

By: Representatives Brown, Mayo, Warren,
Whittington

To: Appropriations

HOUSE BILL NO. 650
(As Passed the House)

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 A STATE INTERAGENCY INTERNAL
10 AUDIT FORUM; TO REQUIRE ANNUAL REPORTS; AND FOR RELATED PURPOSES.

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

12 **SECTION 1.** This act shall be known and may be cited as the
13 "Mississippi Internal Audit Act."

14 **SECTION 2.** The purpose of this act is to establish a
15 full-time program of internal auditing to assist in improving
16 university, community/junior college and agency operations, to
17 verify the existence of assets and to identify opportunities for
18 cost savings and revenue enhancement. The university,
19 community/junior college or agency internal audit director shall
20 furnish independent analyses, appraisals and recommendations
21 concerning the adequacy of each university, community/junior
22 college and state agency's systems of internal control, and the
23 efficiency and effectiveness of university, community/junior
24 college and agency management in carrying out assigned
25 responsibilities in accordance with applicable laws, rules and
26 regulations. The internal auditing program shall evaluate and
27 advise the organization in the establishment of controls necessary
28 to accomplish university, community/junior college and agency
29 goals and objectives at reasonable costs. The university,
30 community/junior college or agency internal audit director shall



31 be alert to the possibility of abuse or illegal acts, errors and
32 omissions, and conflict of interest.

33 **SECTION 3.** The following words and phrases shall have the
34 meanings ascribed herein, unless the context clearly indicates
35 otherwise:

36 (a) "University" means and includes Alcorn State
37 University, Delta State University, Jackson State University,
38 Mississippi State University, Mississippi State University
39 Agriculture and Forestry Experiment Station, Mississippi
40 University Cooperative Extension Service, Mississippi State
41 University Forest and Wildlife Research Center, Mississippi State
42 University State Chemical Laboratory, Mississippi University for
43 Women, Mississippi Valley State University, The University of
44 Mississippi, University of Mississippi Medical Center and the
45 University of Southern Mississippi.

46 (b) "Community/Junior college" means and includes
47 Coahoma Community College, Copiah-Lincoln Community College, East
48 Central Community College, East Mississippi Community College,
49 Hinds Community College, Holmes Community College, Itawamba
50 Community College, Jones County Junior College, Meridian Community
51 College, Mississippi Delta Community College, Mississippi Gulf
52 Coast Community College, Northeast Mississippi Community College,
53 Northwest Mississippi Community College, Pearl River Community
54 College and Southwest Mississippi Community College.

55 (c) "State agency" means and includes the Department of
56 Finance and Administration, the State Tax Commission, the
57 Department of Education, the State Department of Health, the
58 Department of Mental Health, the Department of Agriculture and
59 Commerce, the Mississippi Development Authority, the Department of
60 Environmental Quality, the Department of Wildlife, Fisheries and
61 Parks, the Department of Corrections, the Division of Medicaid,
62 the Department of Rehabilitation Services, the Department of
63 Public Safety, the Mississippi Employment Security Commission, the



64 Mississippi Department of Information Technology Services, the
65 Public Employees Retirement System, the Mississippi Department of
66 Transportation, the Mississippi Gaming Commission and the
67 Mississippi Department of Human Services.

68 (d) "Agency head" means an elected official who heads
69 an agency, an executive director or a governing board or
70 commission responsible for heading an agency or a president or
71 chancellor of a university or a president of a community/junior
72 college.

73 (e) "Agency internal audit director" means the person
74 appointed by the agency head to direct the internal audit function
75 for the state agency. Where consistent with responsibilities
76 described in this act, the term agency internal audit director may
77 also be referred to as inspector general, audit director, chief
78 auditor or similar internal audit administrator descriptions.

79 (f) "Audit committee" means a standing committee
80 external to organization management that collectively has the
81 expertise to provide effective guidance regarding the acquisition
82 and provision of internal audit services and to provide guidance
83 in the provision of those services.

