STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES **Policy and Procedure**		POLICY AND PROCEDURE NUMBER **01.04.020**	PAGE 1 of 3
		EFFECTIVE DATE September 20, 2005	
SUBJECT **Internal Audits**		SUPERSEDES DPDR 01.04.010	DATED May 8, 1996
CHAPTER **Office of the Commissioner**	SECTION **Internal Review**	APPROVED BY Mike Barton	

PURPOSE

This formalizes the policy and procedure of the department on internal audits.

POLICY

The Office of Internal Review provides information on the adequacy of the systems of internal control and the control environment to assure compliance with state and federal laws and regulations. A memorandum of understanding, revision effective August 22, 1990, between DOT&PF and the Federal Highway Administration also requires that the department maintain an effective internal audit function to accomplish a continuing review of established policies, procedures, and operations.

Definition

An internal audit is a financial or performance audit conducted on functional areas of the department including general operations, accounting systems, and department indirect cost and equipment cost allocation plans.

Goals and Objectives

The Office of Internal Review tests and reports on the internal control structure with the following goals and objectives:

GOAL 1. Assure that the internal control structure for financial reporting and safeguarding assets is suitably designed and implemented to achieve its objectives.

Objective 1. Focus audit and evaluation services on management emphasis areas to assure adequacy of compliance with federal, state, and department policies, procedures, and guidelines.

Objective 2. Review department operations through scheduled and requested internal audits.

Objective 3. Determine if management plans, objectives, policies, and procedures are carried out and executed effectively and efficiently.

Objective 4. Conduct special reviews of department programs, projects, and functions on request and provide analyses, appraisals, and recommendations on activities reviewed.

Objective 5. Participate in advisory groups for problem solving and evaluating the merits and implementation of ongoing, new, or revised systems, programs, or procedures.

GOAL 2 Ensure compliance with state and federal requirements.

Objective 1. Review internal compliance related specifically to state and federal program requirements.

Objective 2. Periodically review principal accounting systems and review the development and implementation of internal cost allocation plans.

PROCEDURE

Standards

Internal audits are governed by Policy & Procedure (P&P) 01.04.010, which establishes the general standards for audits. Detailed plans and procedures for conducting internal audits, including steps designed to provide a reasonable assurance of detecting irregularities, illegal acts, and other noncompliance with laws and regulations, and related followup, are contained in the Office of Internal Review's desk audit manual.

Interface with Department Employees

Entrance and exit conferences, when conducted, are for the purpose of informing the department manager and the manager's supervisory staff of the reasons for and general scope and particulars of the audit, and to review the results and findings to ensure they are factually and accurately reported. Any cash count audits will not be announced in advance.

Reports and Responses to Reports

The Office of Internal Review will issue a report or review memorandum after each audit or review. Routine reports will be provided to the appropriate deputy commissioner, division/regional director, or system director/manager for response and/or corrective

action. A copy of the report will be provided to the commissioner. The manager's response will outline corrective action taken or planned and the timeframe for implementation of corrective action or the reason no action is deemed necessary.

For significant findings, if the responsible manager and the chief of the Office of Internal Review concur that the corrective action taken or planned is adequate, the department's position will be finalized. When corrective action cannot be agreed on, the commissioner will determine the department's position. Copies of reports and responses affecting federal aid or other funding sources will be provided to the applicable agency within 60 days after the department's position is finalized.

Reports on special audits requested by managers will be addressed to the requesting manager with a copy to the commissioner. Any response necessary will be forwarded to the Office of Internal Review within 42 days unless an extension is granted.

Management advisory reports will be prepared when the chief of the Office of Internal Review deems appropriate. They may be prepared when testing reveals significant deficiencies in existing systems or procedures, or other conditions that would substantiate an adverse audit opinion or need immediate corrective action. Copies of advisory reports will be provided to any affected funding agency within 60 days after the department's position is finalized.

AUTHORITY

P&P 01.04.010

IMPLEMENTATION RESPONSIBILITY

Chief of the Office of Internal Review

DISTRIBUTION

All department employees via the DOT&PF website