



Virginia Department of Corrections

Financial Management and Procurement

Operating Procedure 220.2

Managing and Responding to Fiscal Audits

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5-ACI-1B-12; 4-ACRS-7D-23, 4-ACRS-7D-24;
4-APPFS-3D-26; 2-CO-1A-22; 2-CO-1B-07;
1-CTA-1B-07

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REVIEW

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

The content owner reviewed this operating procedure in April 2023 and determined that no changes are needed.

The content owner reviewed this operating procedure in May 2024 and determined that no changes are needed.

COMPLIANCE

This operating procedure applies to all units operated by the Virginia Department of Corrections. Practices and procedures must comply with applicable State and Federal laws and regulations, ACA standards, PREA standards, and DOC directives and operating procedures.

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DEFINITIONS

Agency - Any Organizational Unit of the Department of Corrections that has its own unique budgetary agency code e.g., Agency 701, 767, etc.

Agency Fiscal Officer - The Business Manager at major institutions, including assigned field units, Support Services Manager at Regional Offices, including field units not assigned to major institutions, Business Manager at Virginia Correctional Enterprises (VCE), Operations Manager at the Academy for Staff Development, and the Chief Financial Officer for Central Office Organizational Units and the Community Corrections units.

APA - The Auditor of Public Accounts office and staff.

APA Report - The final consolidated report issued by the APA, detailing all major areas of concern within the Department of Corrections; this report lists the material findings of the audit and makes recommendations to correct the problems noted.

Commonwealth Accounting Policy and Procedure Manual (CAPP) - State accounting policies and procedures promulgated by the Virginia Department of Accounts to guide financial management processes for all state agencies.

Entrance Conference - An initial meeting with a visiting auditor or audit team to discuss pertinent matters regarding the upcoming audit to include the scope of the audit and the records and documentation that the auditors will require.

Exit Conference - A final meeting to review and ensure the accuracy of the findings, receive the preliminary recommendations and resolve any remaining issues regarding the audit.

Management Point - An item of concern cited by the auditor in a written comment; management points are issued during the course of audit field work, generally apply to a specific DOC unit, and may or may not be included in the final audit report.

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

PURPOSE

This operating procedure establishes protocol for managing and responding to Auditor of Public Accounts (APA), Department of Corrections (DOC) Internal Audit, and other fiscally related audits of the DOC and its operating units.

PROCEDURE

I. Audit Requirements

- A. The auditor of Public Accounts (APA) conducts an annual independent financial audit of the DOC including all facilities and operating units to ensure compliance with COV §2.2-803, *Financial accounting and control*. (5-ACI-1B-12; 4-ACRS-7D-24; 4-APPFS-3D-26; 2-CO-1B-07; 1-CTA-1B-07)
- B. The DOC conducts annual reviews and audits of its programs and operations through various units and activities including but not limited to: (2-CO-1A-22)
 - 1. Internal Audit Unit
 - 2. Compliance and Accreditation Unit
 - 3. Security Readiness Assessments
 - 4. Annual Program Evaluations
 - 5. Probation and Parole Safety and Security Assessments
 - 6. Community Operational Assessments
 - 7. Agency Risk Management and Internal Control Standards

II. Management of Audits

- A. Organizational Unit Heads and Agency Fiscal Officers must attend the entrance and exit conferences with the auditors and maintain an awareness of the audit's progress. Organizational Unit Heads must notify the Regional Office of all scheduled exit conferences.
- B. Organizational Units Heads and Agency Fiscal Officers will have joint responsibility for managing their organizational unit audits and ensuring that full cooperation is provided to the auditors. The DOC Internal Audit Director, Budget Development Lead Analyst, or the DOC Chief Financial Officer should be contacted if any problems or questions arise.
- C. Specific duties of the Agency Fiscal Officers include, but are not limited to the following:
 - 1. Scheduling and holding an entrance conference with auditors to discuss the scope of the audit and the documents that will need to be made available.
 - 2. Providing a suitable work area for auditors.
 - 3. Monitoring the progress and activities of auditors on a scheduled basis.
 - 4. Preserving records and documentation.
 - 5. Providing records and documentation required to review and test fiscal compliance in a timely manner.
 - 6. Ensuring that auditors have access to the proper personnel.
 - 7. Resolving all problems that auditors may encounter and answering all of their questions in a timely manner.
 - 8. Obtaining detailed documentation and understanding of the auditor's management points and/or findings for the agency records.
 - 9. Contacting the DOC Internal Audit Director and the DOC Chief Financial Officer if any problems arise that cannot be resolved by the Agency Fiscal Officer or Organizational Unit Head

10. Keeping their supervisor fully informed of the progress of the audit and of any problems that occur.
11. Scheduling and conducting an exit conference with auditors to review and discuss the management points and/or findings, to clarify any misunderstandings, and to correct any inaccurate statements.
12. Providing written responses and/or action plans to audit report findings.

