

6/95

BUREAU OF INTERNAL AUDIT

10.1

Rev. 12/96

STATEMENT OF RESPONSIBILITIES

Rev. 1

INTRODUCTION

The Office of the Legislative Auditor cited the Department for eleven years in the State of Louisiana's Single Audit Report for failing to have a viable internal audit function and recommended the establishment of such a function. In August and September 1994, at the request of the Board of Elementary and Secondary Education (BESE) the State Superintendent of Education created the Bureau of Internal Audit (BIA).

ROLE AND ORGANIZATION

The BIA is established by the BESE upon the recommendation of the State Superintendent of Education. The role and responsibilities are defined by the State Superintendent of Education, with the assistance of the Deputy Superintendent of Management and Finance as part of their oversight function.

The Director of Internal Audit will have dual-reporting responsibility to the BESE and the Superintendent of Education. The Director of Internal Audit shall be under administrative direction of the State Superintendent of Education. In addition, the Director of Internal Audit has functional responsibility for all external audit programs within the department.

The BIA shall be located in the Office of Management and Finance. The Director of Internal Audit, however, shall be supervised by the State Superintendent of Education. The following diagram depicts the reporting and functional relationships of this bureau within the department.

PROFESSIONAL STANDARDS

The BIA shall govern itself by adherence to the following professional standards:

1. Generally accepted auditing standards (GAAS), promulgated by the American Institute of Certified Public Accountants.
2. Generally accepted governmental auditing standards (GAGAS), contained in the publication *Government Auditing Standards*, issued by the Comptroller General of the United States.
3. "Standards for the Professional Practice of Internal Auditing", promulgated by the Institute of Internal Auditors.
4. Its own operating and/or procedures manual(s).

AUTHORITY

All activities of the Department are subject to review by the BIA. These include the Department's state, federal and self-generated programs. Authority is granted for full, free, and unrestricted access to any and all of the Department's records, physical properties, and personnel relevant to any function under review. All Department of Education employees are instructed to assist the bureau in its function. No employee of the Department should interfere with the bureau's employees while fulfilling their responsibilities. The BIA shall have free and unrestricted access to the BESE, the Superintendent of Education, and all cabinet members.

Documents and information given to bureau employees during a periodic review will be handled in the same prudent manner as by those employees normally accountable for them. The confidential nature of any such information will be maintained as required by law.

INDEPENDENCE

All activities of the BIA shall remain free of influence from any employee or element in the Department in order to permit maintenance of an independent mental attitude necessary in rendering objective reports. This independence will include matters of audit scope, procedures, frequency, timing, or report content.

The bureau shall have no direct operational responsibility or authority over any of the activities it may review. Additionally, it shall not develop or install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

Bureau employees are expected to maintain an independence in attitudes and beliefs sufficient to allow them to perform their duties in an impartial and objective manner. In addition, they should remain free of any personal or external impairments to their independence.

The bureau's organizational independence is established by its direct dual-reporting authority to the BESE and the Superintendent of Education. The BIA will also consult with and make recommendations to Department management in audit related areas.

SCOPE

The scope of the BIA encompasses the examination and evaluation of the adequacy and effectiveness of the Department's internal control structure as well as quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. While the internal control structure is the responsibility of the Department's management, the bureau is responsible for evaluating its adequacy and effectiveness and recommending improvements if necessary.

In addition, the bureau will determine whether the department's programs have operated in compliance with applicable state and federal laws and regulations.

The bureau's scope includes, but is not limited to:

-  Assessing risk and developing audit objectives, priorities, and procedures that will ensure an effective internal control structure.
-  Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the Department has complied with such.
-  Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
-  Reviewing and evaluating the economy, efficiency, and effectiveness with which resources are employed.
-  Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
-  Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

- ✎ Reviewing specific operations at the request of the BESE, the Superintendent, or the Superintendent's Cabinet.
- ✎ Reviewing the quality of performance of the external auditors and the degree of coordination with the bureau.
- ✎ Any other projects or activities as may be assigned by the Superintendent of Education or the BESE.

The purpose of an audit recommendation made by the BIA is to identify and recommend solutions for internal control structure weaknesses, noncompliance with laws or regulations, inappropriate or inefficient operations, etc., as well as provide adequate follow-up to ensure corrective action has been taken.

The bureau's annual budget, audit plan or work schedule, and the organizational structure are to be reviewed by the Superintendent, or designee, and the Audit Review Committee of the BESE, or as required by law, to ensure the working adequacy and effectiveness of the bureau. The audit plan is to be developed based on relevant risk factors and priorities of upper management.

The Director of Internal Audit, or designee, will attend all BESE Audit Review Committee meetings, other BESE Committee or Board meetings, and such Department cabinet meetings as may be directed by the Superintendent, and bring attention to all matters appropriate for review.

REPORTING

A written report will be prepared and issued by the Bureau of Internal Audit following the conclusion of each audit. The report will be distributed simultaneously to the members of the BESE and the Superintendent. It will be distributed to other officials as required by law or as appropriate.

The report will normally include management's response and the corrective action taken or to be taken in regard to the specific findings and recommendations. The response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.

For cases in which a response is not included in the report, management of the appropriate area shall respond, in writing, within thirty days of publication to the Director of Internal Audit. The director will be responsible for disseminating management's response to those on the distribution list.

