DOC from the OSIG. (See the section on *State Fraud, Waste and Abuse Hotline Investigations*.)

### IV. Audit Plan

- A. The Internal Audit Director will be responsible for the development of the annual audit plan based upon a risk assessment. Input from senior management and organizational units should be considered in this process. (See the section on *General Responsibilities*.)
- B. The audit plan along with resource requirements will be submitted to the Director for review and approval. Resource limitations should also be included as a part of the audit plan.
- C. The audit plan will be reviewed periodically and adjusted to accommodate audit requests, resource constraints, and other special projects as assigned.

### V. Requesting an Audit

- A. Audit requests may be made to the Internal Audit Director by an Organizational Unit Head or higher



management level. Such requests may be made either telephonically, electronically, or in writing.

- B. The Internal Audit Director in conjunction with the Director will determine if resources are available and when the audit can be started. The requester will be notified of the decision.

#### VI. Reporting Suspected Violations

- A. Any employee of the DOC becoming aware of any criminal activity, waste, fraud, mismanagement, improper financial practices, and any other questionable illegal activity will report the incident to the Internal Audit Director.
1. Other notifications or reports of incidents made to other individuals or units do not relieve individuals or organizational units from reporting requirements dictated by this procedure.
  2. Employees may use the State Fraud, Waste and Abuse Hotline or follow the established chain of command in reporting suspected violations in lieu of reporting directly to the Internal Audit Director.
- B. Every effort will be made to ensure that such reports remain confidential as to their source, and the Internal Audit Director will determine appropriate actions to be taken. Management should not attempt to identify the source of information. Any retaliation is subject to disciplinary action.
- C. Willful failure to report known questionable illegal activities will be deemed cause for disciplinary action.
- D. Allegations that suggest a reasonable possibility that fraudulent transactions have occurred will be reported to the Auditor of Public Accounts (APA), the OSIG, and the Superintendent of the State Police in accordance with COV §30-138, *State agencies, courts, and local constitutional officers to report certain fraudulent transactions; penalty*.

#### VII. Audit Assistance

- A. The Organizational Unit Head or higher management level, as appropriate, will be responsible for audit assistance.
- B. This includes timely access to all information relevant to an audit and assistance including, but not limited to:
1. Preserving records and documentation, restricting access to checkbooks or funds, and restricting individual access in cases of alleged violation of financial practices.
  2. Providing a suitable work area for the auditors.
  3. Providing records and documentation requested by the internal auditors.
  4. Providing knowledgeable individuals to answer questions and render assistance to the auditors.

#### VIII. Audits

- A. The scope of internal auditing work encompasses a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of governance, risk management, and control processes and the quality of performance in carrying out assigned responsibilities.
- B. The purpose of evaluating the adequacy and effectiveness of the organization's existing governance, risk management, and control processes is to provide:
1. Reasonable assurance that controls are in place to mitigate risks within the business unit or area under review.
  2. Reasonable assurance that these processes are functioning as intended and will enable the organization's goals and objectives to be met.
  3. Recommendations for improving the organization's operations in terms of both efficient and effective performance.



C. DOC management is engaged to provide input as to the scope of work and the activities to be audited.

IX. Special Projects or Advisory (Consulting) Services

A. Special projects or advisory (consulting) services are assignments conducted to meet a specific purpose or identified need and must be approved by the Internal Audit Director.

B. Special projects that are conducted in conjunction with, or as part of, an investigation require auditors/investigators to identify subjects and witnesses, conduct interviews, collect and process evidence, and submit reports to management.

C. Employees are expected to:

1. Fully cooperate during the course of special project assignments.
2. Respond with truthful and complete answers to all proper questions of official interest.
3. Provide auditors/investigators with any and all information or evidence that may pertain to the specific matter under review.
4. Protect confidential and sensitive information and not disclose facts that might compromise the collection of evidence while the investigation is on-going.

D. Investigators may utilize the *Internal Audit Unit Notice of Investigation* 030\_F23 for employee interviews.

1. The *Notice of Investigation* advises employees of the requirement to answer questions relating to the performance of official duties and may be used in disciplinary proceedings.
2. The *Notice of Investigation* also advises eligible Corrections Officers of their rights under COV §9.1-508 et seq., *Correctional Officer Procedural Guarantee Act*; see Operating Procedure 145.4, *Employee Grievances*.
3. Failure to answer questions truthfully and fully will be considered a violation of Operating Procedure 135.1, *Standards of Conduct*, and may result in disciplinary action.

X. State Fraud, Waste and Abuse Hotline Investigations

A. State Fraud, Waste and Abuse Hotline (Hotline) investigations are referred to the DOC Internal Audit Unit by the OSIG, who manages the program. Hotline investigations are guided by the *State Fraud, Waste and Abuse Hotline Policies and Procedures Manual*, published by the OSIG. Hotline complaints may be investigated by the Internal Audit Unit, the Office of Law Enforcement Services, the Human Resources Unit, or other DOC management, depending on the nature of the allegation.

