



**STATE OF MONTANA  
DEPARTMENT OF CORRECTIONS  
POLICY DIRECTIVE**

Policy:	<b>DOC 1.2.4      INTERNAL CONTROLS</b>
Chapter 1:	ADMINISTRATION AND MANAGEMENT
Section 1:	Fiscal Management
Effective Date:	12/15/2008 <span style="float: right;">Page 1 of 3</span>
Revised:	August 14, 2020
Signature:	/s/ Reginald D. Michael

**I. POLICY**

The Department of Corrections maintains internal control functions that provide management data concerning the adequacy and effectiveness of the Department’s internal controls and the quality of operating performance compared to established standards and management expectations.

**II. APPLICABILITY**

All divisions, facilities, and programs of the Department of Corrections.

**III. DEFINITIONS**

Corrective Action Plan – The document that identifies how risks will be corrected, who is responsible for their correction, and the date by which corrections will be made.

Internal Control – A process designed to provide reasonable assurance that the objectives of reliable financial reporting, effective and efficient operations, and compliance with laws and regulations are achieved. The process encompasses the control environment, the identification and analysis of risks, control activities, information and communications within and outside the organization, and monitoring of the process over time.

Internal Control Committee – Department management who provide overall direction and oversight of Department internal control auditing and governing law compliance. Internal Control Committee members serve as liaisons to Department leadership and staff regarding internal control guidance, standards and compliance.

Internal Control Officer – The function assigned to the Department’s compliance manager located in the Quality Assurance Office.

Internal Control Testing Team – A group of impartial and unbiased Department personnel assigned by the internal control officer to identify potential risks within the Department.

Monitoring and Evaluation Plan – The documentation used by the Internal Control Testing Team to determine whether internal control and testing processes function as intended in ensuring accurate financial reporting, the protection of department assets, and compliance with applicable laws.

Risk Assessment – The assessment conducted to review vulnerabilities and weigh controls against cost, benefits and efficiency.

**IV. DEPARTMENT DIRECTIVES**

**A. Internal Control Program**

1. The internal control program requires written procedures and practices to determine whether the Department's network of risk management and control adequately ensures that:
  - a. the Department complies with the [\*Montana Operations Manual \(MOM\) 399, Internal Control Guidebook\*](#);
  - b. risks are appropriately identified and addressed through internal control assessments;
  - c. significant financial, managerial, and operating information is accurate, reliable, and timely;
  - d. employee actions comply with procedures, policy, standards, regulations and applicable laws; resources are acquired economically, used efficiently, and protected effectively; and
  - e. Department goals, plans, and objectives are clearly defined and identified.
2. The internal control officer will ensure that written documentation of the Department's internal control system of reporting is on file and available for review by agency administrators and auditors.
3. The internal control testing team will assist in the testing effort and report all findings to the internal control officer.
4. The internal control program staff will demonstrate independence and objectivity by:
  - a. providing report findings directly to the Department's management team on an annual basis;
  - b. reporting any conflicts of interest to the internal control officer to provide reasonable assurance of impartial and unbiased assessments; and
  - c. ensuring accountability by removing a staff member from the affected area of review if the staff member's independence or objectivity may be compromised in the performance of his or her duties.

**B. Internal Control Evaluation and Monitoring Plan**

1. The Quality Assurance Office maintains an annual Internal Control Evaluation and Monitoring Plan for the Department based upon the following factors:
  - a. risk assessments of critical systems;
  - b. reviews of internal, financial, and administrative systems and procedures;
  - c. past internal audit experience; and
  - d. review of the risks inherent with the implementation of new processes.
2. The internal control evaluation and monitoring plan will include:
  - a. an annual risk assessment that uses a flexible testing plan that identifies potential risks;
  - b. a draft report to include, at minimum, objectives, scope conclusions, recommendations, notes of quality performance, and expectations and opportunities for improvement;
  - c. a review of the draft report with the Internal Control Committee at the completion of testing; and
  - d. a corrective action plan that outlines how the internal risks will be corrected.

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3. The Internal Control Officer will ensure:
  - a. written documentation of the Department's internal control systems is on file and accessible by agency personnel and auditors;
  - b. the Department's quantitatively and qualitatively material internal control systems are evaluated at least annually or more often as conditions warrant;
  - c. the results of audits and recommendations to improve agency internal controls are promptly evaluated by the Quality Assurance Director and Internal Control Committee and that appropriate measures are implemented on a timely basis; and
  - d. all action determined by the Department as necessary to correct or otherwise resolve matters will be addressed by the Department.

## **V. CLOSING**

Questions concerning this policy should be directed to the Quality Assurance Director.

## **VI. REFERENCES**

- A. [\*Montana Operations Manual \(MOM\) 399, Internal Control Guidebook\*](#)

## **VII. ATTACHMENTS**

[Overall Internal Control Process & Evaluation Document](#)