

By: Representatives Brown, Eakes, Frierson,
Gadd, Mayo, Peranich, Pierce, Read,
Whittington

To: Appropriations

HOUSE BILL NO. 821

1 AN ACT TO CREATE THE MISSISSIPPI INTERNAL AUDIT ACT; TO
2 DECLARE THE PURPOSE AND APPLICABILITY OF THIS ACT; TO DEFINE
3 CERTAIN TERMS; TO PROVIDE FOR AGENCY INTERNAL AUDIT DIRECTORS AND
4 APPROPRIATE STAFF; TO PROVIDE QUALIFICATIONS FOR THE AGENCY
5 INTERNAL AUDIT DIRECTOR; TO PRESCRIBE THE DUTIES OF THE AGENCY
6 INTERNAL AUDIT DIRECTOR; TO PROVIDE PROFESSIONAL STANDARDS; TO
7 PROVIDE FOR WORKING PAPERS AND REPORTS; TO REQUIRE FOLLOW-UP ON
8 ISSUED REPORTS; TO PROVIDE FOR ACTIONS ON FINDINGS; TO PROVIDE FOR
9 PROFESSIONAL DEVELOPMENT; TO PROVIDE FOR QUALITY CONTROL; TO
10 ESTABLISH THE AUDIT COMMITTEE AND PRESCRIBE ITS DUTIES; TO PROVIDE
11 A STATE INTERAGENCY INTERNAL AUDIT FORUM; TO REQUIRE ANNUAL
12 REPORTS; AND FOR RELATED PURPOSES.

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

14 SECTION 1. This act shall be known and may be cited as the
15 "Mississippi Internal Audit Act."

16 SECTION 2. The purpose of this act is to establish a
17 full-time program of internal auditing to assist in improving
18 agency operations. The agency internal audit director shall
19 furnish independent analyses, appraisals and recommendations
20 concerning the adequacy of each state agency's systems of internal
21 control, and the efficiency and effectiveness of agency management
22 in carrying out assigned responsibilities in accordance with
23 applicable laws, rules and regulations. The internal auditing
24 program shall evaluate and advise the organization in the
25 establishment of controls necessary to accomplish agency goals and
26 objectives at reasonable costs. The agency internal audit
27 director shall be alert to the possibility of abuse or illegal
28 acts, errors and omissions, and conflict of interest.

29 SECTION 3. The following words and phrases shall have the
30 meanings ascribed herein, unless the context clearly indicates
31 otherwise:



32 (a) "State agency" means and includes the Department of
33 Finance and Administration, the State Tax Commission, the
34 Department of Education, the State Department of Health, the
35 Department of Mental Health, the Department of Agriculture and
36 Commerce, the Mississippi Development Authority, the Department of
37 Environmental Quality, the Department of Wildlife Fisheries and
38 Parks, the Department of Corrections, the Division of Medicaid,
39 the Department of Rehabilitation Services, the Department of
40 Public Safety, the Mississippi Employment Security Commission, the
41 Mississippi Department of Information Technology Services, the
42 Public Employees Retirement System, the Mississippi Department of
43 Transportation and the Mississippi Gaming Commission.

44 (b) "Agency head" means an elected official who heads
45 an agency, an executive director or a governing board or
46 commission responsible for heading an agency.

47 (c) "Agency internal audit director" means the person
48 appointed by the agency head to direct the internal audit function
49 for the state agency. Where consistent with responsibilities
50 described in this act, the term agency internal audit director may
51 also be referred to as inspector general, audit director, chief
52 auditor or similar internal audit administrator descriptions.

53 (d) "Audit committee" means a standing committee
54 external to organization management that collectively has the
55 expertise to provide effective advice regarding the acquisition
56 and provision of internal audit services.

57 SECTION 4. The provisions of this act shall only apply to
58 the following agencies: (a) the Department of Finance and
59 Administration, (b) the State Tax Commission, (c) the Department
60 of Education, (d) the State Department of Health, (e) the
61 Department of Mental Health, (f) the Department of Agriculture and
62 Commerce, (g) the Mississippi Development Authority, (h) the
63 Department of Environmental Quality, (i) the Department of
64 Wildlife, Fisheries and Parks, (j) the Department of Corrections,



65 (k) the Division of Medicaid, (l) the Department of Rehabilitation
66 Services, (m) the Department of Public Safety, (n) the Mississippi
67 Employment Security Commission, (o) the Mississippi Department of
68 Information Technology Services, (p) the Public Employees
69 Retirement System, (q) the Mississippi Department of
70 Transportation and (r) the Mississippi Gaming Commission.