84 **SECTION 4.** The provisions of this act shall only apply (a)
85 to the following universities: (i) Alcorn State University, (ii)
86 Delta State University, (iii) Jackson State University, (iv)
87 Mississippi State University, (v) Mississippi State University
88 Agriculture and Forestry Experiment Station, (vi) Mississippi
89 State University Cooperative Extension Service, (vii) Mississippi
90 State University Forest and Wildlife Research Center, (viii)
91 Mississippi State University State Chemical Laboratory, (ix)
92 Mississippi University for Women, (x) Mississippi Valley State
93 University, (xi) The University of Mississippi, (xii) University
94 of Mississippi Medical Center and the (xiii) University of
95 Southern Mississippi; (b) to the following community/junior
96 colleges: (i) Coahoma Community College, (ii) Copiah-Lincoln



97 Community College, (iii) East Central Community College, (iv) East
98 Mississippi Community College, (v) Hinds Community College, (vi)
99 Holmes Community College, (vii) Itawamba Community College, (viii)
100 Jones County Junior College, (ix) Meridian Community College, (x)
101 Mississippi Delta Community College, (xi) Mississippi Gulf Coast
102 Community College, (xii) Northeast Mississippi Community College,
103 (xiii) Northwest Mississippi Community College, (xiv) Pearl River
104 Community College and (xv) Southwest Mississippi Community
105 College; and (c) to the following agencies: (i) the Department of
106 Finance and Administration, (ii) the State Tax Commission, (iii)
107 the Department of Education, (iv) the State Department of Health,
108 (v) the Department of Mental Health, (vi) the Department of
109 Agriculture and Commerce, (vii) the Mississippi Development
110 Authority, (viii) the Department of Environmental Quality, (ix)
111 the Department of Wildlife, Fisheries and Parks, (x) the
112 Department of Corrections, (xi) the Division of Medicaid, (xii)
113 the Department of Rehabilitation Services, (xiii) the Department
114 of Public Safety, (xiv) the Mississippi Employment Security
115 Commission, (xv) the Mississippi Department of Information
116 Technology Services, (xvi) the Public Employees Retirement System,
117 (xvii) the Mississippi Department of Transportation, (xviii) the
118 Mississippi Gaming Commission and (xix) the Mississippi Department
119 of Human Services.

120 **SECTION 5.** (1) Except as otherwise provided by subsection
121 (2) of this section, each university, community/junior college and
122 state agency shall, subject to specific appropriation of available
123 funding, employ an agency internal audit director who shall be
124 appointed by the university president or chancellor, the
125 community/junior college president, elected official or executive
126 director or his counterpart of a state agency without a governing
127 board or commission. The university president or chancellor, the
128 community/junior college president of the agency head shall ensure
129 that the university, community/junior college or agency shall



130 employ, subject to specific funding being appropriated, a
131 sufficient number of professional and support staff to implement
132 an effective program of internal auditing. Compensation,
133 training, job tenure and advancement of internal auditing staff
134 shall be based upon the rules of the State Personnel Board for
135 other business employees in the system. The internal audit
136 organization shall have organizational status outside the agency's
137 staff or line management functions or units subject to audit, and
138 shall be free of operational and management responsibilities that
139 would impair the ability to make independent audits of any aspects
140 of the agency's operations. An agency, university or
141 community/junior college internal audit director may be terminated
142 by the appointing authority in accordance with State Personnel
143 Board rules and regulations for any state employee after a seven
144 (7) day notification period to the State Auditor.

145 (2) The university president or chancellor, the
146 community/junior college president or agency head of a university,
147 community/junior college or state agency, respectively, may
148 outsource the internal audit function if he determines that it is
149 more cost efficient than establishing the audit personnel and
150 procedures provided in subsection (1) of this section. Internal
151 audit services may not be outsourced to the same firm or
152 individual who performs independent audit or other consulting
153 services to the university, community/junior college or agency.

