

**Audit of the
Oklahoma Department of Corrections –
Division of Internal Audit**

**For the Period
July 1, 2004 through December 31, 2006**

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STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

April 18, 2007

**TO THE BOARD OF THE DEPARTMENT OF CORRECTIONS AND
JUSTIN JONES, AGENCY DIRECTOR**

Transmitted herewith is the audit report for the Oklahoma Department of Corrections-Division of Internal Audit for the period July 1, 2004 through December 31, 2006. The Office of the State Auditor and Inspector is committed to serving the public interest by providing independent oversight and by issuing reports that serve as a management tool to the State. Our goal is to ensure a government that is accountable to the people of the State of Oklahoma.

We wish to take this opportunity to express our appreciation to the agency's staff for the assistance and cooperation extended to our office during the course of our engagement.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahan".

JEFF A. McMAHAN
State Auditor and Inspector

Mission Statement

In May 1967 the Oklahoma Corrections Act was signed into law by Governor Dewey F. Bartlett. Governed by a bipartisan, seven-member board of gubernatorial appointees serving six-year staggered terms, the Board of Corrections establishes and reviews policies for the department's operation, appoints a director, and reviews appointments of management personnel. The department protects the public, the employees, and the offenders, and is responsible for the operation of seventeen institutions ranging from maximum to minimum security, seven probation and parole offices, five community corrections centers, and fifteen work centers.

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OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**TO THE BOARD OF CORRECTIONS AND
JUSTIN JONES, DIRECTOR**

In order to fulfill our responsibilities under 57 O.S. § 537(D) and 57 O.S. § 539(4), we have audited the Department of Corrections-Division of Internal Audit for the period July 1, 2004 through December 31, 2006. The objective of this audit was to:

- Determine whether the internal auditors' procedures and workpaper documentation are adequate to support the conclusions reached and findings noted and whether the findings documented in the workpapers are presented in a report by the internal auditors for the following:
 - all items of equipment, supplies, materials, livestock and poultry, purchased or produced, within the Department of Corrections and its institutions,
 - all continuing and special funds and special accounts, and
 - the operations of the canteen services.

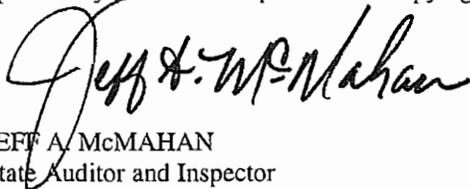
Our audit was limited to procedures necessary to achieve this objective and does not constitute a peer review of the Department of Corrections-Internal Audit Division.

As part of our audit, we obtained an understanding of internal controls significant to the audit objectives and considered whether the specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of the design and operation of the controls.

We also obtained an understanding of the laws and regulations significant to the audit objectives and assessed the risk that illegal acts, including fraud or violation of other legal provisions could occur. Based on this risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the laws and regulations.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



JEFF A. McMAHAN
State Auditor and Inspector

April 10, 2007

Objective: Determine whether the internal auditors' procedures and workpaper documentation are adequate to support the conclusions reached and findings noted and whether the findings documented in the workpapers are presented in a report by the internal auditors for the following:

- all items of equipment, supplies, materials, livestock and poultry, purchased or produced, within the Department of Corrections and its institutions,
 - all continuing and special funds and special accounts, and
 - the operations of the canteen services.
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Conclusion

Based on our procedures performed, it appears the internal audit division's procedures and workpaper documentation are adequate to support the conclusions reached and findings noted. Also, the findings documented in the workpapers are presented in a report by Internal Audit and include the following:

- all items of equipment, supplies, materials, livestock and poultry, purchased or produced, within the Department of Corrections and its institutions,
- all continuing and special funds and special accounts, and
- the operations of the canteen services.

Methodology

Our methodology to accomplish this objective included reviewing written policies and procedures, internal audit workpapers and reports, and other pertinent documents; interviewing various personnel of the agency; and testing a sample of internal audit reports and workpapers. From the 116 internal audit reports issued during the period of July 1, 2004 through December 31, 2006, we judgmentally selected and reviewed a sample of 32 internal audit reports and the supporting working papers to determine whether:

1. the audit covered one or more of the following items as indicated by the operations at the institution:
 - equipment, supplies, materials, livestock, and poultry, purchased or produced within the Department of Corrections and its institutions;
 - continuing and special funds and special accounts;
 - operations of the canteen services;
2. procedures performed by internal audit appeared adequate to test the accounts listed in 1. above;
3. the sample sizes used by internal audit appeared adequate;
4. the working papers supported the conclusions drawn;
5. findings, if any, were presented in the internal audit report.

Finding

Workpaper Documentation

In six of 32 internal audit reports reviewed, we noted that several findings were included in the internal audit workpapers but not in the report to the Board of Corrections. The internal audit workpapers did not document the auditor's reasoning as to why the findings were not included in the report.

Government Auditing Standards Section 7.66 states in part, "Auditors should prepare and maintain audit documentation. Audit documentation related to planning, conducting, and reporting on the audit should contain sufficient information to enable an experienced auditor, who has had no previous connection with the audit, to ascertain from the audit documentation the evidence that supports the auditors' significant judgments and conclusions. Audit documentation should contain support for findings, conclusions, and recommendations before auditors issue their report."

Government Auditing Standards Section 7.68 states in part, “Audit documentation serves to (1) provide the principal support for the auditor’s report, (2) aid auditors in conducting and supervising the audit, and (3) allow for the review of audit quality. Audit documentation should be appropriately detailed to provide a clear understanding of its purpose and source and the conclusions the auditors reached, and it should be appropriately organized to provide a clear link to the findings, conclusions, and recommendations contained in the audit report.”

According to the Administrator of Internal Audit, it is an unwritten policy that findings with error rates of less than 5% are not included in the internal audit report. In addition, as permitted by *Government Auditing Standards*, some findings are not reported as they are considered to be insignificant. While these appear to be two valid reasons for not including the findings in the report, these reasons were not apparent from review of the internal audit workpapers. Also, failure to document the auditor’s judgment regarding the findings could result in findings not being consistently reported to the Board.

We recommend the internal audit division document its reasoning in the internal audit workpapers when an audit finding is not included in its report to the Board of Corrections.

Views of Responsible Officials:

The reason(s) for a finding included in the field report but not on an audit report will be noted in the work papers.