71 SECTION 5. (1) Except as otherwise provided by subsection
72 (2) of this section, each state agency shall employ an agency
73 internal audit director who shall be appointed by the governing
74 board or commission or the elected official or executive director
75 or his counterpart of a state agency without a governing board or
76 commission. The agency head shall ensure that the director is
77 allowed to employ a sufficient number of professional and support
78 staff to implement an effective program of internal auditing.
79 Compensation, training, job tenure and advancement of internal
80 auditing staff shall be based upon merit. The internal audit
81 organization shall have organizational status outside the agency's
82 staff or line management functions or units subject to audit, and
83 shall be free of operational and management responsibilities that
84 would impair the ability to make independent audits of any aspects
85 of the agency's operations. An agency internal audit director may
86 be terminated by the appointing authority after a seven (7) day
87 notification period to the State Auditor and the Chairman of the
88 Joint Legislative Committee on Performance Evaluation and
89 Expenditure Review (PEER).

90 (2) The agency head of a state agency may outsource the
91 internal audit function if he determines that it is more cost
92 efficient than establishing the audit personnel and procedures
93 provided in subsection (1) of this section.

94 SECTION 6. The agency internal audit director shall possess
95 the following qualifications:

96 (a) A bachelor's degree from an accredited college or
97 university and five (5) years of progressively responsible



98 professional auditing experience as an internal auditor or
99 independent postauditor, electronic data processing auditor or any
100 combination thereof. The auditing experience shall at a minimum
101 consist of audits of units of government or private business
102 enterprises, operating for profit or not for profit; or

103 (b) A master's degree from an accredited college or
104 university and three (3) years of progressively responsible
105 professional auditing experience as an internal auditor or
106 independent postauditor, electronic data processing auditor or any
107 combination therefor; or

108 (c) A certificate as a certified internal auditor
109 issued by The Institute of Internal Auditors and three (3) years
110 of progressively responsible professional auditing experience as
111 an internal auditor or independent postauditor, electronic data
112 processing auditor or any combination thereof; or

113 (d) A certificate as a Certified Public Accountant with
114 at least three (3) years experience.

115 SECTION 7. The agency internal audit director shall:

116 (a) Report directly to the agency head or deputy agency
117 head.

118 (b) Conduct financial, compliance, electronic data
119 processing and performance audits of agency programs, activities
120 and functions and prepare audit reports of findings.

121 (c) Review and evaluate internal controls over agency
122 programs, accounting systems, administrative systems, electronic
123 data processing systems and all other major systems necessary to
124 ensure accountability of the state agency.

125 (d) Develop long-term and annual audit plans to be
126 based on the findings of periodic documented risk assessments.
127 The plan shall show the individual audits to be conducted during
128 each year and the related resources to be devoted to each of the
129 respective audits. The audit plan shall ensure that internal
130 controls are reviewed on a periodic basis. The plan shall be



131 submitted to the agency head for approval and the audit committee
132 for comment. A copy of the approved plan shall be available upon
133 request to the state an/or legislative auditor or other
134 appropriate external auditor to assist in planning and
135 coordination of any external financial, compliance, electronic
136 data processing or performance audit.

137 (e) The scope and assignment of the audits shall be
138 determined by the agency internal audit director; however, the
139 head of the agency may at any time request the agency internal
140 audit director to perform an audit of a special program, activity,
141 function or organizational unit.

142 SECTION 8. Audits shall be conducted in accordance with the
143 Standards for the Professional Practice of Internal Auditing
144 published by The Institute of Internal Auditors, Inc., and, when
145 required by law, regulation, agreement, contract or policy, in
146 accordance with Government Auditing Standards issued by the
147 Comptroller General of the United States. All audit reports
148 issued by internal audit staff shall include a statement that the
149 audit was conducted pursuant to the appropriate standards.

150 SECTION 9. (1) Audit working papers and reports shall be
151 public records to the extent that they do not include information
152 which has been made confidential pursuant to law.

153 (2) When the agency internal audit director or a member of
154 his or her staff receives from an individual a complaint or
155 information protected by whistleblower or other legislation, the
156 name or identity of the individual shall not be disclosed without
157 the written consent of the individual, or unless required by law
158 or judicial processes.

159 (3) The director and the internal audit staff shall have
160 access to all personnel and any records, data and other
161 information of the state agency deemed necessary to carry out
162 assigned duties. The agency internal audit director shall
163 maintain the confidentiality of any public records that are made



164 confidential by law, and shall be subject to the same penalties as
165 the custodian of those public records for violating
166 confidentiality statutes.

167 SECTION 10. (1) At the conclusion of each audit, the agency
168 internal audit director shall submit preliminary findings and
169 recommendations to the person responsible for supervision of the
170 program, activity, function or organizational unit being audited
171 who shall respond in writing to any findings of the agency
172 internal audit director within forty-five (45) working days after
173 receipt of the findings. Such response and, if necessary, the
174 agency internal audit director's response may be included in the
175 final audit report.

