

## 1.5, Internal Audit

**Application:** All Department of Children's Services Employees

**Authority:** TCA 4-4-124, TCA 37-5-105(3), 37-5-106, 4-3-304

**Standards: COA:** PA-FIN 1(e) (f) (g), PA-RPM 2.02; Internal Audit Procedural Manual; Institute of Internal Auditors (IIA) Global Internal Audit Standards™

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### Glossary:

- ◆ Compliance Audit
  - The assessment of both financial and operating controls and transactions to see how well they conform with establish laws, standards, regulations, and procedures.
- ◆ Fiscal/Financial Audit
  - Provides an independent assessment of and reasonable assurance about whether an entity's reported financial condition, results, and use of resources are presented fairly in accordance with recognized criteria.
- ◆ Programmatic Audit
  - An independent assessment of a program, function, operation or the management systems and procedures to assess whether the entity is achieving economy, efficiency, and effectiveness in the employment of available resources.
- ◆ Review:
  - An examination (less exhaustive than an audit) that provides some assurance to interested parties as to the reliability of the financial data or compliance with policies/procedures.

### Policy Statement:

The Office of Internal Audit audits the Department of Children's Services programs, contracts with vendors, and fiscal operations for adequate internal controls and compliance with state laws, federal regulations, and the department's policies and procedures.

### Purpose:

The Office of Internal Audit independently evaluates the efficiency and effectiveness of programs, management and departmental responsibilities through audit engagements,

reviews, and consultation services in order to provide assurance that the objectives of DCS are carried out as intended.

## **Procedures:**

### **A. Responsibility of Director of Internal Audit**

#### **1. The Director of Internal Audit:**

- a) At least annually, develops a risk-based internal audit plan for that considers the input of the Commissioner and senior management. The risk-based internal audit plan is submitted to the Commissioner and Executive Internal Auditor for review and approval.
- b) Acts as the primary contact person for all external auditors and assists in coordinating the Department's audit efforts.
- c) Submits updates of all audit related policies, charters, manuals, quality assurances and/or standards to the Executive Internal Auditor at each occurrence.
- d) Reports to the Executive Internal Auditor and DCS Commissioner at least four (4) times per year on the following matters:
  - ◆ Issues, findings and recommendations arising from audits and reviews
  - ◆ Proposed changes on policies or methodology
  - ◆ Status of the annual audit plan
  - ◆ Status of outstanding and overdue actions arising from Internal Audit's recommendations
  - ◆ Staff resourcing
  - ◆ Other matters of interest
- e) Reports to the Executive Internal Auditor and DCS Commissioner annually on the results of the Quality Assurance and Improvement Program results.

### **B. Audit Team**

1. The audit/review team consists of trained staff members in accordance with; Institute of Internal Auditors (IIA) Global Internal Audit Standards™ and the Department of Human Resources auditor class specifications.

2. Auditors must not have a known conflict of interest with the audit client. Any staff member who will be a member of the audit/review team for any audit must notify his/her supervisor/manager as soon as possible if a conflict occurs in the scheduled dates. The supervisor/manager locates a replacement as soon as possible.
3. All auditors must obtain continuing professional education (CPE) (40 hours annually) to maintain professional proficiency. Additionally, auditors should devote two (2) hours of that CPE to ethics. A record of this continuous training is maintained by the Office of Internal Audit.

### **C. Audit Programs/Instruments**

1. The Office of Internal Audit, in accordance with the Institute of Internal Auditors Global Internal Audit Standards, develops an audit plan based on an annual risk assessment, and includes the input from the DCS Commissioner, Deputy Commissioner(s), Assistant Commissioner(s), and external auditors on possible risks and their likelihood or importance. Annual audit programs are developed from the results of the assessment.
2. Audit programs/reviews are developed according to guidelines provided by the Office of Internal Audit and must include but are not limited to:
  - a) Objective Criteria for measuring compliance;
    - ◆ For audits, measuring compliance or non-compliance issues are calculated with the error rate determined based on the sample size and the number of non-compliance instances.
  - b) Conducting audits to ensure compliance for the appropriate or applicable areas of standards, departmental policies, or other authorities (e.g., Council on Accreditation, Department of Human Resources, Tennessee Correctional Association, Federal Regulations, or Finance & Administration Guidelines).

### **D. Audit/Reviews reports & follow up audits/reviews**

1. The Office of Internal Audit ensures that all comments and data are compiled, and a cover report is completed as soon as possible.
  - a) Any delays resulting from the inability of audit staff to obtain necessary information from field facilities or central office personnel for the completion of

- the report is reported to the Director of Internal Audit as soon as the problem is recognized. The Director advises the Commissioner of the circumstances resulting in the delay.
- b) A written report is issued to the supervisor of the inspected facility/program/region and the appropriate Deputy Commissioner/Assistant Commissioner with copies to the other Directors/Managers as appropriate, at the conclusion of each audit assignment.
2. Within 30 (thirty) days of receipt of the report, the manager/supervisor of the unit being audited is required to submit a written response on any issues raised or recommendations made in the audit report to the Director of Internal Audit.
  3. After review of the report and response, the Director of Internal Audit sends the final report including management responses to the Commissioner, appropriate Deputy Commissioner/Assistant Commissioner and the Quality Compliance Assistant Commissioner, with copies to other Directors/Managers as appropriate. A copy of the report and responses are maintained by the Office of Internal Audit.
  4. The Commissioner and/or Executive Internal Auditor may request a follow-up audit/review to be conducted at any facility/program/region of the annual audit/review revealed serious or numerous areas of concern.

## **E. Inquiries**

1. An inquiry may be requested by any Executive Director or the Commissioner in written form for any situation that is brought to their attention through their staff or other means.
2. This request must be submitted to the Director of Internal Audit for review and must contain all pertinent information to date.
3. If, after the initial review, the Director of Internal Audit determines that an investigation appears to be warranted, the Commissioner is informed of the situation and the course of action planned to be taken by the Office of Internal Audit. The Director of Internal Audit conveys the information to the State Executive Internal Auditor, if applicable.

**Forms:** None

**Collateral Documents:**

[\*Internal Audit Guide\*](#)

[\*Complete Global Internal Audit Standards\*](#)