

Michigan Department of Community Health Internal Audit Charter

PURPOSE

The mission of the Office of Audit is to provide independent, objective oversight over certain programs or entities funded by the Department; and with respect to the Department's principal operations, activities, and programs:

- Assess the effectiveness of the internal control structure from both a programmatic and administrative operational perspective;
- Verify compliance with statutory, regulatory, procedural, and policy requirements;
- Assess whether principal programs and activities are being operated effectively and efficiently; and
- Provide Department Management with constructive feedback and recommendations for improvement.

The Office provides consulting services designed to add value and improve the organization's operations. The Office also serves as the liaison with the Department's external auditors.

ORGANIZATION

The Office of Audit resides within the Bureau of Budget and Audit, with the Internal Auditor having a direct reporting line to the Department Director. For day-to-day operations, the Internal Auditor meets regularly with the Chief Deputy and the Administrative Officer for Operations. Audit activities undertaken by the Internal Auditor are determined independently and approved by the Department Director in the annual audit plan. The Internal Auditor will have unrestricted access to all records necessary to conduct an independent and objective evaluation of the Department's principal operations, activities, or programs.

The Office consists of six sections, one of which is responsible for the internal audit activities within the Department. Four sections are responsible for conducting external compliance audits or reviews of agencies or organizations funded by the Department, primarily involving Medicaid providers. The other section is responsible for certain subrecipient monitoring activities pursuant to the OMB Circular A-133 requirements. This section is also responsible for the quality assurance activities within the Office.

AUTHORITY

Pursuant to Public Act 272 of 1986, the Office of Audit (Internal Audit) has the authority to audit all operations, activities, and controls of the Department and shall have unrestricted access to all Department books and records, properties, operations, functions, and personnel relevant to the performance of the audit. A person may not prevent or prohibit internal audit from initiating, carrying out, or completing any audit or investigation.

The Office of Audit shall have no direct responsibility or authority for any of the activities or operations that they review. They shall not jeopardize their independence by developing and installing procedures, preparing records, or engaging in any activity that may be selected for review by the Office.

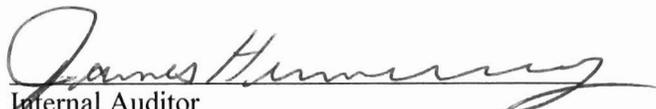
RESPONSIBILITIES

- Annually develop and implement a risk based audit plan that is submitted to and approved by the Director. The plan is designed to be flexible, will consider activities identified by management, and will document reasons for any changes. The plan will include both internal and external audit activities.
- Conduct audits of the Department's principle operations, programs, and activities as identified on the risk-based audit plan to determine whether programs are being operated effectively and efficiently, assets are being appropriately safeguarded, and to ensure compliance with applicable statutory and regulatory requirements.
- Communicate the results of audit activities through written reports provided to the Director, Chief Deputy Director, and other applicable management personnel. Except for follow-up reviews, the reports shall include a response prepared by management of the audited program or activity indicating whether they agree or disagree, and will include a brief description of the actions to be undertaken to correct any deficiencies.
- Provide consultation services to the Department as requested or approved by the Director. This may include such services as providing advice to the Designated Senior Official (DSO) regarding the risk assessment/internal control evaluation process, reviewing and analyzing draft policies, and providing advisory services to system implementation committees or special task committees.
- Review the Department's biennial internal control evaluation process to determine whether it was performed in accordance with the Department of Management and Budget's framework and in a reasonable and prudent manner.
- Assist in the investigation of significant suspected fraudulent activities within the organization.
- Maintain a follow-up process to monitor and communicate to management the disposition of audit findings identified both through internal and external audits.
- Periodically provide information on the status of the annual audit plan.
- Serve as the liaison to external audit organizations and coordinate the official departmental response to findings identified through external audits.
- Conduct external audits or reviews of agencies or organizations funded by the Department, particularly involving Medicaid providers, to ensure that funds are being expended appropriately for necessary and authorized services.
- Conduct subrecipient monitoring activities by ensuring that the Department complies with the federal OMB Circular A-133 audit requirements for agencies that receive federal funds passed through by the Department.

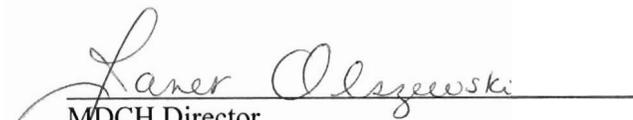
- Apply and uphold the principles of integrity, objectivity, confidentiality, and competency as established in the Code of Ethics issued by the Institute of Internal Auditors.

STANDARDS OF AUDIT PRACTICE

The Office of Audit will endeavor to meet the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors for all of their internal audit related activities. Because the external audits or reviews are normally of such limited scope, those reviews generally are not conducted pursuant to the standards.


Internal Auditor

April 10, 2006
Date


MDCH Director

April 10, 2006
Date