176 (2) The agency internal audit director shall submit the
177 final report to the head of the agency and the State Auditor.

178 SECTION 11. (1) No later than six (6) months after a
179 financial, compliance, electronic data processing or performance
180 audit is issued, the agency internal audit director shall follow
181 up on reported findings to determine that corrective action was
182 taken and is achieving the desired results. The agency internal
183 audit director shall inform the agency head and audit committee of
184 the status of corrective actions taken by the agency manager
185 responsible for supervision of the program activity, function or
186 organizational unit audited.

187 (2) If a follow-up report is issued, the agency internal
188 audit director shall submit the report to the head of the agency
189 and the audit committee. The follow-up report shall be provided
190 upon request to any legislative, executive or judicial branch
191 oversight body, appropriate state and/or legislative auditor or
192 other external auditor.

193 SECTION 12. (1) The state and/or the Joint Legislative
194 Committee on Performance Evaluation and Expenditure Review (PEER)
195 or other external auditor, in connection with planning independent
196 postaudits of the same agency, shall give appropriate



197 consideration to internal audit reports and the resolution of
198 findings therein.

199 (2) Appropriate legislative committees may inquire into the
200 reasons or justifications for failure of the agency to correct the
201 deficiencies reported in internal audits.

202 SECTION 13. (1) The agency head shall make available to the
203 internal audit director adequate resources to ensure the
204 professional development and continuing professional education of
205 the internal audit staff.

206 (2) The internal audit director shall cooperate with the
207 state and/or legislative auditor or other external auditor in the
208 exchange of technical assistance and access to current information
209 concerning audit techniques, policies and procedures.

210 SECTION 14. Each agency internal audit organization should
211 have an external quality control review at least once every three
212 (3) years to determine compliance of issued reports with current
213 Standards for the Professional Practice of Internal Auditing
214 and/or, if appropriate, Government Auditing Standards. The review
215 shall be performed by qualified persons who are independent of the
216 organization and who do not have a real or apparent conflict of
217 interest. The report issued on the external quality control
218 review shall be a public record to the extent authorized by law.

219 SECTION 15. (1) There is created the audit committee which
220 shall be comprised of one (1) member of the governing board or
221 commission appointed by the chairman of the governing board or
222 commission; however, in those cases where the agency has no board
223 or commission, a person with expertise in the mission of the
224 agency who is not an employee of the agency or contractor with the
225 agency and who shall be appointed by the head of the agency, one
226 (1) staff member of the Joint Legislative Committee on Performance
227 Evaluation and Expenditure Review (PEER), appointed by the
228 Director of PEER and one (1) staff member of the Department of
229 Finance and Administration (DFA), appointed by the Executive



230 Director of DFA. The audit committee shall monitor the activities
231 of the agency internal and external audit activities.

232 (2) The audit committee shall:

233 (a) Review and offer professional advice with regard to
234 the annual internal audit plan and budget, internal and external
235 audit reports, follow-up reports and quality assurance reviews;

236 (b) Periodically meet with the agency internal audit
237 director to discuss pertinent matters, including whether there are
238 any restrictions on the scope of audits; and

239 (c) Not be compensated for services provided. However,
240 they shall be reimbursed for travel expenses in accordance with
241 authorizing law.

242 SECTION 16. A State Interagency Internal Audit Forum shall
243 be established and composed of agency internal audit directors.
244 The purpose of the forum will be to promote the exchange of
245 communication, to identify professional development needs and/or
246 conduct or coordinate training programs, to share audit techniques
247 and approaches, and to address ways to improve agency operations
248 and systems of internal control. The forum will elect officers
249 from its membership and shall meet periodically throughout the
250 year.

251 SECTION 17. Within one hundred twenty (120) days after the
252 end of each fiscal year, the agency internal audit director shall
253 issue an annual report which separately lists audit reports
254 issued, and other activities completed or in progress as of the
255 end of the fiscal year. The annual report shall describe
256 accomplishments of the internal audit activities. Copies of the
257 report shall be provided to the Governor, the agency head and the
258 audit committee. The annual report shall be provided upon request
259 to any legislative, executive or judicial branch oversight body,
260 and to the appropriate state and/or legislative auditor or other
261 external auditor.



262 SECTION 18. If, during the course of an audit, an auditor
263 determines that criminal activity may be involved, then
264 investigative records shall be confidential until the audit is
265 complete and shall be provided to the Attorney General to
266 determine if a criminal prosecution shall proceed.

267 SECTION 19. This act shall take effect and be in force from
268 and after July 1, 2001, and the agencies identified in this act
269 shall comply with the provisions of this act not later than July
270 1, 2003.

