

## WHO ARE WE...

The South Carolina Department of Mental Health (DMH) Internal Audit Department (IAD) was established as an independent function to assist the Board of Commissioners Audit Committee, State Director and management in establishing and maintaining policy and procedures that adequately protect the assets of DMH, and to provide an objective appraisal of compliance with, and adequacy of, existing internal controls.

IAD partners with management to improve the control environment and to identify and manage business risks. We aim to ensure that: operations are run efficiently and effectively, assets are safeguarded, policies and procedures are being adhered to, and that financial transactions are appropriately recorded.

We are a resource to the organization by assisting in areas of organization structure, guidance in policies and procedures, financial accounting and reporting, financial administrative systems, and compliance with federal regulations. We will act as an extra set of eyes to help ensure processes are well controlled and working efficiently.

## WHAT WE DO...

Our role is to provide a detailed prospective of DMH control environment by reviewing financial, operational, compliance and related risks. We work with management to reduce these risks and strengthen internal controls.



### Audits

- Perform audits of financial, operational, and compliance control
- Identify areas of risks and possible mitigation options
- Review business practices and advise on possible improvement areas
- Provide feedback on how to improve internal controls

## Advisory Services

- Consult with management to conduct advisory review addressing specific management's concerns
- Provide management with observations and recommendations that can help improve operations and strengthen internal controls

## HOW WE DO IT...

### 1. Planning

This stage typically includes gathering preliminary available backgrounds information, developing audit approach, time budgeting and a memo to the auditee to provide information about the coming audit.

### 2. Entrance Meeting

At this meeting, IAD discusses our procedures, goals, schedule, scope, and any issues that management may have related to the audit. Internal audit representatives include: Director of Internal Audit and the audit team.



### 3. Scheduled Request

IAD will request documentation from management prior to beginning fieldwork. Such items include: organizational charts, financial information, policy and procedure manuals, promotional literature, contracts, grant documents, etc.

### 4. Fieldwork

This stage is what is typically thought of as the audit work. During this stage, Internal Audit will generally be physically located at the auditee's location. Through meetings with management and other personnel, we will understand and document the control environment and internal controls over revenue



and expenditures, budget and inventory processes, information system and other areas as appropriate. We select samples of transactions to test controls identified through the process mentioned above to ensure they are functioning adequately and to look for areas of efficiency. We discuss all observations with management before fieldwork is completed.

### 5. Draft Report

After completing fieldwork and discussing observations with management, we will develop a draft report. Copies of the draft report will be distributed to the Auditee prior to the exit conference.

### 6. Exit Conference

Comments regarding the audit and observations noted in the draft report will be discussed at this meeting. Attendees are typically those who also attended the entrance conference.



### 7. Final Draft

After the exit conference the final draft is issued to management. We ask the auditee to write responses to recommendations made in the report. Ultimate responsibility for management responses lies with the area being audited.

### 8. Final Report Issued

A final report, including management response, is presented to the Board of Commissioners Audit Committee, the State Director, and management.

### 9. Feedback

A (new) process in which auditees are encouraged to give feedback by way of questionnaire has been implemented. This process will be used as a tool to gauge where improvement is needed within IAD.

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# **South Carolina Department of Mental Health**

## **OFFICE OF INTERNAL AUDIT**



**So you're being audited...**



South Carolina  
Department of Mental Health

# **DMH**