D. Audit Liaison

1. The DOC Internal Audit Director is designated as the primary DOC liaison with external auditors, to include APA special audits, auditors of federal programs, other state agencies, and contracted auditors.
2. Audit efforts will be coordinated between the Internal Audit Unit and external auditors to prevent duplication of efforts while rendering assistance where needed or requested.
3. The Deputy Director for Administration must be informed immediately of all external audit activities within the DOC and any liaison assistance required.

III. Specific Requirements of APA Audits

1. The Budget Development Lead Analyst and the DOC Chief Financial Officer, functioning as a co-liaison with the APA, will be responsible for coordinating the annual APA audit, to include APA's entrance and exit conference.
2. The DOC Chief Financial Officer or designee will be responsible for coordinating the Department's official response to any management points, findings, or final report generated by an APA Audit.
3. The DOC is required to provide the State Comptroller, Department of Planning and Budget, Secretary of Public Safety and Homeland Security's Office, and APA a written response to the report within 30 days of the date of receipt of the Final Report in accordance with CAPP Topic No. 10205, *Agency Response to APA Audit*.
 - a. This response will include a workplan for corrective actions to be taken and must address all deficiencies noted.
 - b. The response will include, at a minimum, a workplan that:
 - i. Summarizes the audit findings.
 - ii. Summarizes the proposed corrective actions and specific deliverables that will result from the proposed corrective actions.
 - iii. Presents target dates for the completion of corrective actions.
 - iv. Names the person(s) or position(s) responsible for implementing corrective actions.
4. Organizational Unit Heads are responsible for reviewing the findings and recommendations of the APA report, and informing all subordinate employees of corrective actions contained in the DOC response to the report that may affect them.
5. After filing a response and workplan with the State Comptroller, the Budget Development Lead Analyst will provide the State Comptroller with a written follow-up to the work plan every 90 days thereafter, until the situation(s) are certified by the Director as being fully corrected. This certification is considered accomplished by submitting a final Corrective Action Workplan stating the remediated actions are in place and have been successfully completed.
 - a. The follow-up must report on the progress made to date and any corrective actions still needed to be taken and must address all deficiencies that were contained in the APA Audit Report.
 - b. Each follow-up must indicate whether the agency is on schedule to achieve the target completion date. If the agency is not on schedule, a revised target completion date should be presented.
 - c. The Directors certification is considered accomplished by submitting a final Corrective Action Workplan stating the remediated actions are in place and have been successfully completed.

IV. Action Plans

- A. Response to audit reports will specify any corrective actions to be taken by the DOC and identify the position(s) responsible for carrying out each corrective action. Monitoring of a specific corrective action will be the responsibility of the immediate supervisor of the position responsible for performing the corrective action.
- B. Facilities, at a minimum, prepare and distribute the following documents to the DOC Chief Financial Officer: income and expenditure statements, funding source financial reports, and independent audit reports.
- C. Copies of all responses or action plans developed as a result of an audit must be submitted as follows: (4-ACRS-7D-23)
 - 1. For general audits, other than APA, action plans must be submitted to the auditor within timeframes established by the auditor. Executive Management will be notified of action plans that are not submitted within the established timeframes.
 - 2. For facility fiscal audits, action plans must be submitted to the Regional Administrator and Regional Operations Chief, for review and approval. A copy of the approved action plan should be forwarded to the DOC Internal Audit Director and the DOC Chief Financial Officer.
 - 3. For DOC Headquarters fiscal audits, action plans should be submitted to the DOC Chief Financial Officer for review and approval. A copy of the approved action plan should be forwarded to the DOC Internal Audit Director and a copy will be maintained by the DOC Chief Financial Officer.
- D. DOC corrective actions are subject to periodic follow-up reviews as determined by the DOC Internal Audit Director or the DOC Chief Financial Officer.

REFERENCES

COV §2.2-803 *Financial accounting and control*

Commonwealth Accounting Policies and Procedures Manual, *Topic 10205 - Agency Response to APA Audit*

ATTACHMENTS

None

FORM CITATIONS

None

