

FIRST REGULAR SESSION

HOUSE BILL NO. 555

93RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE SMITH (118).

Read 1st time February 15, 2005 and copies ordered printed.

STEPHEN S. DAVIS, Chief Clerk

1481L.011

AN ACT

To amend chapter 29, RSMo, by adding thereto ten new sections relating to internal audits.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Chapter 29, RSMo, is amended by adding thereto ten new sections, to be
2 known as sections 29.800, 29.803, 29.806, 29.809, 29.812, 29.815, 29.818, 29.821, 29.824, and
3 29.827, to read as follows:

**29.800. 1. The purpose of sections 29.800 to 29.827 is to establish guidelines for a
2 program of internal auditing to assist agency administrators by furnishing independent
3 analyses, appraisals, and recommendations about the adequacy and effectiveness of a state
4 agency's systems of internal control policies and procedures and the quality of
5 performance in carrying out assigned responsibilities.**

**6 2. Sections 29.800 to 29.827 shall apply only to each state agency as defined in
7 sections 29.800 to 29.827.**

29.803. As used in sections 29.800 to 29.827 the following terms shall mean:

2 (1) "Administrator", the executive head of a state agency;

**3 (2) "Audit", a financial audit, compliance audit, economy and efficiency audit,
4 effectiveness audit, or investigation;**

**5 (3) "State agency", the following departments or other agencies in the executive
6 branch of state government:**

7 (a) Office of administration;

8 (b) Department of agriculture;

9 (c) Department of conservation;

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

- 10 (d) Department of corrections;
- 11 (e) Department of economic development;
- 12 (f) Department of elementary and secondary education;
- 13 (g) Department of health;
- 14 (h) Department of higher education;
- 15 (i) Department of highway and transportation;
- 16 (j) Department of insurance;
- 17 (k) Department of labor and industrial relations;
- 18 (l) Department of mental health;
- 19 (m) Department of natural resources;
- 20 (n) Department of public safety;
- 21 (o) Department of revenue;
- 22 (p) Department of social services;
- 23 (q) Missouri consolidated health plan;
- 24 (r) Missouri state employees' retirement system.

29.806. A state agency shall conduct a program of internal auditing that includes:

- 2 (1) An annual audit plan that is prepared using risk assessment techniques and that
- 3 identifies the individual audits to be conducted during the year; and
- 4 (2) Periodic audits of the agency's major systems and controls, including, but not
- 5 limited to:
 - 6 (a) Accounting systems and controls;
 - 7 (b) Administrative systems and controls; and
 - 8 (c) Electronic data processing systems and controls.

29.809. The governing board of a state agency or the administrator or a state agency that does not have a governing board may appoint an internal auditor. The state agency may employ additional professional and support staff the board or administrator determines necessary to implement an effective program of internal auditing. An internal auditor shall:

- 6 (1) Be a certified public accountant or certified internal auditor; and
- 7 (2) Have at least three years of auditing experience.

29.812. 1. An internal auditor shall:

- 2 (1) Report directly to the state agency's governing board or the administrator of
- 3 the state agency if the state agency does not have a governing board;
- 4 (2) Develop an annual audit plan;
- 5 (3) Conduct audits as specified in the audit plan and document deviations from the
- 6 audit plan;

7 (4) Prepare audit reports;

8 (5) Conduct quality assurance reviews in accordance with professional standards
9 as provided in sections 29.800 to 29.827 and periodically take part in a comprehensive
10 external peer review;

11 (6) Conduct economy and efficiency audits and program results audits and
12 compliance audits as directed by the state agency's governing board or the administrator
13 of the state agency if the state agency does not have a governing board; and

14 (7) Prepare and maintain an internal auditing charter that describes the roles and
15 responsibilities for the internal auditor and his or her staff auditors.

16 2. The program of internal auditing conducted by a state agency shall provide for
17 the auditor to:

18 (1) Have access to the governing board and administrator; and

19 (2) Be free of all operational and management responsibilities that would impair
20 the auditor's ability to review independently all aspects of the state agency's operation.

29.815. The annual internal audit plan developed by the internal auditor shall be
2 approved by the state agency's governing board or by the administrator of a state agency
3 if the state agency does not have a governing board. Audit reports shall be reviewed by the
4 state agency's governing board and the administrator.

29.818. 1. Each internal auditor shall prepare an annual report and submit the
2 report before November first of each year to the state auditor and the oversight division
3 of the committee on legislative research and the state agency's governing board, and the
4 state agency's administrator. The annual report shall provide a brief summary of the
5 audits conducted during the previous fiscal year. The report shall also provide a summary
6 of any internal control weaknesses discovered, and any fraudulent activities discovered or
7 any other issue that the internal auditor wishes to report. Applicable state agency
8 management responses to the internal auditor's recommendations shall be included in the
9 annual report.

10 2. Each internal auditor shall issue audit reports to the state agency's governing
11 board or the administrator of the state agency if the state agency does not have a governing
12 board which describe the audit work performed and any recommended changes to enhance
13 the system of internal controls, to enhance the efficiency of the state agency or to otherwise
14 fulfill the objectives of the individual audit. All such audit reports shall be made available,
15 upon request, to representatives from the state auditor's office and from the oversight
16 division of the committee on legislative research. All such reports shall be deemed open
17 records in accordance with chapter 610, RSMo.

29.821. An internal auditor may consult with state agency's governing board or the

2 administrator of the state agency if the state agency does not have a governing board, the
3 governor's office, the state auditor, and legislative agencies or committees about matters
4 affecting duties or responsibilities under this chapter.

29.824. The internal audit program shall conform to the Standards for the
2 Professional Practice of Internal Auditing, generally accepted governmental auditing
3 standards, and the Certified Internal Auditor Code of Professional Ethics. Nothing in this
4 section shall preclude the internal auditor or his or her staff from adhering to the
5 standards and practices of any other organization that sponsors a certification or the
6 standards and practices provided by any state licensure board.

29.827. The internal auditor shall be provided sufficient and reasonable resources
2 to provide a program of training and technical assistance to ensure the internal auditors
3 described in sections 29.800 to 29.827 have access to current information about internal
4 audit techniques, policies, and procedures.