

Oklahoma Department of Commerce

Internal Audit

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Contents

Section 1 Role of Internal Auditor	2
Section 2 Internal Audit Policy and Procedures	4
Internal Audit Policy	4
Policy Scope	5
Standard Operating Procedure (SOP) for this Policy	6
Section 3 Organizational Chart	7

Section 1 Role of Internal Auditor

The role of the Internal Auditor for the Disaster Recovery program will be to conduct internal monitoring/audits of the Community Development Division within the Oklahoma Department of Commerce. The Community Development Division administers the Community Development Block Grant Disaster Recovery (CDBG-DR) programs and activities as required by HUD guidelines. The scope of responsibility of the Internal Auditor encompasses all funds allocated by Community Development Block Grant Disaster Recovery (CDBG-DR) funds awarded under Public Law 113-2 and all activities of the Contractor's employees and State of Oklahoma employees while in pursuit of the objectives of the Disaster Recovery Program. In addition, the Internal Auditor will be responsible for the detection and prevention of fraud, waste, and abuse in division and contractor administered programs as well as the coordination of investigations of alleged fraud with division, state and federal law enforcement agencies. This responsibility includes informing the Office of Inspector General for the U. S. Department of Housing and Urban Development if necessary. The Internal Auditor generally adheres to Generally Accepted Government Auditing Standards (GAGAS). The Internal Auditor is not sure if a Peer Review will be conducted due to the temporary nature of the Grant and the expected timeline of the Internal Audit position. Such reviews are done after audit reports are issued and normally are done every 3-5 years. Due to the nature and timing of the internal audit services, a peer review is not considered warranted at the present time as the focus will be on performing the audits.

The Internal Auditor hired in August 2017 has previous state experience, which provides a good basis to build a robust audit function. The Internal Auditor will be evaluating the current Oklahoma Department of Commerce (ODOC) procedures and significant control points for effectiveness, adequacy and efficiency of operations for the CDBG-DR processes utilized by ODOC. Included in this evaluation will be a review of ODOC CDBG-DR policies and procedures, financial internal controls, and identification of any key risks. The Internal Auditor will also review the ODOC responses to the HUD monitoring report received on April 13, 2017 to ensure that all agreed upon actions have been implemented.

The Internal Auditor designs audit programs and conducts audits to determine if CDBG-DR funds are being spent within the confines and parameters of the Disaster Recovery Program's Policies and Procedures and all relevant HUD guidelines.

The Internal Auditor audits, monitors, and issues reports and findings with the focused goal to detect and prevent waste, fraud and abuse in all facets of the Disaster Recovery Program, to include administrative, financial and operational capacities, as well as insuring that the funds are spent in compliance with appropriate HUD and applicable guidelines.

The Internal Auditor investigates any reports of waste, fraud or abuse and follows them to their ultimate resolution, informing integral personnel as warranted. The Internal Auditor ensures that these cases are posted publically (e.g., Disaster Recovery website)

The Internal Auditor will acquire overall knowledge of the Program's processes, policies, risks and controls in order to provide independent assurance that the Program is in compliance in all relevant areas, to include administrative, financial and operational functional areas.

The Internal Auditor shall report significant findings and issue periodic audit reports to the Oklahoma Department of Commerce Deputy Director and Oklahoma Department of Commerce General Counsel periodically and the affected parties as needed. These reports will be posted to the Disaster Recovery website. The Internal Auditor shall remain independent of all external influence throughout his or her tenure with the Oklahoma Department of Commerce.

Internal Auditor 

Dated 9-11-17

Section 2 Internal Audit Policy and Procedures

Internal Audit Policy

The Oklahoma Department of Commerce Community Development Block Grant Disaster Recovery (CDBG-DR) program division will implement the HUD approved the State of Oklahoma Action Plan for Disaster Recovery (Action Plan). Action Plan Programs allocations are for presidentially declared disasters that occurred in 2011, 2012, and 2013. Within these eligible areas, the *Federal Register* Notice requires that a minimum of \$41,228,000 of the total State CDBG-DR funding of \$93,700,000 or 44 percent must be expended in Cleveland and Creek Counties. The remaining funding will be available for remaining program eligible State disaster areas.

The State, acting through ODOC, uses CDBG-DR funding to provide financial assistance directly to assist eligible homeowners, multi-family property owners, small businesses, municipalities and other eligible recipients to ensure the State's recovery from eligible presidentially-declared disasters.

Internal Audit is independent of the Community Development Division and reports directly to the Oklahoma Department of Commerce Deputy Director and Oklahoma Department of Commerce General Counsel.

The fundamental purpose, nature, and scope of internal auditing is to be an independent, objective assurance and consulting activity designed to add value and improve CDBG-DR program's operations and to serve as a trusted advisor to management.

The CDBG-DR program division has not had an internal audit function in the past. As a result, it is necessary to establish a baseline understanding of the risks, opportunities, and unique challenges posed by the nature of the program division and the environment in which it operates. Additionally, the program ends September 2019. To accomplish this, the plan for the remainder of the program will have the aim of reviewing a sufficient cross-section of Disaster Recovery operations necessary to gain this understanding while addressing certain significant risks. In evaluating risk, the following factors are considered:

- Prior audit/monitoring findings from HUD and/or others
- Inherent riskiness of a subject matter
- Recent major changes in operations, personnel, or operating results
- Input from senior management

- Observations made in preliminary internal audits to date
- General issues involved in Oklahoma State agency fiscal operations
- Input & direction from the Oklahoma Department of Commerce Deputy Director and the Oklahoma Department of Commerce General Counsel

This plan is subject to the approval of HUD. In addition, audits may be added to the list based on emerging issues such as fraud tips. The Oklahoma Department of Commerce Deputy Director, Oklahoma Department of Commerce General Counsel, Secretary of Commerce and Tourism, and Division Director may also request audits of areas that they have concerns about. In the event that significant changes to this plan are necessary, the Internal Auditor will obtain the approval of the Oklahoma Department of Commerce Deputy Director, Oklahoma Department of Commerce General Counsel for the revised plan. Internal Audit's progress relative to this plan will be reported to the Oklahoma Department of Commerce Deputy Director, Oklahoma Department of Commerce General Counsel both at the end of the year and on a continuing basis.

Internal Audit utilizes risk-based programmatic auditing of the activities conducted by the program division. Since the CDBG-DR funds have all been obligated at this point, the emphasis will be on reviewing the program division's responses to the HUD management review conducted in January 2017, then on ensuring the responses have been implemented. Additionally, auditing will be done as needed. Several areas have already been identified including duplication of benefits contract, monitoring RFP, fraud reporting etc.

Policy Scope

This policy is applicable to all ongoing activities as detailed in the Action Plan. This includes activities of the program division and the CDBG-DR contractors, where pertinent.

Standard Operating Procedure (SOP) for this Policy

- A. Evaluate the current Oklahoma Department of Commerce (ODOC) procedures and significant control points for effectiveness, adequacy and efficiency of operations for the CDBG-DR processes utilized by ODOC.
- B. Review of the ODOC CDBG-DR policies and procedures, financial internal controls to identify the key risks.
- C. Review the ODOC responses to the HUD monitoring report received on April 13, 2017 to ensure that all agreed upon actions have been implemented
- D. On an as needed basis, other audits or reviews will be completed using an approved audit program. The results will be reported through a formal report along with any findings.
- E. The State of Oklahoma's HUD – approved Action Plan is the predominant source document for the Manual, Policies, and SOPs, which are written with the intent to add clarity where needed and stipulate the processes necessary to successfully implement the Action Plan. Concurrent reference to the Action Plan, Manual, Policies and SOPs should provide the contextual understanding necessary to accurately interpret and apply the information contained in these documents.
- F. The audit plans will be flexible enough to respond to emerging risks and organizational changes. The audit plans will be periodically visited throughout the year.
- G. Reports, findings and comments will be thoroughly discussed with management to be sure of their understanding and a written draft of such will be provided to management to review and to encourage corrective action comments. Sufficient time will be given management to respond, however, the reports must be issued timely to be effective.

Section 3 Organizational Chart