154 **SECTION 6.** The university, community/junior college or
155 agency internal audit director shall possess the following
156 qualifications:

157 (a) A bachelor's degree from an accredited college or
158 university and five (5) years of progressively responsible
159 professional auditing experience as an internal auditor or
160 independent postauditor, electronic data processing auditor or any
161 combination thereof. The auditing experience shall at a minimum



162 consist of audits of units of government or private business
163 enterprises, operating for profit or not for profit; or

164 (b) A master's degree from an accredited college or
165 university and three (3) years of progressively responsible
166 professional auditing experience as an internal auditor or
167 independent postauditor, electronic data processing auditor or any
168 combination therefor; or

169 (c) A certificate as a certified internal auditor
170 issued by The Institute of Internal Auditors and three (3) years
171 of progressively responsible professional auditing experience as
172 an internal auditor or independent postauditor, electronic data
173 processing auditor or any combination thereof; or

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

176 **SECTION 7.** The university, community/junior college or
177 agency internal audit director shall:

178 (a) Report directly to the university president or
179 chancellor, community/junior college president or agency head or
180 deputy university official, community/junior college official or
181 agency head.

182 (b) Conduct financial, compliance, electronic data
183 processing and operational and efficiency audits of university,
184 community/junior college or agency programs, activities and
185 functions and prepare audit reports of findings.

186 (c) Review and evaluate internal controls over
187 university, community/junior college or agency programs,
188 accounting systems, administrative systems, electronic data
189 processing systems and all other major systems necessary to ensure
190 accountability of the university, community/junior college or
191 state agency.

192 (d) Develop long-term and annual audit plans to be
193 based on the findings of periodic documented risk assessments.

194 The plan shall show the individual audits to be conducted during



195 each year and the related resources to be devoted to each of the
196 respective audits. The audit plan shall ensure that internal
197 controls are reviewed on a periodic basis. The plan shall be
198 submitted to the university, community/junior college or agency
199 head for approval and the audit committee for comment. A copy of
200 the approved plan shall be available upon request to the State
201 Auditor or other appropriate external auditor to assist in
202 planning and coordination of any external financial, compliance,
203 electronic data processing or performance audit.

204 (e) The scope and assignment of the audits shall be
205 determined by the university, community/junior college or internal
206 audit director; however, the university president or chancellor,
207 community/junior college president or head of the agency may at
208 any time direct the internal audit director to perform an audit of
209 a special program, activity, function or organizational unit.

210 **SECTION 8.** Audits shall be conducted in accordance with the
211 Standards for the Professional Practice of Internal Auditing
212 published by The Institute of Internal Auditors, Inc., and, when
213 required by law, regulation, agreement, contract or policy, in
214 accordance with Government Auditing Standards issued by the
215 Comptroller General of the United States. All audit reports
216 issued by internal audit staff shall include a statement that the
217 audit was conducted pursuant to the appropriate standards.

218 **SECTION 9.** (1) Audit reports shall be confidential but
219 shall be provided on a quarterly basis to the governing board or
220 commission of the university, the community/junior college or the
221 state agency. State agencies without a governing board or
222 commission shall have the quarterly report provided to the
223 Governor and the State Auditor.

224 (2) When the university, community/junior college or agency
225 internal audit director or a member of his or her staff receives
226 from an individual a complaint or information protected by
227 whistleblower or other legislation, the name or identity of the



228 individual shall not be disclosed without the written consent of
229 the individual, or unless required by law or judicial processes.

230 (3) The director and the internal audit staff shall have
231 access to all personnel and any records, data and other
232 information of the university, community/junior college or state
233 agency deemed necessary to carry out assigned duties. The
234 university, community/junior college or agency internal audit
235 director shall maintain the confidentiality of any public records
236 that are made confidential by law, and shall be subject to the
237 same penalties as the custodian of those public records for
238 violating confidentiality statutes.