B. Hotline investigations require investigators to determine pertinent subjects and witnesses, conduct interviews, collect and process evidence, and submit reports to management.

C. Employees are expected to:

1. Fully cooperate during the course of Hotline investigations.
2. Respond with truthful and complete answers to all proper questions of official interest.
3. Provide investigators with all information or evidence that may pertain to the specific matter under investigation.
4. Protect confidential and sensitive information and not disclose facts that might compromise the collection of evidence while the investigation is on-going.

D. Investigators may utilize the *Internal Audit Unit Notice of Investigation* 030\_F23 for employee interviews.

1. The *Notice of Investigation* advises employees of the requirement to answer questions relating to the performance of official duties and may be used in disciplinary proceedings.
2. The *Notice of Investigation* also advises eligible Corrections Officers of their rights under COV §9.1-



508 et seq., *Correctional Officer Procedural Guarantee Act*; see Operating Procedure 145.4, *Employee Grievances*.

3. Failure to answer questions truthfully and fully will be considered a violation of Operating Procedure 135.1, *Standards of Conduct*, and may result in disciplinary action.

E. Hotline reports, interviews, and investigative work papers are the property of the OSIG.

#### XI. Audit Reports

- A. If the following activities are discovered during an audit or other engagement, they will be promptly reported by the Internal Audit Director to the Director; follow-ups will be provided as necessary or when requested.
  1. Major security problems.
  2. Indications of fraud or significant problems regarding management or employee conduct.
  3. Inmates or probationers/parolees involved in potentially significant security breaches or substantial criminal activity.
  4. Any other activity, which in the opinion of the Internal Audit Director, is of sufficient magnitude to warrant notification.
- B. A detailed written report will be made of each audit and special/consulting project conducted, to include conditions (with criteria and recommendations) and observations.
- C. Draft reports are the property of the Internal Audit Unit and are considered “work in progress.”
- D. Final audit reports are the property of the DOC, subject to Freedom of Information Act (certain exclusions apply) and will be distributed as deemed appropriate by the Director.
- E. As necessary, the Internal Audit Unit will recommend changes in policy, procedure, or practice based on the results of internal audits or other engagements.

#### XII. Action Plans

- A. The Organizational Unit Head, in coordination with their designated “Point Person(s),” is responsible for the submission of an action plan for each recommendation in the audit report using the *Internal Audit Unit Conditions and Actions* form issued at the end of the engagement.
- B. All action plans, except for IT Security Audit action plans, will be submitted to the applicable Chief of Corrections Operations, Deputy Director for Administration, or Deputy Director of Programs, Education, and Reentry for approval.
- C. IT Security Audit action plans will be submitted to the System Owner, the Organizational Unit Head, and the Information Security Officer, or designee, for approval.
- D. The completed, approved action plan(s) should be submitted to the Internal Audit Unit within 30 days.
- E. The Internal Audit Unit performs required follow-up on the implementation of management’s submitted action plans.
- F. The Organizational Unit Head, in coordination with their designated “Point Person(s),” is responsible for ensuring that any subsequent action plan updates are submitted in a timely manner to the Internal Audit Unit. The Chief of Corrections Operations, Deputy Director for Administration, or Deputy Director of Programs, Education, and Reentry will be apprised of past due action plan implementation.

#### XIII. Specialized Expertise

- A. Specialized expertise can be requested by the Internal Audit Director.
- B. If, during an internal audit, the need for specialized assistance is approved, arrangements for such



assistance will be made by the Internal Audit Director, with concurrence of the Director.

#### XIV. External Liaison

- A. The Internal Audit Director is designated as a liaison for the DOC with external auditors. This includes the *Auditor of Public Accounts*, auditors of federal programs; other state agencies, and Certified Public Accountants retained by the DOC.
- B. Audits will be coordinated to prevent duplication of efforts while rendering assistance where needed or requested.
- C. The Internal Audit Director will be informed promptly of all external audit activities within the DOC and any liaison assistance required. The final resulting reports should be provided to the Internal Audit Director as soon as they are received.

### REFERENCES

COV §9.1-508 et seq., *Correctional Officer Procedural Guarantee Act*

COV §30-138, *State agencies, courts, and local constitutional officers to report certain fraudulent transactions; penalty*

Operating Procedure 135.1, *Standards of Conduct*

Operating Procedure 145.4, *Employee Grievances*

*Auditor of Public Accounts*

### ATTACHMENTS

None

### FORM CITATIONS

*Internal Audit Unit Notice of Investigation 030\_F23*