TO ALL TO WHOM THESE PRESENTS COME - GREETINGS:

AN EXECUTIVE ORDER AMENDING EO 18-01, REGARDING THE OFFICE OF INTERNAL AUDIT

WHEREAS: On January 3, 2018, EO 18-01 created the Office of Internal Audit within the Department of Finance and Administration; and

WHEREAS: The mission of the Office of Internal Audit is to earn and preserve the trust of Arkansans by promoting accountability, integrity, and efficiency in the operations of the Executive Branch of State government; and

WHEREAS: Waste, abuse, and mismanagement of taxpayer dollars undermine the indispensable trust in state government necessary for our system of governing; and

WHEREAS: On July 1, 2019, the Transformation and Efficiencies Act of 2019 transferred the Office of Internal Audit to the Department of Inspector General (Ark. Code Ann. § 25-43-1002). The duties of Internal Audit were revised in April 2021 (Ark. Code Ann. § 25-43-1004) and include the requirements of auditing and investigating covered entities or transactions of covered entities, and providing consultation activities at the request of covered entities; and

WHEREAS: Since July 1, 2019, the Office of Internal Audit has continued to work with internal auditors within other cabinet level departments; and

WHEREAS: Pursuant to the International Standards for the Professional Practice of Internal Auditing, Organizational Independence is one of the core principles of an internal audit function and is addressed in Standard #1110. Specifically, Standard #1110.A1 states that independence is effectively achieved when internal audit is free from undue influence in determining the scope of work, performance of work, and communication of results; and

WHEREAS: In order to conform to the standards of independence for internal auditing, to further ensure transparency of governmental operations, to have consistent audit processes, and to provide additional oversight of auditing processes, internal auditors in other cabinet level departments should functionally report to the Office of Internal Audit within the Department of Inspector General;

NOW, THEREFORE, I, Asa Hutchinson, acting under the authority vested in me as Governor of the State of Arkansas, do hereby order:

(1) Internal Auditors within the following cabinet level departments shall functionally report to the Office of Internal Audit within the Department of Inspector General:
   a. Department of Finance and Administration – Office of Arkansas Lottery
   b. Department of Health
   c. Department of Corrections
   d. Department of Education
   e. Department of Commerce – Division of Workforce Services
f. Department of Human Services

(2) Positions and funding for those internal auditors will remain at their respective departments, but those persons shall functionally report to the Office of Internal Audit. Those internal auditors shall not be assigned duties or engage in any activities within their departments and agencies that they would normally be expected to review or appraise.

(3) Functional reporting includes, but is not limited to, the following:
   a. Presenting annual audit plans for review and approval;
   b. Obtaining approval before deviating from the annual audit plan;
   c. Presenting results of audits prior to the issuance of audit reports; and
   d. Adhering to guidance regarding engagement planning, fieldwork, reporting and tracking of project time.

(4) The purpose of this framework is for more consistent audit processes throughout the executive branch agencies, additional oversight of the auditing process, and to ensure that internal auditors do not engage in any other activity which may impair their objectivity and auditing judgment.

(5) The Department of Inspector General and Office of Internal Audit will participate with the department and state agency in recruiting and will approve hiring and initial hiring salary for the Chief Audit Executive of each agency/department. The Department of Inspector General and Office of Internal Audit will be responsible for tracking performance and preparing performance evaluations and approving any disciplinary actions, including termination of the Chief Audit Executive.

(6) All department positions created in the future which encompass internal audit functions are subject to dual reporting unless specifically exempt.

(7) The Department of Transformation and Shared Services shall work with the Department of Inspector General and the listed departments to make any necessary reporting changes within AASIS.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Arkansas to be affixed this 20th day of December in the year of our Lord 2021.

Asa Hutchinson, Governor

Attest:

John Thurston, Secretary of State