



Policy on Office of Audit Authority Functions

Policy# FM009 Effective 03/05/2019

Policy Owner: Director, Office of Audit

Policy Contact: Agency Policy Specialist, Office of Audit

Policy Statement

MnDOT's Office of Audit ("Audit Office") provides feedback regarding the effectiveness of internal controls. Management is responsible for developing and implementing internal controls as described and required by Minnesota Statutes §16A.057, "Internal Controls and Internal Auditing."

Per the statute, internal controls should accomplish the following:

- "Safeguard public funds and assets and minimize incidences of fraud, waste, and abuse;
- Ensure that programs are administered in compliance with federal and state laws and rules; and
- Require documentation of internal control procedures over financial management activities, provide for analysis of risks, and provide for periodic evaluation of control procedures to satisfy the commissioner (Minnesota Management & Budget) that these procedures are adequately designed, properly implemented, and functioning effectively."

Written reports by the Office of Audit are addressed to the Commissioner and the Deputy Commissioner with direct reporting to the Assistant Commissioner of Workforce and Agency Services; The Office of Audit has the authority to provide professional audit services department-wide, regardless of MnDOT's organizational structure. Copies of audit reports are sent to the CFO, as appropriate. The Office of Audit is unrestricted in the scope of its work; not responsible for activities audited; and not empowered to make operational decisions. In this way, the office maintains independence and objectivity.

It is the policy of the Audit Office to conduct audits in a constructive manner. Whenever possible, input will be solicited from department personnel. Audit personnel, in order to be in accordance with Government Auditing Standards (GAS), have full access to all records, personnel, properties, and any other sources of information deemed necessary by the Audit Office to perform audits. Audit personnel will meet to discuss files and information needed with the responsible party in order to conduct the audit.

Reason for Policy

This policy describes how the MnDOT Office of Audit fulfills its function to provide feedback regarding the effectiveness of internal controls. These controls help to ensure that MnDOT complies with laws, rules and regulations, and accomplishes operational goals efficiently.

Applicability

All MnDOT employees and external clients of the MnDOT Audit Office

Procedures

The Office of Audit hosts closeout meetings to discuss the results of audits. After the closeout meetings, a draft audit report is sent to the Commissioner/ Deputy Commissioner who sends a memo to affected Assistant Commissioners for response to recommendations. Draft audit reports are copied to Assistant Commissioner of Workforce and Agency Services and other individuals who are involved in the audit.

Responses are generally due three (3) weeks after the audit report date. The responses shall contain statements of agreement or disagreement with any findings or observations recommended, as well as actions to be carried out to address the recommendations. The Audit Office is available for consultation to provide clarification of recommendations. The Audit Office is also available to advise the Commissioner/Deputy Commissioner regarding whether the response addresses the recommendation as described above.

The resulting audit report with responses will be published as the final audit report related to the area being audited.

Subsequent requests for copies of the audit report will be responded to by furnishing this final version of the audit report.

A final audit report will be copied to all individuals who were originally copied on the draft audit report.

Commitments made by the Assistant Commissioner(s)/Chief(s) to implement new policies and procedures, or take other actions to improve compliance with existing internal controls and requirements, will be monitored by the appropriate Deputy Commissioner. In subsequent audits, the Audit Office will review the status of action taken to address previous audit findings or observations.

Responsibilities

The Office of Audit is responsible for the following types of audits. The Audit Office Manual provides more specifics on types of audits performed.

Continuous Audits

As defined by the Institute of Internal Auditors (IIA) Global Technology Guide "Continuous Auditing: Implications for Assurance, Monitoring, and Risk Assessment," continuous auditing is the "automatic method used to perform control and risk assessments on a more frequent basis."

Investigations

It is the responsibility of each employee to report allegations of wrongdoing. *The Audit Office also conducts investigations of alleged wrongdoing in collaboration with other offices within MnDOT. The nature and subject matter of the wrongdoing allegation determine which office will lead the investigation into whether misconduct has occurred. The webpage <http://www.dot.state.mn.us/reportwrongdoing/> provides further information.*

Contract Audits

Contracts, payments, and supporting documentation and accounting systems are audited to assess compliance with the following:

- AASHTO "Uniform Audit & Accounting Guide"
- Generally Accepted Auditing Standards
- Generally Accepted Government Auditing Standards or "Yellow Book"
- Generally Accepted Accounting Principles (GAAP)
- Federal Acquisition Regulation
- Cost Accounting Standards (48 CFR Part 9904)
- Code of Federal Regulations Title 2 Grants and Agreements

Resources & Related Information

[AASHTO 2012 Uniform Audit & Accounting Guide](#)

[Business Data Catalog \(BDC\)](#)

[Federal Acquisition Regulation \(FAR\)](#)

[Generally Accepted Auditing Standards \(GAAS\)](#)

[Government Auditing Standards \(The Yellow Book\)](#)

[MnDOT's Policy Website](#)

[Office of Legislative Auditor](#)

[Office of State Auditor](#)

[OMB Circular A-133, Compliance Supplement, 2013, Office of Management and Budget](#)

[Single Audit Act of 1984, Office of Federal Financial Management Single Audit](#)

[Single Audit Act Amendments of 1996](#)

History & Updates

Title: *Policy on Office of Audit Authority Functions*

	Date	Comments
Initial Adoption	8/20/2013	
1st Revision	3/05/2019	Updated references to the agency's organizational structure
2nd Revision		

Authorization

Policy Owner:

Signature:

Daniel E. Kahnke

Print Name:

Daniel E. Kahnke

Date:

3-4-19

Governance Committee has reviewed this policy and recommends approval:

Signature:

Corrine Calhoun

Print Name:

Corrine Calhoun

Date:

3-5-19

Responsible Senior Officer:

Signature:

Susan M. Mulvihill

Print Name:

Susan M. Mulvihill

Date:

3-5-19