239 **SECTION 10.** (1) At the conclusion of each audit, the
240 internal audit director shall submit preliminary findings and
241 recommendations to the person responsible for supervision of the
242 program, activity, function or organizational unit being audited
243 who shall respond in writing to any findings of the internal audit
244 director within forty-five (45) working days or less at the
245 discretion of the university president or chancellor, the
246 community/junior college president or state agency director after
247 receipt of the findings. Such response and, if necessary, the
248 agency internal audit director's response may be included in the
249 final audit report.

250 (2) University, community/junior college or the agency
251 internal audit director shall submit the final report, which shall
252 be available to the State Auditor upon request, to the head of the
253 university, community/junior college or agency and the State
254 Auditor.

255 **SECTION 11.** (1) No later than six (6) months or less at the
256 discretion of the university president or chancellor, the
257 community/junior college president or state agency director after
258 a financial, compliance, electronic data processing or performance
259 audit is issued, the agency internal audit director shall inform
260 the university president or chancellor, the community/junior



261 college president or the agency head and audit committee of the
262 status of corrective actions taken by the university,
263 community/junior college or agency manager responsible for
264 supervision of the program activity, function or organizational
265 unit audited.

266 (2) If a follow-up report is issued, the university,
267 community/junior college or agency internal audit director shall
268 submit the report to the head of the university, community/junior
269 college or agency and the audit committee. The follow-up report
270 shall be provided upon request to any member of the Legislature,
271 the State Auditor, the Attorney General, the Governor or other
272 external auditor.

273 **SECTION 12.** (1) The state or other external auditor, in
274 connection with planning independent postaudits of the same
275 agency, shall give appropriate consideration to internal audit
276 reports and the resolution of findings therein.

277 (2) Appropriate legislative committees may inquire into the
278 reasons or justifications for failure of the university,
279 community/junior college or agency to correct the deficiencies
280 reported in internal audits.

281 **SECTION 13.** (1) The university, community/junior college or
282 agency head shall make available to the internal audit director
283 adequate resources specifically appropriated to ensure the
284 professional development and continuing professional education of
285 the internal audit staff.

286 (2) The internal audit director shall cooperate with the
287 State Auditor or other external auditor in the exchange of
288 technical assistance and access to current information concerning
289 audit techniques, policies and procedures.

290 **SECTION 14.** The university president or chancellor, the
291 community/junior college president or the agency director shall:



292 (a) Review and approve the annual internal audit plan
293 and budget, internal and external audit reports, follow-up reports
294 and quality assurance reviews;

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

298 **SECTION 15.** A State Interagency Internal Audit Forum may be
299 established and composed of agency internal audit directors. The
300 annual report may include a comparison of the annual audit plan
301 for the year with the actual audit report issued and an
302 explanation for any differences. The purpose of the forum will be
303 to promote the exchange of communication, to identify professional
304 development needs and/or conduct or coordinate training programs,
305 to share audit techniques and approaches, and to address ways to
306 improve agency operations and systems of internal control. The
307 forum will elect officers from its membership and may meet
308 periodically throughout the year.

309 **SECTION 16.** Within one hundred twenty (120) days after the
310 end of each fiscal year, the university, community/junior college
311 or agency internal audit director shall issue an annual report
312 which separately lists audit reports issued, and other activities
313 completed or in progress as of the end of the fiscal year. The
314 annual report shall describe accomplishments of the internal audit
315 activities. Copies of the report shall be provided to the
316 governing board or commission and the university president or
317 chancellor, the community/junior college president or the agency
318 head and the audit committee. The annual report shall be provided
319 upon request to the State Auditor or other external auditor.

320 **SECTION 17.** If, during the course of an audit, an auditor
321 determines that criminal activity may be involved, then
322 investigative records shall be confidential until the audit is
323 complete and shall be provided to the university president or
324 chancellor, the community/junior college president or agency



325 director and shall be forwarded to the Attorney General to
326 determine if a criminal prosecution shall proceed.

327 **SECTION 18.** This act shall take effect and be in force from
328 and after July 1, 2003, and the universities, community/junior
329 colleges and agencies identified in this act shall comply with the
330 provisions of this act not later than July 1, 2005, if specific
331 funds are appropriated to implement this act.