The bureau shall be responsible for appropriate follow-up on audit findings and recommendations.

RESOLUTION OF MANAGEMENT NONCONCURRENCE WITH BUREAU OF INTERNAL AUDIT REPORT FINDINGS

It is anticipated differences of opinion will arise between department management and the BIA related to issues reported by the BIA in audit report findings. At its September 1996 meeting, the following process was adopted by the BESE to address these differences of opinion/issues:

1. The audit report is prepared, issued, and distributed by the BIA as per the normal process for distributing audit reports.
2. The audit report is received by the BESE members and the Audit Review Committee.
3. Upon reviewing the report, the Chairperson of the Audit Review Committee recommends unresolved issues be referred to the Superintendent of Education for resolution.
4. The Superintendent meets with the management and the Bureau of Internal Audit to discuss the basis/reasons for disagreement and review any pertinent documents.
5. At the next Audit Review Committee meeting, the Superintendent submits for BESE approval a report of the recommendation(s) regarding resolution for each disputed issue(s).
6. Upon BESE approval, the Superintendent, or designee, acts to implement the approved recommendation(s) for resolution.
7. Unresolved issues are placed in a pending status until resolution occurs.

RELATIONSHIP TO EXTERNAL AUDITORS

External auditors perform audits of state and local government organizations, programs, activities, and functions receiving government assistance as mandated by the Federal Single Audit Act of 1984, as amended, and Office of Management and Budget (OMB) Circulars.

The Single Audit Act and OMB Circular A-133 govern the audits of institutions of higher education and other nonprofit organizations. State Legislative Act 503, Federal Regulation 7CFR, Part 226, along with Circular A-133 provide for program specific audits.

The Department employs program specific auditors for the purpose of conducting audits in accordance with program regulations. The Single Audit of the department is the responsibility of the Office of the Legislative Auditor.

The BIA has functional authority and responsibility for the department's external program auditors. This will promote active and effective coordination with the external auditors while maintaining the flexibility necessary to be responsible for the overall audit needs.

COGNIZANT AGENCY RESPONSIBILITIES

By agreement with the U. S. Department of Education, the Department of Education has been appointed the cognizant agency in the State of Louisiana for Single Audits of the local school boards. The BIA has been given the responsibility to perform the cognizant agency functions for the department.

The BIA's duties in this area include, but are not necessarily limited to, the following:

1. Foster timely performance of audits and submission of audit reports.
2. Maintain a system for tracking and processing audit reports in accordance with appropriate laws, regulations, and/or guidelines.
3. Monitor and ensure resolution of all audit findings noted in reports.
4. Follow-up on unresolved audit findings.
5. Distribute reports or letters to appropriate funding programs and officials in accordance with appropriate laws, regulations, and/or guidelines.
6. Perform desk reviews of audit reports in accordance with appropriate laws, regulations, and/or guidelines.
7. Address deficiencies noted during desk reviews and audit quality reviews in accordance with appropriate laws, regulations, and/or guidelines.
8. Provide technical advice and liaison to external auditors, as necessary.
9. Perform reviews of auditors' work quality as time and resources permit.

OTHER SINGLE AUDITS AND PROGRAM SPECIFIC AUDITS RELATED TO DEPARTMENT FEDERAL PROGRAMS

To assist other department federal programs in meeting audit resolution requirements, the BIA will perform the following:

1. Implement and maintain an agency-wide system for tracking and processing audit reports in accordance with appropriate laws, regulations, and/or guidelines.
2. Collect and control audit reports related to the department.
3. Review reports and identify and assign findings for resolution to the appropriate offices or bureaus.
4. Monitor and ensure resolution of all audit findings noted in reports.
5. Distribute reports or letters to appropriate funding programs and officials in accordance with appropriate laws, regulations, and/or guidelines.
6. Identify outstanding audits and make recommendation to withhold funds.
7. Follow-up on unresolved audit findings.

IRREGULARITIES, ILLEGAL ACTS AND OTHER NONCOMPLIANCE

The responsibilities of the BIA for these areas are clearly defined in the professional standards, previously mentioned in this document. The professional standards which will govern the operation of this bureau do not expect or mandate that auditors assume responsibility for detection or prevention of irregularities, illegal acts, or other noncompliance.

All employees of the BIA will be expected to adhere to the professional standards. This will provide reasonable assurance of detecting irregularities, illegal acts, or other noncompliance which are material to the financial statements of the department.

MANAGEMENT REQUESTS

The BIA is expected to be a constructive service engaging in activities which will be of measurable benefit to the Department of Education. Consequently, sufficient flexibility is to be maintained to be responsive to management requests for service that are consistent with the objectives and priorities of the BIA and the Department.

Approved this 5th day of December, 1996:

*//Signed copy on file in the Director
of Internal Audit's office.*

Keith Johnson
President
Louisiana State Board of Elementary
and Secondary Education

*//Signed copy on file in the Director
of Internal Audit's office.*

Cecil J. Picard
State Superintendent of Education

*//Signed copy on file in the Director
of Internal Audit's office.*

Paul G. Pastorek
Chairperson, Audit Review Committee
Louisiana State Board of Elementary
and Secondary Education

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of Internal Audit's office.*

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance